

**DEPARTMENT OF DEFENSE (DoD)
FEDERALLY FUNDED RESEARCH AND DEVELOPMENT CENTER (FFRDC)
MANAGEMENT PLAN
May 15, 2003**

INTRODUCTION

DoD-sponsored Federally Funded Research and Development Centers (FFRDCs) represent a long-term Government investment in a unique resource for research, systems engineering, and analysis. Over the years FFRDCs have been essential contributors to maintaining the superiority of United States forces. FFRDCs perform work that is consistent with (1) the center's mission, purpose and capabilities; (2) DoD's needs as reflected in the center's core competencies; and (3) the strategic relationship between the center and its sponsors. Additionally, the work cannot be performed as effectively by existing in-house, other not-for-profit, or for-profit contractor resources.

FFRDCs are outside the Government to permit the management flexibility necessary to attract and retain high-quality scientists, engineers, and managers, and to provide an independent perspective on the critical issues that they address for their sponsors and users. FFRDCs are operated by universities or privately organized, not-for-profit corporations through Government contracts under the authority of 10 U.S.C. 2304(c)(3)(B).

DoD FFRDCs provide high-quality research, systems engineering and analytical work that is within the scope of their defined core work and draws on or sustains the strategic relationship between the FFRDC and its sponsor. In addition to meeting long-term and intermediate needs of sponsors and users, DoD FFRDCs also provide immediate, short-term assistance to address urgent, high-priority issues.

The DoD currently sponsors ten FFRDCs (see Appendix A) managed by seven parent institutions. Each of the ten FFRDCs is classified under one of the three categories of FFRDCs defined by the National Science Foundation: Study and Analysis (S&A) Center, Systems Engineering and Integration (SE&I) Center, or Research and Development (R&D) Laboratory. A definition of each category is contained in Paragraph C. This management plan recognizes the different purposes of and contributions by organizations in each category. The distinctions between categories of FFRDCs are important considerations in the management approach that should be applied to each of them.

Due to the importance and unique status of FFRDCs, the DoD must ensure that their use is appropriate and that DoD has effective policies and procedures for their management.

A. PURPOSE

This plan, which supersedes the DoD FFRDC Management Plan of May 1, 1996, defines current DoD policies and procedures for the management and use of DoD-sponsored FFRDCs. It

also provides guidelines and procedures for ensuring compliance with the Government-wide policies set forth in Federal Acquisition Regulation (FAR) 35.017, entitled *Federally Funded Research and Development Centers*.

B. APPLICABILITY

This plan applies to FFRDC sponsors, FFRDC users, and contracting activities that award FFRDC contracts.

C. DEFINITIONS

1. Contracting Activity. As referred to in this plan, the DoD contracting activity is the activity that awards a contract or contracts under the authority of 10 U.S.C. 2304 for the accomplishment of work at an FFRDC.
2. Core Work. Work appropriate for performance by an FFRDC because it is consistent with the mission, purpose and competencies of the FFRDC, and draws on or sustains a strategic relationship between the FFRDC and its sponsor.
3. Non-FFRDC Work. Work performed by the parent institution that does not come within the definition of core work, and is, therefore, not performed within the FFRDC(s).
4. Parent Institution. An entity that contracts with the DoD to operate an FFRDC. A parent institution may also be called a parent organization.
5. Primary Sponsor. The DoD component, designated by the Under Secretary of Defense (Acquisition, Technology and Logistics) (USD(AT&L)) for each FFRDC, that is responsible for implementing FFRDC management policies and procedures. Primary sponsors will be referred to as sponsors in this Plan. See Appendix A for an identification of sponsors.
6. Research & Development (R&D) Laboratories. A category of FFRDC that fills voids where in-house and private sector research and development centers are unable to meet DoD core area needs as effectively. These FFRDCs are to maintain over the long-term a competency in technology areas where the government cannot rely on in-house or private sector capabilities. When the sponsoring agreements so provide, these FFRDCs may also develop and transfer important new technology to the private sector so that the Government can benefit from a wider, broader base of expertise.
7. Study and Analysis (S&A) Centers. A category of FFRDC that delivers independent and objective analyses and advice in core areas important to their sponsors and users in support of policy development, decision making, alternative approaches, and new ideas on issues of significance to the DoD community.
8. Systems Engineering and Integration (SE&I) Centers. A category of FFRDC that provides required support in core areas not available from sponsor's in-house technical and engineering

