

# Ordering/Corporate Agreements Guideline - 5.2.G (08/03/04)

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## Last Update: (08/03/04) BDenman:kma - 5.2.G.0

Section 5.2.G.1 in this guideline has been revised to address the new DOE/NNSA approval requirement for procurements which exceed \$10 million. Section 5.2.G.1.1 was added to address price reasonableness requirements.

### Definitions

**Ordering Agreements (OAs)** are nonexclusive agreements with a Contractor under which the Contractor agrees to sell at prices and Terms and Conditions (Ts&Cs) specified in the OAs. OAs are procurement techniques that permit Sandia and the Contractor to negotiate Ts&Cs, prices, discounts, FOB, deliveries, length of agreement, and prompt payment discounts. Orders can then be placed against the OA, utilizing all the previously negotiated Ts&Cs.

**Orders placed against an OA** may be issued by the Sandia Contracting Representatives (SCRs) within the commitment authority limitations specified in Guideline 10.2 - Commitments and Approvals. Sandia is not obligated to purchase under these agreements and an OA may be modified by a revision. There are two types of OAs: Contract Purchase Agreements and Blanket

Purchase Agreements.

**Contract Purchase Agreements (CPA)** incorporate Ts&Cs; pricing which may or may not be established; indefinite quantities; and task orders or orders which are issued against them using a Standard Purchase Order.

**Standard Purchase Orders (SPO)** may be used in two ways, as a definitive contract (see Guideline 1.4 – Contract Types) or as orders issued against a CPA. Standard Purchase Orders issued against a CPA, will incorporate the CPA's Ts&Cs and identify the following:

- line items,
- pricing,
- quantities, and
- delivery schedules.

**Blanket Purchase Agreements (BPA)** incorporate Ts&Cs, negotiated price breaks, indefinite quantities, and predetermined delivery within a specified time for individual items. Orders in the form of releases may be issued by Requester and may be auto sourced in the Oracle System.

A **Blanket Release** is used to issue orders against BPAs.

**Item Master** is a list of items that are available for purchase. Inventory items and JIT-like items will be in the Item Master. (**Note:** Rapid Procurement (JIT) will control the input of items into the Item Masters--except those belonging to the Manufacturing organization.)

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## **OA Procedures - 5.2.G.1**

### **Originating an OA - 5.2.G.1.a**

The decision to negotiate an OA depends upon the analysis of projected/planned procurements. Supporting data may come from historical records or from line organizations. If the line or SCR requests an OA, a memo stating why, along with the terms and estimated expenditures should support that request. The Purchase Requisition (PR) shall be approved according to the commitment authority specified in Guideline 10.2, provided that no approval greater than that of the Director of Procurement and Logistics is required.

**Note:** OA justification memo is not available for release to the general public.

### **OA Estimated Expenditure - 5.2.G.1.b**

The estimated expenditure is the best estimate that the SCR can develop with the assistance of the appropriate Sandia organizations. The estimated expenditure is not a ceiling in the OA, but is

used as an administrative approval index for solicitations and PAS'.

**Note:** Estimated expenditures are not to be incorporated into an OA.

## **OA Document Format - 5.2.G.1.c**

A standard menu may be used for the OA. The menu includes:

- scope, describing the supplies or services which may be ordered,
- term for issuance of orders,
- prices/costs and/or method for determining the prices/costs,
- contract type, and
- appropriate Ts&Cs (negotiated clauses and applicable clauses).

All orders/releases placed against an OA must be within the scope of the OA. The order/release shall include: order/release number and the OA number. The order/release will also include the Statement of Work (SOW), Period of Performance (POP), and total price/cost clause. It is not necessary to incorporate Ts&Cs that are already a part of the existing OA.

