

ICO/FAO Guideline - 5.9.G (08/20/04)

[Last Update: \(08/20/04\) BDenman:kma - 5.9.G.0](#)

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This guideline was extensively revised to address administrative changes throughout the document.

Definitions

Federal Agencies (FAs) are federal government agencies, such as Department of Defense (DOD) Supply Centers, Department of Commerce, Interior, etc.

Federal Agency Orders (FAOs) are orders issued to any FA.

Government Sources of Supply (GSS) as used in these guidelines refer to Integrated Contractors (ICs), and FAs. Other Government Sources of Supply (i.e., Federal Supply Schedules (FSSs) and Authorized ADP Schedules) are covered in Guideline 5.10.

An **Integrated Contractor (IC)** is an entity under contract with the Department of Energy/National Nuclear Security Administration (DOE/NNSA), uses DOE/NNSA funds to finance operations under a cost-type contract and maintains accounts and records of all business transactions under the contract in accordance with DOE/NNSA accounting policies and systems.

An **Integrated Contractor Order (ICO)** is an assignment of work and/or transfer of government property between ICs.

Interoffice Work Order (IWO) is a form used for work performed outside the purview of DOE/NNSA/AL.

Mission Related Work is work that is within the scope of work of an IC and DOE/NNSA.

ICO Procedures - 5.9.G.1

Integrated Contractor Orders (ICOs) - 5.9.G.1.a

All currently identified ICOs are uniquely listed in the Supplier Database. Contracting directly with DOE/NNSA Management and Operating (M&O) Contractors is to be done under the ICO procedure.

The decision to place an order with an IC is based on the IC's mission statement in their contract with DOE/NNSA, their capabilities, current workload capacity consideration of subsequent production and DOE/NNSA assigned functions, and the lack of any known commercial source(s) that can meet Sandia's actual needs. A mission assignment is a requirement for material or service which is determined to fall into the DOE/NNSA mission-related category if the product or process has been assigned to one of the DOE/NNSA ICs and mutual benefit (i.e., to Sandia and DOE/NNSA) is achieved by placing the order with that Contractor.

All nonmission-related work should be screened carefully by the Sandia Contracting Representative (SCR) to assure that there are no viable commercial sources for the work. Examples of nonmission-related work are: maintenance on radios, pagers, etc. All nonmission work assigned to an IC shall be justified by documentation retained in the contract file that states the reasons the work cannot be performed by other sources.

It should be noted that an IC might have provisions in their prime contract with DOE/NNSA to use government property/facilities for private competitive purposes. In those cases, that portion of the company is segmented and is classified as a commercial entity, not an IC. The SCR shall require verification of this contract provision and may then proceed to process a procurement requirement in the same manner they would with any other commercial firm.

Sole-Source Requirements for ICOs - 5.9.G.1.b

An ICO is subject to the sole-source considerations of Guideline 1.3 - Competitive vs. Noncompetitive Purchases. If the procurement is greater than \$25K, it must pass the three-part test of a valid sole-source by documentation on the sole-source form. If the order is less than \$25K, the SCR must ensure the adequacy of the sole-source. If an IC has been designated as the appropriate source for any nonmission-related work, the award type is noted as noncompetitive sole-source in Oracle. The contract file should document whether the acquisition is mission or nonmission related. If the requirement is nonmission related, the file must adequately document why it is being placed with the IC instead of a commercial source. IC requirements may not be

competed.

Procurement Responsibility - 5.9.G.1.c

ICOs are processed by SCRs in Procurement at Sandia/NM. At Sandia/CA, issuance and administration of ICOs are performed by Procurement personnel per procedures established and approved by California Weapons Development Support. This is per the authority of the Sandia Procurement Manual and per delegation of authority from the Director of Procurement and Logistics at Sandia/NM.

Terms and Conditions - 5.9.G.1.d

Sandia Standard Terms and Conditions (Ts&Cs) (Section IIs) do not apply to ICOs. Applicable terms include:

- the terms of the IC's contract with DOE/NNSA, and
- any working agreement which may have been established between Sandia and the IC.

Copies of all current working agreements are located in the Procurement Operations Department (Policies and Procedures) at Sandia/NM or with the California Site Logistics and Procurement Department at Sandia/CA.

Mandatory ICO Clause to the SOW - 5.9.G.1.e

All ICOs shall include the ICO clause, SC 114-KIC. This clause incorporates a pre-established contract between the individual IC and DOE/NNSA and any working agreement between the individual IC and Sandia. It provides for any loaned/transferred property to be listed on the Shipper (not in the ICO) and incorporated into the order.

Issuing an ICO - 5.9.G.1.f

The Requester shall prepare the Purchase Requisition (PR) describing the Statement of Work (SOW), dollar commitment and delivery date. The SCR, after receipt of the PR for an order that is to be awarded to an IC, shall:

- Review the SOW to determine if the goods or services required are not commercially available to determine the appropriateness of the work to an IC.
- If goods or services are not commercially available and are less than \$100K, issue an ICO to the IC based on the requisition amount.
- For procurements greater than \$100K, the SCR shall document the facts that the cost or price is reasonable by one of the following methods:
 - Internal estimate (+/-10% of the Requester's original cost estimate)
 - External data

- Historical data (or any other type of analysis)

Note: The SCR shall document the file and discuss the reasonableness of price/cost.

