

Office of Assistant General Counsel for Finance and Litigation

### A Lawyer's View of Commercial Items Acquisitions



January 28, 2000

#### The Do's and Don'ts of Commercial Item Acquisitions By

#### Edward J. Weber<sup>1</sup>

In the wake of recent legislative and regulatory initiatives streamlining the landscape of the Government's procurement process, the Contracting Officer has been cloaked with the means to quickly and conveniently obtain supplies and services-the commercial item acquisition.<sup>2</sup> It is designed to import to the Government the freedom enjoyed by private sector businesses when they buy commercial products and services for their everyday needs. A growing body of Comptroller General's Decisions in this area provide some guidance for contracting officers who use commercial item acquisition procedures as a purchasing tool. This paper highlights some general advice for CO's in conducting these acquisitions, as gleaned both from the GAO decisions and from reviews of a wide variety of DOC commercial item acquisitions.

#### Know What You Are Buying—It Must Be a "Commercial Item".

At the outset, procurement officials should strive to be as familiar as possible with all aspects of the items being acquired. This is important because all supplies or services being purchased by the Government as commercial items, must first meet the regulatory definition of that term. <u>48 C.F.R. § 12.102(a)</u>. According to GAO, determining whether a product or service is a commercial item is largely within the contracting agency's discretion, and that determination will not be disturbed unless it is shown to be unreasonable.<sup>3</sup>

The Federal Acquisition Regulation ("FAR") defines a "commercial item" as any item, other than real property, that is of the type customarily used for nongovernmental purposes that has been sold, leased or licensed to the general public or has been offered for such sale, lease, or license. FAR §§ 2.101 (a)(1) & (a)(2); 52.202-1 (c)(1)(i) & (c)(1)(ii). See, e.g., <u>Coherent, Inc.</u>, B–270998, 96–1 CPD ¶ 214 (May 7, 1996)(recognizing "actual" sale or license is unnecessary).

It includes "developmental" commercial items—those items that "have evolved from a commercial item through advances in technology or performance" and, while not yet available commercially, "will become available in the commercial marketplace in time to satisfy the Government's delivery requirements." FAR 2.101(b) & 52.202-1 (c)(2). This would include the periodic "upgrades" that appear to be almost routine in the computer hardware and software arenas.

Commercial items also encompass "modified" items. Products qualify for this distinction, so long as modifications are either, of the type customarily available in the commercial marketplace or minor modifications of those not customarily available commercially made to meet Federal requirements. FAR §§ 2.101 (c)(1) & (c)(2); 52.202-1 (c)(3)(i and ii). Several GAO decisions concern modified products and whether they constitute bona fide commercial items. See, e.g., Canberra Indus., Inc., B-271016, 96-1 CPD § 269 (June 5, 1996)(combining hardware and software in configuration never before offered, is still minor); Am. Artisan Prods., Inc., B-281409, 98-2 CPD § 155 at nt. 2 (Dec. 21, 1998) (declaring minor, awardee's proposed exhibit booth modifications to comply with RFP specifications so commercial item identity for agency's lease of

Division reports, issues of A Lawyer's View and other items are available on our web site at http://www.contracts.ogc.doc.gov/cld/

<sup>&</sup>lt;sup>1</sup> Ed Weber is a Senior Attorney in the Contract Law Division who advises NIST and other clients,

<sup>&</sup>lt;sup>2</sup> This particular type of procurement was first authorized by Section 4202 of the Clinger–Cohen Act of 1996, P.L. 104–106.

<sup>&</sup>lt;sup>3</sup> <u>Premier Eng'g. & Mfg., Inc</u>., B-283028; B-283028.2, 99-2 CPD ¶ 65(September 27, 1999).