capabilities to ensure that complex systems will meet operational requirements. The centers assist with the creation and choice of system concepts and architectures; the specification of technical system and subsystem requirements and interfaces; the prioritization of system-of-systems engineering capabilities, especially for joint operations; the development and acquisition of system hardware and software; the testing and verification of performance; the integration and interoperability of new capabilities; and continuous improvement of system operations and logistics. They often play a critical role in assisting their users in technically formulating, initiating, and evaluating programs and activities undertaken by firms in the for-profit sector.

9. User. The user or tasking activity is an entity (DoD or non-DoD) that requires the services of a DoD FFRDC for performance of FFRDC work.

D. POLICY

1. Strategic Relationship. The nature of their mission requires that FFRDCs operate in a strategic relationship with their sponsors and users. The strategic relationships enable FFRDCs to develop and maintain in-depth knowledge of their sponsors' and users' programs and operations; maintain continuity and currency in their special fields of expertise, and a high degree of competence in their staff and work; maintain their objectivity and independence; and respond to the emerging needs of their sponsors and users. The strategic relationships have the following characteristics:

a. FFRDCs and their sponsors commit to stable and long-term relationships. The sponsor will typically enter into a five-year contract with the FFRDC's parent institution. Such contracts may include an option for an additional period, not to exceed five years. The exercise of any such option shall be contingent on the successful completion of a comprehensive review and update of the sponsoring agreement by the end of the last year of the contract.

b. FFRDCs have access, beyond that which is common to the normal contractual relationship, to Government and contractor information, including sensitive and proprietary information, and to employees and facilities. In some cases, users may arrange for special access. Access to information will be in conformance with DoD information policies.

c. FFRDCs are required to conduct business in a manner befitting the special relationship with the government, to operate in the public interest with objectivity and independence, and to be free from organizational conflict of interest. FFRDCs must avoid actual or perceived conflicts of interest and accept stringent restrictions on their scope, method of operations, customer base, and the kinds of efforts they can undertake either for their sponsors or for other users. Each FFRDC is required to establish and implement an organizational conflict of interest policy. General guidance on this matter is to be provided by the FFRDC's sponsor.

2. Performance of Work. DoD sponsors shall incorporate instructions in the respective sponsoring agreement to provide guidelines for the performance of work by FFRDCs and parent institutions.

a. FFRDC Work: A DoD FFRDC may only perform core work as defined in its core statement and in accordance with the following guidelines:

(1) All work must be approved by the FFRDC sponsor.

(2) Work may only be accepted from DoD, other Government entities, state and municipal governments, and not-for-profit activities.

(3) Work for non-DoD users should not impair the FFRDC's ability to perform work for its DoD users.

(4) No commercial work may be accepted by a DoD FFRDC.

b. Non-FFRDC Work: Parent institutions operating DoD FFRDC(s) may perform non-core work subject to sponsor review for compliance with established criteria mutually agreed upon by the sponsor and parent institution. The criteria shall be addressed in the FFRDC's Sponsoring Agreement. In establishing these criteria, the following guidelines shall be used by the sponsor:

(1) Non-FFRDC work by parent institutions should be in the national interest, such as addressing economic, social, or governmental issues.

(2) Non-FFRDC work shall not undermine the independence, objectivity, or credibility of the FFRDC by posing an actual or perceived conflict of interest, nor shall it detract from the performance of FFRDC work.