- For ICOs expected to exceed \$1 million, the SCR must obtain approval from DOE/NNSA prior to the issuance of the order.

Note: New ICOs should not be issued in lieu of a revision for the same effort so as to avoid exceeding the \$1 million ceiling which would require prior DOE/NNSA approval.

- If there is a requirement for work in which there is a significant amount of subcontracting with very little work being done by the IC, the SCR should question why the work is not contracted directly to the subcontracting company. Any IC procurement with a substantial amount of subcontracting should be thoroughly documented as to the reason why it is necessary and should rarely occur.
- Lockheed Martin (LM) ICs >\$25K require DOE/NNSA approval.
- Per DOE/NNSA requirements, IC work greater than \$250K for work outside the purview of DOE/NNSA/AL shall be processed using the Interoffice Work Order System. An Interoffice Work Order (IWO) form shall be completed by the SCR that allows financing for the work via a reconciling transfer of budgetary authority between DOE/NNSA field offices. Interoffice work valued at \$250K or less, and intraoffice (DOE/NNSA/AL) work regardless of the threshold will be handled on a cash reimbursement basis.
- The SCR may send a Fax, or issue the order by telephone. An ICO (hardcopy or electronic) document will then be issued and forwarded to the IC.
- The SCR must ensure that the signed cover page for orders over \$100K is scanned and included in the Procurement file.

Note: Signed cover pages for ICO orders under \$100K are not required.

The procurement approval levels for ICOs are set forth in Guideline 10.2 - Commitment and Approvals.

Caution: An ICO issued to a Lockheed Martin Corporation (LMC) operating unit may not be placed until approval has been granted by a Department of Energy/National Nuclear Security Administration/Sandia Site Office (DOE/NNSA/SSO) Contracting Officer (>\$25K and any revision in which the cumulative value is greater than \$25K), per Guideline 10.4 - Procurement Action Summaries. The OCI determination is not required for ICs (other than LMC ICs).

Production ICOs – 5.9.G.1.g

There are **four types** of ICOs in Production:

- Program Management Agreement between Sandia and a Production Agency, delivery to Sandia, with no cost, and, is Materials Requirements Planning (MRP) driven

This ICO requires that Sandia Production Planning and Material Management (PP&MM)

identify quantity and delivery schedule. Program Management (PM) then negotiates the quantity and delivery schedule with the Production Agency.

Program Management maintains a paper trail (ICO(s)) that documents the agreed to quantity and delivery schedule. Based on negotiated quantities and schedules, a Purchase Order (PO) is then input into Oracle by the SCR to show a schedule receipt (no additional information is required).

- Program Management Agreement between Sandia and a Production Agency (PA), delivery to a Contractor, with no cost, and is not MRP driven

Sandia PP&MM identify quantity and delivery schedule. Program Management negotiates with PA's quantity and delivery schedule.

Program Management maintains a paper trail (ICO(s)) that documents agreed to quantity and delivery schedule. No PO required.

- ICO between Sandia and a Production Agency, delivery to Sandia, with cost, and is MRP driven

Planner and SCR identify and negotiate quantity and delivery schedule. PO is then input into Oracle by the SCR to show a scheduled receipt. All documentation is filed in the contract file.

- ICO between Sandia and a Production Agency, delivery to a Contractor, with cost, and is MRP driven

Planner and SCR identify and negotiate quantity and delivery schedule. PO is then input into Oracle by the SCR using two way invoice matching to show a scheduled receipt and direct delivery. All documentation is filed in the contract file.

Radioisotope ICOs - 5.9.G.1.h

Radioisotope ICOs shall be accompanied by a completed DOE/NNSA Form F5400.3, Isotope Order Blank (original plus two copies). Handling charges, if any, shall be stated as a separate charge. These orders are currently placed with Oak Ridge, Argonne, Mound, Brookhaven, and Materials Testing Laboratory.

Property Procedures for ICOs - 5.9.G.1.i

Sandia-controlled property required for the performance of an ICO must be listed on a Shipper that is provided by the Sandia Line Requester. The Shipper must be attached to the PR before submittal to the SCR.

The Property Management Government-Furnished Property (GFP) Clerk or Property Administrator (Development and Administrative Support at Sandia/CA) will review the Shipper and work with the line organization to ensure property numbers are assigned to all trackable assets.

Upon completion of the contract, if the line organization declares the furnished Sandia property as excess property, an administrative transfer may be requested. Administrative transfers are initiated by the line organization by contacting a Property Administrator in the Property Management Department. An administrative transfer is used to transfer ownership (title) of the Sandia-furnished property to the IC. Property Administrators in Property Management are authorized by DOE/NNSA to sign administrative transfers.

Sandia-furnished property to an IC is not considered loaned. The accountability of the property becomes the responsibility of the IC. At the completion or termination of the ICO, the SCR will provide instructions for the disposition of property.