Office of Assistant General Counsel for Finance and Litigation

### A Lawyer's View of Commercial Items Acquisitions



Page 2

Contract Law Division

exhibition booths and services pertains); Premier Eng'g. & Mfg., Inc., B- 283028; B-283028.2, 99-2 CPD 9 65 (Sept. 27, 1999)(upholding agency's determination that awardee's proposed dual engine, Model 2100, truck mounted, de-icer constitutes commercial item where modified design was customarily available in commercial marketplace before RFP issued, and it was minor given that addition of auxillary engine did not significantly alter the function or physical characteristics of awardee's product). Whether modifications are minor is a determination that GAO considers to be within an agency's technical judgment and not to be disturbed unless it is unreasonable. Trimble Navigation, Ltd., B-271882; B-271882.2, 96-2 CPD ¶ 102 (Aug. 26, 1996)(text accompanying note 4, infra).

While nondevelopmental items also can qualify for commercial item treatment<sup>4</sup>, they must comport with a separate definition,<sup>5</sup> and, unlike developmental ones, be a previously developed item of supply.<sup>6</sup>

#### "Availability" For Developmental And Modified Items.

Qualifying developmental and modified products need only be available either "on (or off) the shelf" or developmentally ( i.e., in commercial production and ready at the time of delivery under the contract). It does not mean, however, that the product will be "on the shelf" or "in development" by virtue of this contract, i.e., upon the expiration of the performance period of the contract to be awarded. The Comptroller General has recently provided some

6 FAR §§ 52.202-1 (e)(1) and (e)(2).

guidance regarding the issue of "availability" under the FAR definition.

For instance, in Avtron Mfg., Inc., B-280758, 98-2 CPD 9 148 (Nov. 16, 1998). GAO recognized that "available" does not necessarily mean an item has been "delivered". Denying the protest that the awardee's commercial aircraft generator test stand was not a nondevelopmental item (under a solicitation seeking a "commercial NDI"), GAO found that although not yet delivered to a commercial customer, the generator test stand existed as a commercial item, needing only minor modifications to be acceptable under the agency's solicitation. Id. In the same context, compare Chant Eng'g. Co., B-281521, 99-1 CPD § 45 (Feb. 22, 1999), upholding protestor's elimination from the competitive range. In doing so, GAO noted that protestor's statements that its commercial test station would meet the performance requirements were insufficient to satisfy the agency's commercial item requirement where, according to GAO: (1) the technical proposal provided "no evidence" that the proposed test station had at least been offered for sale, lease or license to the general public; (2) the proposed product was not based upon any existing, commercially available model, and (3) while the proposal evidenced that protester previously had designed, fabricated and offered test stations to the government, it did not appear that these items were ever commercially available or that the proposed product had evolved from any of those prior items through advances in technology or performance and would be available in the commercial marketplace in time to satisfy the RFP delivery requirements. Id.

#### **Definition Includes Services.**

In addition to supplies, services can qualify<sup>7</sup> as commercial items, as well. FAR § 2.101; 52.202-1(c)

<sup>&</sup>lt;sup>4</sup> FAR §§ 2.101 and 52.202-1(c)(8).

<sup>5</sup> FAR §§ 2.101 and 52.202-1(e). And minor modifications are expressly contemplated. FAR 52.201-1 (e)(2). *See* Trimble Navigation, Ltd., B-271882; B-271882.2, 96-2 CPD ¶102 (Aug. 26, 1996)(holding awardee's hand-held global positioning system receivers fail as nondevelopmental items where offeror's proposed "numerous, significant modifications" to previously developed prototype are not minor).

<sup>7</sup> This should no longer be a question as the 106<sup>th</sup> Congress enacted the National Defense Authorization Act for Fiscal Year 2000, Pub. L. No. 106-65, 113 Stat. 512 (1999)(hereinafter "the Act"). Section 805 of the Act clarifies the 41 U.S.C. § 403 (12)(E) definition of commercial item, to include associated



Office of Assistant General Counsel for Finance and Litigation

### A Lawyer's View of Commercial Items Acquisitions

Page 3



(5) and (6).<sup>8</sup> They may include, installation, maintenance, repair, and training services procured for the support of a commercial item, *Id.* at 52.202-1(c)(5) and commonly known as "support services." More broadly, however, the term includes services of the type offered and sold competitively in substantial quantities commercially, based upon established catalog or market prices for specific tasks performed under standard commercial conditions. *Id.* at 52.202-1(c)(6).