(3) Non-FFRDC work shall not be acquired by taking unfair advantage of the parent institution's operation of its FFRDC(s) or of information that is available to the parent institution only through its FFRDC(s).

(4) Non-FFRDC work may be done for public sector and not-for-profit entities. Commercial work shall not normally be accepted; however, should the sponsor grant an exception, such work must be non-proprietary and may not exclusively benefit any individual for-profit entity.

(5) Each FFRDC sponsor should periodically assess whether the non-FFRDC work performed by the parent institution is impairing its ability to perform its FFRDC work.

(6) Universities operating DoD-sponsored FFRDCs are not subject to the above restrictions. Such work must be obtained, however, in a manner compliant with applicable procurement policies to ensure that work is not acquired through an unfair advantage associated with the FFRDC mission, purpose or special relationship.

c. Technology Transfer Activities. Sponsoring agreements may include authority for FFRDCs to participate with industry in technology transfer activities. Sponsors must include

adequate safeguards to ensure the FFRDC remains free of organizational conflicts of interest and that the conditions for establishing and maintaining the FFRDC are not compromised. The safeguards should include specific review and approval of technology transfer work by the sponsor on a case-by-case basis, in advance of any technology transfer work. The safeguards will identify the specific review and approval criteria and be included in each FFRDC sponsoring agreement. This criteria must ensure that the technology transfer activity will not negatively impact the FFRDC's work, does not pose a real or perceived conflict of interest, is fully consistent with the mission, charter, and core competencies of the FFRDC, and is in full consonance with the policies of the sponsor and DoD policies governing technology transfer.

d. Exceptions. Requests for work performance exceptions (FFRDC and non-FFRDC) shall be directed to the sponsor, and to the Office of the USD(AT&L) as necessary.

3. FFRDC Level of Effort.

a. DoD-funded Work.

(1) Staff years of technical effort (STEs) shall be used in sizing and managing DoD-funded FFRDC work. STEs will provide a standard measure across all DoD FFRDCs for projecting DoD workload and funding requirements. Appendix B contains the standard definition of STE to be used in computing workload requirements.

(2) The USD(AT&L) will establish a workload ceiling annually by STE for each FFRDC based on: (a) sponsor needs; (b) a determination that those needs require one or more of the core capabilities of the FFRDC; and (c) the general guidelines laid out in subparagraph 3.b. below.

(3) The USD(AT&L) may establish annual funding obligation ceilings, as necessary, that will apply to DoD funds obligated during the current fiscal year.

(4) Sponsors shall present requests with appropriate justification to the USD(AT&L) for deviations from or exceptions to the established ceiling for any specific FFRDC.

b. General Guidelines. Annual levels of effort shall be based upon application of the core concept and the following category guidelines:

(1) Study and Analysis Centers (S&A)

(a) Maintain a relatively stable level-of-effort.

(b) Maintain competency in core areas.

(2) Systems Engineering and Integration Centers (SE&I)

(a) Maintain stable core competencies.

(b) Respond to projected trends in workload and funding consistent with the budget supporting the mission area.

(3) Research and Development (R&D) Laboratories. Maintain technical expertise and related competencies necessary to address the core work and priorities of the sponsor and users.

c. Non-DoD Funded Work. FFRDC work funded using non-DoD appropriations will comply with the same policies and constraints as DoD-funded work.

4. FFRDC Fee. DoD relies upon parent institutions of its FFRDCs to operate the FFRDCs as strategic assets of the Department, consistent with the needs of individual sponsors and users. The parent institution must accept that responsibility and the policy restrictions attendant to the FFRDCs. In return, DoD must assure that the parent institutions are provided sufficient resources to operate FFRDCs in an economically sound manner, with due regard to both present and future needs. Ordinary and necessary expenses incurred in the operation of the FFRDC must be recoverable as cost or fee, and the parent institution must be given the flexibility to apply contemporary best practices in investing in the human resources, technology, technical excellence, and physical facilities available to the FFRDC. FFRDCs and their parent institutions must have the financial flexibility to invest in their future in order to best serve DoD needs.