## **Composition - 5.2.G.1.d**

Composition of an OA follows the contract system requirements (see Guideline 2.2 – Contract/Purchase Order System). The OA order number is automatically assigned by the Oracle system and will incorporate applicable Ts&Cs. Special requirements should be handled, if possible, at the OA level rather than within an order. Consider the following requirements, if applicable:

- Sole-Source Justification,
- Cost Accounting Standards,
- Cost or Pricing Data,
- Service Contract Act,
- Classification,
- Foreign Ownership, Control or Influence, and
- Organizational Conflict of Interest.

## **Period of Performance (POP) - 5.2.G.1.e**

The Period of Performance (POP) for nonfunded contracts, i.e., OAs, can exceed five (5) years but no more than ten (10) years. Nonfunded contracts which exceed five (5) years must include the Contract Cancellation clause, SC 896-AOA.

## **Approval Levels - 5.2.G.1.f**

The OA itself is approved at the appropriate level based on the estimated value of orders/releases that will be placed against the OA; however, no approval above that of the Director of Procurement and Logistics will be secured. Approval from DOE/NNSA is required if the estimated value of all orders/releases exceed \$10 million (see Commitments and Approvals Guideline 10.2, Sections 10.2.4.G.2.b and 10.2.4.G.3). Each order/release, supported by an appropriately approved PR, shall be treated as a discrete procurement action. Approvals shall be obtained for each order/release in accordance with 10.2.G and 10.4.G – Procurement Action Summaries.

## **Basis of Award - 5.2.G.1.g**

The OA award may be made by utilizing best value tradeoff methods that may include consideration of:

- low price,
- technical merit, or
- a combination of the two.

Multiple OAs may be awarded for the same requirement(s) in order to ensure adequate sources of supply and to promote competition. (See Guideline 3.1 - Best Value Source Selection/Commercial-Like Practice.)

## **Procurement Action Summary (PAS) for OAs - 5.2.G.1.h**

The Procurement Action Summary (PAS) shall include in addition to other required information:

- rationale for forming an OA in lieu of discrete procurements, and
- anticipated benefits of the OA.

## **Revisions - 5.2.G.1.i**

The listing of items or services available for purchase under an OA can be modified only by a revision to the OA itself and not by an individual order. If it is necessary or desirable for an order to include items or services within the general scope of the OA, but not covered by the OA, the OA shall be amended prior to issuance of such order. An order may be revised provided that the revision is within the provisions of the OA. If this is not feasible, a separate contract should be used. Buyer-Made revisions may be made for administrative purposes (see Guideline 4.1 – Contract Revisions).

## **Administrative Responsibilities - 5.2.G.1.j**

Each cognizant SCR shall perform a periodic administrative review of the OAs activities for possible improved future actions to include updating of Ts&Cs, seeking new competition, etc. The SCR should monitor the level of dollar activity of orders/releases against the OA to ensure that it doesn't exceed the approved dollar threshold of the OA.

## **Reciprocal Use of OAs - 5.2.G.1.k**

The SCR may authorize other DOE Integrated Contractors (ICs) to purchase under a Sandia OA, and Sandia may be authorized by other ICs to purchase under their OAs. Purchases by Sandia or the IC will be made directly with the OA Contractor and not through the IC establishing the OA.

## **Price Reasonableness Documentation - 5.2.G.1.l**

Guideline 3.2 – Contract Price/Cost Considerations, Section 3.2.G.6.c.1, outlines the requirements for documenting price reasonableness. For orders/releases against Ordering Agreements (CPA/BPA) where pricing is established in the agreement, Oracle Notes field can be used in lieu of a Procurement Action Documentation (PAD). In these cases, the SCR needs to reference the Sandia Ordering Agreement in the Notes field.

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## **Lockheed Martin Corporate Agreements - 5.2.G.2**

The SCR may utilize various Lockheed Martin Corporate (LMC) and Engineering Process Improvement (EPI) agreements that are available for obtaining discounted pricing. Some of the types of products/services, which can be obtained through these agreements, are: hardware/software, maintenance, and various commodities.