Because the definition of "commercial item" clearly includes such a broad array of supplies and services contracting officers should use it to their advantage in classifying potential acquisitions. Doing so, will enable contracting officers to give program clients better service simply by utilizing an acquisition process that is far less cumbersome and quicker than its corresponding non-commercial counterpart.

#### **Contract Structure**

Essentially, the advice here can be distilled to just three words: "keep it simple." This advice derives from the regulatory framework and usual nature of

<sup>8</sup> E.g., Aalco Forwarding, Inc., B-227241.8, B227241.9, 97–2 CPD ¶ 110 (Oct.21, 1997)(moving services constitute a commercial item). Food distribution support services, Smelkinson Sysco Food Servs., B–281631, 99-1 CPD ¶ 57 (Mar. 15, 1999), and travel management services, including client-server travel subsystem software, Omega World Travel, Inc., B-280456.2, 98-2 CPD ¶ 73 (Sept. 17, 1998), have been successfully procured as commercial items. *But cf.*, Envirocare of Utah, Inc., 1999 WL 388196, 18 FPD ¶ 81 (Fed. Cl., No. 99-76C, June 11, 1999)(holding radioactive waste disposal services do not qualify as FAR Part 12 commercial item). these acquisitions. The regulations and definition of commercial item generally contemplate the acquisition of "off the shelf" products and services typically with relatively short contract performance periods (i.e., the delivery with inspection completed at that point or shortly afterward).

Here, two unique features facilitate the contracting process for commercial items: use of the Simplified Acquisition format;<sup>9</sup> and, the experimental Commercial Item program (for those acquisitions with an estimated value exceeding the simplified acquisition threshold but less than \$5,000,000 dollars.<sup>10</sup>

Insofar as dictating any detailed format for a particular acquisition, the prescriptions are few. Beyond some bare minimums, contracting officers are largely free to be creative.<sup>11</sup> FAR § 12.303 outlines a general contract structure that includes a mandatory SF 1449<sup>12</sup> informational cover sheet. To this, Part 12 adds a few standard contract clauses, the usual specifications<sup>13</sup> and the Statement of Work. FAR §

<sup>11</sup> FAR § 12.102 (b) provides: "Contracting officers shall use the policies in this part in conjunction with the policies and procedures for solicitation, evaluation, and award prescribed in Part 13, Simplified Acquisition Procedures; Part 14, Sealed Bidding; or Part 15, Contracting by Negotiation, as appropriate for the particular acquisition."

<sup>12</sup> See note 8, supra.

<sup>13</sup> The need for adequate product or service descriptions still pertains despite the FAR Part 12 emphasis upon stating requirements in broad functional or performance terms rather than detailed specifications. *Eg.*, NASA-Recon., B-274748.3, 97-

services delineated as "installation services, maintenance services, repair services, training services, and other services." *Id.* at § (E). Further, these associated services are recognized as being embraced within the commercial item so long as they are procured for the support of a commercial item, regardless whether such services are provided by the same source or at the same time as the original item, and the source provides these services contemporaneously to the general public under terms similar to those offered to the Federal Government. *See id.* §§ (E)(i) and (ii).

<sup>&</sup>lt;sup>9</sup> Also, FAR § 12.204 specifically proscribes use of the Standard Form 1449, "Solicitation/Contract/Order For Commercial Items" (SF 1449), in the case of commercial item orders and contracts. This includes procurements under the FAR Subpart 12.5 experimental commercial item program.

<sup>&</sup>lt;sup>10</sup> See FAR Subpart 12.5. Also, note that Section 806 of the National Defense Authorization Act for Fiscal Year 2000, Pub. L. No. 106-65, 113 Stat. 512 (1999)(signed by the President on October 5, 1999), extends the operation of this experimental program until January 1, 2002.