Since FFRDCs are strictly limited by DoD in the types of work they may perform, their sources of funds available to pay costs normally incurred by a business, but not reimbursed under Government cost-type contracts, are limited. As a result, fees for FFRDC work may be appropriate, as specified in DFARS 215.404-75, entitled *Fee Requirements for FFRDCs*. The appropriateness of paying fees to a DoD FFRDC should be addressed in their sponsoring agreement. When fees are authorized, the guidelines in Appendix C shall be used to determine the amount needed. However, these guidelines are not intended to limit sponsor authority to use other techniques in determining fee.

E. RESPONSIBILITIES

1. The Under Secretary of Defense (Acquisition, Technology and Logistics), consistent with the provisions of this plan, is responsible to:

a. Establish workload ceiling for each FFRDC, consistent with overall DoD requirements and strategy.

b. Oversee implementation and execution of this management plan by each FFRDC sponsor to ensure compliance.

c. Monitor the mechanisms used by FFRDC sponsors to ensure the appropriateness and value of FFRDC efforts and activities.

2. Each FFRDC Sponsor shall:
 - a. Ensure that each FFRDC is being used only for its intended purposes.
 - b. Establish procedures to monitor the value, quality, and responsiveness of FFRDC work to user organizations.
 - c. Review descriptions of work proposed to be done by the FFRDC and ensure that the work assigned is consistent with the FFRDC's core statement.
 - d. Comply with the reporting requirements identified in Appendix D.
3. Each FFRDC user shall ensure that access to all information required for an FFRDC to perform requested work is available to the FFRDC on a timely basis, including classified information that may be available on the Secret Internet Protocol Router Network (SIPRNET) and sensitive but unclassified information on the Non-secure Internet Protocol Router Network (NIPRNET).

F. PROCEDURES

1. Sponsoring Agreements. Sponsors of FFRDCs shall maintain sponsoring agreements. The term of the agreement will not exceed five years, but can be renewed, as a result of periodic review, in increments not to exceed 5 years. The specific content of these documents may vary depending on the nature of the relationship between the sponsor and the FFRDC. Sponsors may supplement sponsoring agreements with operating instructions; however, at a minimum sponsoring agreements must include the following:
 - a. Provisions for the orderly termination or nonrenewal of the contract, disposal of assets, and settlement of liabilities. The responsibility for capitalization of the FFRDC must be defined in such a manner that ownership of assets may be readily and equitably determined upon termination of the FFRDC's relationship with its sponsor.
 - b. A prohibition against the FFRDC competing with any non-FFRDC concern in response to a Federal agency formal Request for Proposal for other than the operation of an FFRDC. This prohibition is not required to be applied to any parent organization in its non-FFRDC operations.
 - c. A determination of whether the FFRDC may accept work from other than the sponsor. If non-sponsor work can be accepted, a description of the procedures to be followed will be included, along with any limitations, as to the non-sponsors from which work can be accepted (e.g., other Federal agencies, State, local or foreign governments, or not-for-profit organizations).
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d. A description of the procedures used to assess annually FFRDC performance in the areas of technical quality, responsiveness, value, cost and timeliness, and provide feedback to the FFRDC.

e. When cost-type contracts are used, the sponsor should identify any cost elements or fee that require advance agreement and/or approval. Such items may include, but are not limited to, personnel compensation, acquisition of capital assets, various indirect costs such as independent research and development, or others as deemed appropriate by the sponsor.

2. Core Statement. Sponsors of FFRDCs shall maintain a current core statement describing the purpose for establishing the FFRDC, the nature of the strategic relationship between the FFRDC and the sponsor, and a description of its mission, general scope of effort, and core competencies the FFRDC must maintain so that it can assist in accomplishing the sponsoring agency's mission. This statement must be specific enough to permit discrimination between work that is within the scope of effort for which the FFRDC was established and work that should be performed elsewhere.