Material to be incorporated into the end product or to be consumed in the performance of the ICO becomes the responsibility of the IC and further accountability by Sandia is not required.

The GFP Clerk or Property Administrator (Development and Administrative Support at Sandia/CA) shall maintain the record of property loaned on each ICO, obtain disposition instructions from the line organizations, and forward disposition instructions to the IC through the SCR.

Prepayments to Integrated Contractors - 5.9.G.1.j

Prepayments to ICs require specific approvals at all dollar amounts, see Guideline 6.3 – Contract Financing.

FAOs Procedures - 5.9.G.2

Issuing Federal Agency Orders (FAOs) - 5.9.G.2.a

The Requester for all FAO orders must define the scope of effort and include an associated (not-to-exceed) ceiling amount if the FAO order is to be incrementally funded.

The SCR, after receipt of the PR, for an order that is to be awarded to a Federal Agency (FA), shall submit the order to the designated agency. A Determination & Finding (D&F) form shall be filled out and then scanned into the contract file. The D&F form does not require DOE/NNSA approval per Release Note 7, dated 12/03/02.

Note: All orders shall include the following statement:

"Sandia Corporation is acting on behalf of the U.S. DOE/NNSA with respect to the expenditure of government funds, pursuant to written authorization of the DOE/NNSA Sandia Site Office, dated October 22, 2003." A copy of this authorization is available on request."

All currently identified FAs are uniquely listed in the Supplier Database and are identified with a prefix of FAO. FAOs are processed by SCRs in Procurement at Sandia/NM. Under delegation

from the Director of Procurement and Logistics issuance and administration of FAOs at Sandia/CA is performed by Procurement personnel per procedures established and approved by California Weapons Development Center and applicable Policies and Guidelines. Orders to FAs should be placed using the following order of preference:

- a Sandia originated FAO, or
- Interagency Agreements issued through DOE/NNSA.

An FAO is not subject to the competition or sole-source considerations of Guideline 1.3 - Competitive vs. Noncompetitive Purchases. FAs are not to be placed in competition against other FAs, commercial Contractors, ICs or government Contractors. The procurement approval levels for FAOs are set forth in Guideline 10.2 – Commitments and Approvals.

Note: When a change is made to the SOW that is outside the general scope of work, a new FAO must be issued.

Mandatory Preamble to the SOW - 5.9.G.2.b

Orders to FAs must include:

- SC 101-KF5, Federal Agency Order Preamble, to be used for all FAOs except those orders submitted indirectly to FAs through DOE/NNSA.

Memorandum of Agreement - FAOs - 5.9.G.2.c

If there is a Memorandum of Agreement (MOA) between DOE/NNSA and the agency, the MOA number must be referenced in the FAO and the FAO must include a statement that the Ts&Cs of the MOA are applicable to the FAO.

Property Procedures for FAOs - 5.9.G.2.d

Per SC 101-KF5, Federal Agency Order Preamble, government property may be furnished by Sandia for performance of an FAO. Such property will be listed on the Sandia Shippers which are incorporated into and made a part of the FAO. At the completion or termination of the FAO, the agency shall forward a listing of any remaining property to the SCR for disposition instructions.

The Property Management Department shall maintain the record of property loaned on each FAO, obtain disposition instructions from the line organizations and forward disposition instructions to the FA through the SCR. Contract administration and closing procedures for furnished property are done in accordance with standard procedures for other types of contracts, see Guideline 6.13 - Property. FAOs are not subject to audit by Sandia.

Government property to be transferred via Shipper to:

- other DOE/NNSA locations, and
- other FAs

must be declared excess by the accountable organization. The line organization initiates the transfer by declaring the property excess and requests the property be transferred. This request is sent to either the Property Management and Reapplication Department in NM or CA.

Prepayments to Federal Agencies (FAs) – 5.9.G.2.f

Prepayments to FAs do not require specific procedures and approvals at any dollar amounts.

Interagency Agreements (DOE/NNSA Agreements) - 5.9.G.2.g

Interagency Agreements are those agreements that DOE/NNSA processes when the Federal Agency (FA) will not accept a Sandia order. The SCR shall submit to DOE/NNSA/SSO a copy of the approved PR for DOE/NNSA to issue the Interagency Agreement to the FA. Some of the agencies who require an Interagency Agreement (in lieu of an FAO) are: Defense Threat Reduction Agency (DTRA), NASA, and the Corp of Engineers.

Applicable Clauses - 5.9.G.3

- SC 101-KF5 - Federal Agency Order
 - SC 114-KIC - ICO Preamble
 - SC 116-KFT - Order Against ADP or Federal Supply Schedule Contract - Partial
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References - 5.9.G.4

- Guideline 1.3 - Competitive vs. Noncompetitive Purchases
 - Guideline 6.3 – Contract Financing
 - Guideline 6.13 - Property
 - Guideline 10.2 - Commitments and Approvals
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Send feedback on ideas and information on this page to the Process Expert, Bertie Denman.



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