Office of Assistant General Counsel for Finance and Litigation

### A Lawyer's View of Commercial Items Acquisitions



Page 4

12.303(d). The otherwise daunting number of traditional boilerplate provisions, in the commercial item context, have been reduced to a handful. Apart from some general instructions for offerors<sup>14</sup> and specific commercial item representations and certifications<sup>15</sup>, only two provisions absolutely must be included in any commercial item arrangement: FAR §52.212–4, "Contract Terms and Conditions-Commercial Items", and FAR §52.212–5, "Contract Terms and Conditions Required to Implement Statutes or Executive Orders-Commercial Items".<sup>16</sup> Where circumstances warrant, contracting officers also may include provisions relating to "indefinite delivery contracts"<sup>17</sup> and those relating to "options"<sup>18</sup>, as well

Although not required, it seems advisable to incorporate the mandatory FAR 52.212-4 clause in full text rather than by reference. In the event of a post-award dispute, both acquisition staff and legal counsel will need fairly immediate access to the specific version of the mandatory clauses that was effective when the contract was awarded. One cannot guarantee the extent to which older versions of these

<sup>14</sup> See FAR §§ 12.301 (b)(1) and 12.303 (e)(1) (concerning inclusion of the clause at FAR § 52.212-1, "Instructions to Offerors-Commercial Items")

<sup>15</sup> See FAR § 12.301 (b)(2) and 12.303 (e)(4) (pertaining to incorporation of FAR clause 52.212-3, "Offeror Representations and Certifications-Commercial Items").

16 FAR § 12.301 (b).

<sup>17</sup> FAR//12.301(e)(1) and 16.505.

<sup>18</sup> FAR // 17.208 and 52.212-2.

provisions will be readily available in the future, either in some Web-based format or some other library. And as the Government moves to "paperless offices"<sup>19</sup> it is increasingly less likely that all prior versions of the FAR will be maintained, especially in agency field offices.

Although contracting officers are permitted to add additional provisions or clauses, if a situation warrants, the ability to modify the mandatory clauses is restricted. Despite this limitation, the procedures give contracting officers freedom to customize commercial item acquisitions to accommodate the widest array of potential purchasing situations and needs.

#### Use the Procedures Appropriately—Do Not Abuse

Although broad usage is encouraged, contracting officers should use the commercial item process to procure only those supplies and services that fall squarely within the FAR definition. One should not attempt to stretch the limits of the definition. For instance, projects or products that involve substantial design work and extended performance periods (i.e., several option periods), probably do not fall within the FAR definition. And because these projects are typically more complex it would not be prudent to use the commercial item format, in any event, as those standard provisions would not secure adequate contractual protections for the Government.

In this connection, the following summary points are worth considering.

First, only certain contract types qualify. They are firm-fixed-price, firm-fixed-price with economic price adjustment, and indefinite-delivery contracts where prices are established based on a firm-fixed-price or fixed-price with economic price adjustment. FAR §

<sup>1</sup> CPD ¶ 159 (May 15, 1997) (holding FAR Part 12 emphasis on broad functional or performance terms does not relieve agencies of obligation to describe needs in sufficient detail for potential offerors to know which products or services to offer and the manner designed to achieve full and open competition. *See also*, Access Logic, Inc., B-274748.2, 97-1 CPD ¶ 36 (Jan. 3, 1997) (holding proposal rejection was improperly based upon requirements not conveyed in commercial item RFP for a 360degree rear projection display system that simulates outside view from air traffic control tower).

<sup>&</sup>lt;sup>19</sup> This is currently scheduled for October, 2003 under the Government Paperwork Elimination Act ("GPEA"), the implementation of which has been initiated by OMB. 64 Fed. Reg. 10895, March 5, 1999.