3. Comprehensive Review. Prior to exercise of an extension option or renewal of the FFRDC contract, the sponsor shall conduct a comprehensive review of the continuing use of and need for the FFRDC. The sponsor shall advise the USD(AT&L) upon the initiation of a required review and the expected date of its completion. At that time, the USD(AT&L) will have the opportunity to advise the sponsor of any special interest items or requirements to be addressed during the review. This review must comply with FAR 35.017. Appendix E contains guidelines for the conduct of comprehensive reviews. Sponsors should follow the guidelines to ensure consistency and thoroughness in the review process within the DoD. The resulting determination to approve continuation or termination of the sponsorship shall be made by the head of the sponsoring agency, with the concurrence of the USD(AT&L), prior to the anticipated contract renewal date.

4. Reports. USD(AT&L) requires specified and ad hoc reports in order to comply with Congressional reporting requirements and to perform necessary oversight functions and responsibilities. The schedule and content of reports and other submissions currently required are shown in Appendix D.

G. EFFECTIVE DATE

This DoD FFRDC Management Plan is effective upon approval by the USD(AT&L), superseding the DoD FFRDC Management Plan that became effective on May 1, 1996.

APPENDIX A

DoD FEDERALLY FUNDED RESEARCH AND DEVELOPMENT CENTERS

STUDY AND ANALYSIS CENTERS

CENTER FOR NAVAL ANALYSES, Alexandria, VA

SPONSOR: ASN(RD&A)

Performs integrated research for the Department of Navy (DoN) and other DoD components encompassing a broad range of issues, including the development and evaluation of tactics, operational testing of new systems, assessment of current capabilities, logistics and readiness, work-force management, space and space-related activities, cost and operational program analysis, assessment of advanced technology, force planning, and strategic implications of political-military developments. Applies its broad expertise in operations analysis, system requirements and acquisition, resource analysis, program planning, and policy, strategy and doctrine to DoN requirements.

INSTITUTE FOR DEFENSE ANALYSES (IDA), Alexandria, VA

SPONSOR: USD(AT&L)

Performs studies and analyses for the Office of the Secretary of Defense, Joint Staff, Combatant Commands and Defense Agencies in the areas of systems evaluations, technology assessments, force and strategy assessments, and resource and support analyses, including work related to joint concept development and experimentation; advanced computing and information processing; countering terrorism; training and readiness; simulation; countering weapons of mass destruction; acquisition planning and resource management; and defense infrastructure and industrial base. Provides analyses of test plans, operational assessments and test results for weapons and other systems, including new, modified and proposed equipment of all types.

RAND ARROYO CENTER, Santa Monica, CA

SPONSOR: Army Staff/Director, PA&E

Conducts a wide range of research and analyses for the Army in the areas of threat assessment; strategy and doctrine; force design and operations; training and readiness; support infrastructure (at the national and operational levels); recruiting, retention, and personnel management; and management of technology and weapons development.

RAND NATIONAL DEFENSE RESEARCH INSTITUTE, Santa Monica, CA

SPONSOR: USD(AT&L)

Conducts a wide range of research and analyses in the areas of international security and economic policy; threat and risk assessment; defense strategy and force employment options; applied science and technology; intelligence sources and methods; strategic decision processes; information processing systems; systems acquisition, readiness and support systems; and active-duty and reserve manpower, personnel, and training for the Office of the Secretary of Defense, Joint Staff, Unified Commands, and Defense Agencies.

RAND PROJECT AIR FORCE, Santa Monica, CA

SPONSOR: ASAF/A

Conducts a continuous and interrelated program of objective analyses on major cross-cutting policy and management issues of enduring concern to the Air Force, including studies on preferred means of developing and employing aerospace power; national security threats and strategies; Air Force missions, capabilities, and organizations; strategic and tactical force operations; and technology, support, and resource management.