The following process must be utilized in order to access the information and determine whether one of these agreements is available to satisfy Sandia's requirements.

**Step 1:** The SCR receives a PR describing the requirements needed. The SCR should review the LMC and EPI agreement listings to determine if the commodity or service is available on one of these agreements.

**Step 2:** If the SCR identifies an agreement, which may be utilized, the SCR should determine if the agreement has previously been used by Sandia and contact identified SCR for history of usage.

**Note: Sandia** Legal approval is not required for the LMC pricing agreements. However, when utilizing the EPI agreements, Sandia Legal approval must be obtained.

**Step 3:** The SCR will then compare pricing with other known pricing sources for the item to determine if it is in Sandia's interest to utilize the pricing agreement available on these

agreements. If it is determined the pricing for the item is most advantageous from one of the LMC or EPI agreements, the SCR will issue the order/contract with the designated supplier to incorporate these pricing agreements.

**Step 4:** If an LMC or EPI agreement has not been previously used by Sandia, the SCR shall negotiate with the Contractor to place an order/contract with the designated Contractor.

If an order/contract is placed using an LMC/EPI agreement and the item is a commercial item, the SCR shall use SF 6432-CI (Commercial Items) Ts&Cs. If the item is not a commercial item, the SCR shall use SF 6432-FP (Firm-Fixed Price Contracts) Ts&Cs. The SCR must also incorporate SC 117-KOA – Order Placed Under Ordering Agreement, and reference the LMC/EPI pricing agreement. The order/contract should also state that the LMC/EPI pricing agreements take first preference over Sandia's Ts&Cs.

**Step 5:** If the SCR, after reviewing the listing of LMC/EPI agreements, cannot locate the item to be procured under one of the agreements, then the SCR shall proceed with the customary Sandia procurement procedures.

The Lockheed Martin Corporate agreements list may be found in the Guideline Documents area.

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## **Direct Placement of University Proposals Against OA Contracts - 5.2.G.3**

The following procedure outlines the responsibilities of the Requester and the SCR in administering direct placement of university proposals against OA contracts. If the direct policy is followed, no request for a quote is required. The contract can immediately be placed directly.

The Requester shall be responsible for:

- discussing the scope of work, funding amount, and Period of Performance (POP) with the educational institution;
- securing and reviewing the detailed proposal which must include:
  - statement of ability to perform work as described,
  - a detailed cost proposal which includes the direct labor rate for each individual involved indicated in hours (X hours @ \$XX/hr.), applicable fringe and overhead/indirect rates, and other direct costs such as equipment, supplies, travel, use of university facilities or labs, etc.,

- a best estimate forecast for monthly accruals for the duration of the work and the completion date,
- resumes of principal investigator/faculty members involved, and
- the University Contracts Office approval,
- determining if the proposal is acceptable, and
- forwarding acceptable proposal, PR, and SOW to Procurement.

The SCR shall be responsible for:

- verifying the reasonableness of the proposal,
  - performing adequate price/cost analysis in accordance with the cost principles and overhead rates applicable to educational institutions,
  - negotiating with the educational institution, and
  - awarding the contract.
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## **Applicable Clauses - 5.2.G.4**

- SC 117-KOA - Order Placed Under Ordering Agreement
  - SC 801-KOB - Order Under Ordering Agreement
  - SC 806-OAC – Ordering Agreement
  - SC 896-AOA - Contract Cancellation (OA)
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## **References - 5.2.G.5**

- Guideline 2.2 – Contract/Purchase Order Systems
- Guideline 3.2 – Contract Price/Cost Considerations
- Guideline 4.1 - Contract Revisions
- Guideline 10.2 - Commitments and Approvals

- Guideline 10.4 - Procurement Action Summaries
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Send feedback on ideas and information on this page to the Process Expert, Bertie Denman.



[Bertie Denman](#)



[Karen Archibeque](#)

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