SYSTEMS ENGINEERING AND INTEGRATION CENTERS

THE AEROSPACE CORPORATION, El Segundo, CA

SPONSOR: USecAF

Performs general systems engineering and integration for the National Security Space Community. Provides planning, systems definition and technical specification support; analyzes user needs, design and design alternatives, interoperability, manufacturing and quality control; and assists with test and evaluation, launch support, flight tests, orbital operations, and integration of space systems into effective systems of systems. Appraises the technical performance of contractors and program execution.

MITRE Networks and Information Integration (NI2) FFRDC, Bedford, MA and McLean, VA
SPONSOR: ASD(NI2)/DoD CIO

Performs general systems engineering and networks centric operations integration for the Department. Provides direct support through program definition; creation of plans and architectures; specification of technical requirements; system integration; analyses of design and design alternatives; integration of new capabilities into existing systems; integration of multiple legacy systems into effective systems of systems; hardware and software review; and test and evaluation. Leverages its broad involvement across the Department to work toward cross-cutting joint, multi-national and enterprise-wide capabilities. Appraises contractors' technical performance.

RESEARCH AND DEVELOPMENT LABORATORIES

IDA COMMUNICATIONS AND COMPUTING LABORATORY
Bowie, MD; Princeton, NJ; La Jolla, CA

SPONSOR: NSA

Conducts fundamental research for NSA in support of signals intelligence and information assurance missions in cryptology, including the creation and analysis of complex encipherment algorithms; supercomputing and parallel processing technologies, including the development of parallel processing algorithms and applications; computer network technologies in support of communications security applications; and information processing technologies, focusing on applications for large data sets.

MIT LINCOLN LABORATORY, Lexington, MA

SPONSOR: ASAF/A

Carries out a program of research and development pertinent to national defense with particular emphasis on advanced electronics. Program activities extend from fundamental investigations through design, development, and field test of prototype systems using new technologies.

SOFTWARE ENGINEERING INSTITUTE, Pittsburgh, PA

SPONSOR: USD(AT&L)

Brings technology to bear on rapid improvement of the quality of operational software in software intensive systems; accelerates the reduction to practice of modern software engineering technology and promulgates the use of this technology throughout the software community; and fosters standards of excellence for improving software engineering practice.

APPENDIX B

STAFF YEAR OF TECHNICAL EFFORT (STE)

In calculating workload requirements to be delivered during the fiscal year, FFRDCs and their sponsors shall use the standard definition of STE and work year shown below.

STEs apply to direct professional and consultant labor, performed by researchers, mathematicians, programmers, analysts, economists, scientists, engineers, and others who perform professional-level technical work primarily in the fields of studies and analyses; system engineering and integration; systems planning; program and policy planning and analysis; and basic and applied research.

Minimum educational requirements for STE employees and consultants are a baccalaureate degree from an accredited college or university. In rare instances, non-degree personnel may be included, but only if they possess the equivalent of a baccalaureate degree in education and experience, and are performing work of the same type and level as that performed by degreed STE employees.

A STE work year is defined to be approximately 1,810 hours of paid effort for technical services. STE work years include both FFRDC employee and subcontracted consultant technical effort.

APPENDIX C

DETERMINATION OF FFRDC NEED FOR FEE

The following guidelines should be applied in determining the amount of fee needed to operate an FFRDC.

A fee proposal for an FFRDC must:

- (1) Provide sufficient visibility into each element of fee to identify its purpose.
- (2) Comply with fee reimbursement restrictions and/or limitations included in the sponsoring agreement and/or applicable statutes and regulations.
- (3) Identify, for inclusion as an element of fee, costs not reimbursable under the contract that the FFRDC can nevertheless demonstrate are ordinary and necessary to its successful operation.

Cost categories that may be used to justify fees and establish fee amounts include:

1. Working Capital: There is often a gap between the time costs are incurred and government reimbursements are received. Fee may reflect the amount of working capital necessary to fund the normal business operations of the FFRDC where government reimbursements lag costs incurred, as assessed on an operating cycle basis. The FFRDCs may either use their own reserves (to the extent such reserves are in liquid form) or borrow, thereby incurring interest expense, to satisfy the FFRDC's working capital needs. In addition to meeting immediate cash needs, fee may also appropriately be applied to maintaining working capital reserves to assure the financial health of the FFRDC.

2. Facilities Capital: FFRDCs need to be able to acquire the tangible assets necessary for effective and efficient performance of their contracts with DoD. Fee may reflect the costs of fixed asset acquisitions in accordance with capital acquisition plans that have been approved by the Government as a part of the Fee Justification Proposal. Care should be taken to include only those items that Government regulations, the cost accounting standards and/or the tax code require be capitalized and recovered through depreciation or amortization over a period of years, even though the financial resources used to acquire them have to be committed at the time of acquisition. Such capital acquisitions justify fee to the extent of both the timing differences and the need to service and retire debt that may have been incurred in the original acquisition transaction. Conversely, when feasible, capital equipment and real and leasehold improvements should not exceed the depreciation/amortization (equipment and building) and the imputed cost of money.

3. Other Unreimbursed Expense: Since DoD strictly limits its FFRDCs in the types of work they may perform, frequently requiring them to work exclusively or predominantly for

DoD, FFRDCs forego other sources of revenue. They thus have less flexibility than many contractors to cover “ordinary and necessary business expenses” that are normally not allowable on federal cost-type contracts. Fee can provide the operating flexibility needed to maintain a healthy company. Fee may reflect costs that will be used by the FFRDC for a variety of other “ordinary and necessary” expenses not included in the above two categories. This includes reasonable allowance for management initiatives and investments that will directly or indirectly benefit DoD. In order for these expenses to become appropriate for consideration as a fee need, they must be separately identified and justified in the fee proposal.

The sponsor and contracting activity shall evaluate the need for fee primarily on the basis of the FFRDC as an entity, evaluating its expenses and available resources. This evaluation may address the appropriateness of resources and expenses allocated to the FFRDC, but it is not DoD policy to require the application of resources otherwise available to the parent institution to cover the FFRDC’s needs. The recognition of the need for fee should consider the benefit provided to the operation and purpose of the FFRDC. Activities that benefit a parent institution as a whole (for example, use of fee to provide working capital to meet the payroll) may be an appropriate justification for fee if there is a direct or indirect benefit to DoD.

The sponsor/contracting activity should perform an annual fee review assessing the extent to which the prior representations and justifications regarding fee have proven reliable (both as to the fee amount and to the planned uses for the fee). Repeated, unexplained failure to reasonably adhere to planned uses for fee should serve as a basis for challenging either the appropriateness and/or the magnitude of proposed fee. If a fee amount is identified in the contract, the annual review should determine if a substantial change in needs requires a revision to the amount of fee.

Costs incurred by the FFRDC that are allowable under the cost principles (i.e., commercial using FAR 31.2, not-for-profit using OMB Circular A-122, or university affiliated using OMB Circular A-21), regulations, or statutes applicable to that FFRDC must be classified as direct or indirect (overhead/G&A) charges to the contract and not included as proposed fee elements. Exceptions may be made to this guideline with sponsor approval.

APPENDIX D

REPORTING REQUIREMENTS FOR DoD FFRDC SPONSORS

ANNUAL REPORTING REQUIREMENTS	DUE DATE	DESCRIPTION
Annual Report on Staff Years of Technical Effort (STE) and Funding	15 November	Provide USD(AT&L) with a report showing STEs and associated funding data (DoD and non-DoD). USD(AT&L) will provide required data call format necessary for: (1) Congressional Reporting (2) Budget Estimates.
Changes to Sponsoring Agreement, Core Statement	Within 30 days of change implementation	Provide USD(AT&L) with copies of changes to the Sponsoring Agreement or Core Statement.
Comprehensive Review Notification	One year prior to due date of the review	Advise USD(AT&L) of Comprehensive Review initiation. USD(AT&L) will advise the sponsor of any special review requirements.
Comprehensive Review	NLT 90 days prior to renewal of the FFRDC contract	Provide to USD(AT&L) the results of the Comprehensive Review for the use and need of the FFRDC in accordance with this Plan (see Appendix E), and FAR 35.017. USD(AT&L) concurrence is required prior to renewal of the FFRDC contract.

APPENDIX E

COMPREHENSIVE REVIEW GUIDELINES FOR DoD FEDERALLY FUNDED RESEARCH AND DEVELOPMENT CENTERS

PURPOSE: The purpose of the comprehensive review is to formally analyze the use and need for the FFRDC in order to assist the head of the sponsoring agency in determining whether to continue sponsorship of the FFRDC.

This appendix provides the guidelines for reporting the results of FFRDC comprehensive reviews in accordance with this management plan and FAR 35.017.

- Identify the FFRDC, its sponsor and contracting activity. Include the date and term of the FFRDC's current sponsoring agreement.
- Provide a detailed examination of the sponsor's special technical needs and mission requirements that are being performed by the FFRDC to determine whether, and at what level, they should continue to exist (FAR 35.017-4 (c)(1)).

Identify requirements for FFRDC support including known specific programs involved, the level of effort required and the types of tasks to be performed.

- Consideration of alternative sources (FAR 35.107-4(c)(2)):

Specify the special research, systems development, or analytical needs, skills, and/or capabilities involved in accomplishing FFRDC tasks.

Explain why the capabilities cannot be provided as effectively by in-house personnel, for-profit or not-for-profit contractors, university-affiliated organizations, or another existing FFRDC. Include statements on the alternatives to the FFRDC that were considered and the rationale for not selecting each of them.

- Provide a detailed assessment of the efficiency and effectiveness of the FFRDC in meeting a sponsor's/user's needs including the FFRDC's ability to maintain its objectivity, independence, quick response capability, currency in its field(s) of expertise, and familiarity with the needs of its sponsor (FAR 35.017-4(c)(3)).

Include a summary of FFRDC accomplishments and their effectiveness in meeting user needs since the last comprehensive review. As a minimum, the quality and timeliness of the work produced, the number and dollar value of projects and programs assessed, and the user evaluations of performance should be addressed. A summary of the results of the most recent annual review should be included. All major users should participate in this portion of the comprehensive review. Discuss any criticisms or

concerns that the users had with FFRDC performance and the steps taken to resolve those issues.

- Conduct an assessment of the FFRDC management controls to ensure cost-effective operation (FAR 35.017-4(c)(4)).

Discuss accounting and purchasing systems; overhead costs and fees; oversight actions taken to verify cost-effective operations; and other management issues as deemed appropriate.

- Provide a determination that the criteria for establishing the FFRDC are satisfied and that the sponsoring agreement is in compliance with FAR 35.017-1, FAR 35.017-2, and the DoD Management Plan. Include a statement addressing each of the criteria. Provide a certification that the current sponsoring agreement accurately reflects the mission of the FFRDC.

Discuss agreements between the Government and the FFRDC. These agreements may cover such items as authorization of fees, provision of Government facilities and equipment, distribution of residual assets of settlement and liabilities in event of dissolution, maintenance of specific cash reserves, and waivers to accounting policies or regulatory requirements.

- The comprehensive review should provide a recommended course of action and be signed by the head of the sponsoring agency. USD(AT&L) concurrence with the results of the comprehensive review is required prior to renewal of the contract or termination of the FFRDC.