Office of Assistant General Counsel for Finance and Litigation

### A Lawyer's View of Commercial Items Acquisitions



Page 5

12.207. Note, the use of any other contract type is "prohibited". *Id.*  $^{20}$ 

Second, where a proposed work statement involves significant design or R&D effort, the contract should not be accomplished as a commercial item acquisition, as such contracts typically include many provisions outside the abbreviated, standard commercial item format. This reasoning would also apply to contracts for construction.

Third, if elaborate inspection or acceptance procedures are needed for the supplies or services being purchased, it's probably not a commercial item procurement.

Fourth, should program officials need a traditional quality assurance program or some other elaborate or lengthy procedures to ensure the quality of products or services being acquired, the commercial item format most likely is not the best choice.<sup>21</sup> This is the case, both in terms of satisfying these programmatic concerns and, simultaneously, minimizing the Government's post-contractual risk.

Fifth, if complex warranty provisions or more than the standard commercial item warranties are necessary then a commercial item acquisition probably is not the best way to proceed.<sup>22</sup>

Just as the commercial item definition should not be loosely applied so as to include purchases that do not fit within the letter or spirit of the regulations, the dollar thresholds triggering FAR Subpart 12 applicability, likewise, should not be misapplied. Simply because the commercial item format affords a more flexible and expedient alternative for obtaining goods or services in a particular situation is not sufficient reason to circumvent these legal, monetary, thresholds. Accordingly, one should not estimate the total value of a proposed acquisition based upon the amount of the initial award (i.e., where a base period and option will constitute the complete contract or the contract consists of more than one separately priced task). Also, acquisition personnel should not unbundle or break up a proposed purchase into one or more components, each to be separately acquired.

Two remaining observations are worth mentioning here. First, follow procedures carefully. The FAR accords agency contracting officers substantial leeway to be creative in their acquisition strategy and to create a unique selection scheme. Based upon its recent decisions, GAO appears to do likewise but only to the extent an agency includes a clear statement of the selection procedures it will use and then strictly follows them, as outlined in the published quotation or solicitation. See e.g., United Marine Int'l., LLC, B-281512, 99-1 CPD ¶ 44 (Feb. 22, 1999) (upholding discussions with only one of two technically acceptable offerors where RFQ, properly issued under commercial item test program, included only standard required commercial item clauses and agency was required to select lowest priced technically acceptable

<sup>&</sup>lt;sup>20</sup> Until the regulations are modified, cost-reimbursement contracts, including purely "cost contracts"(i.e., Time & Materials-Labor-Hour" or "T&M" contracts) appear to be expressly forbidden. Unfortunately, this will eliminate many service contracts from application of Subpart 12. In the meantime, Federal agencies can purchase services using indefinite delivery contracts at fixed-rates under firm-fixed-price contracts. FAR § 12.207.

<sup>&</sup>lt;sup>21</sup> In commercial item contracts, agencies "[shall} rely on contractors' existing quality assurance systems as a substitute for Government inspection and testing systems unless in process inspection or testing is consistent with commercial practices." FAR 12.208. This may be fine for the typical "off the shelf" commercial item purchase but it is probably insufficient for more complex supplies or services. And this essentially renders past performance, *see* FAR § 12.206, all the more important as the Contracting Officer's tool for preventing problems with defective supplies or services.

<sup>&</sup>lt;sup>22</sup> Under the requisite commercial item contract format, the Government merely obtains a warranty of merchantability or fitness for the particular purpose. FAR § 52.212-4(o). *Cf.*, Caterpillar, Inc., B-280362, 98-2 CPD ¶ 87 (September 9, 1998)(upholding DOD competitive source selection despite somewhat irregular result for what GAO termed legitimate warranty concerns).



Office of Assistant General Counsel for Finance and Litigation

### A Lawyer's View of Commercial Items Acquisitions



Page 6

quotation); APTUS Co., B-281289, 99-1 CPD 9 40(Jan. 20, 1999)(limiting evaluation factors for automated warehouse storage and retrieval systems to past performance and price held permissible as comporting with standard commercial item evaluation procedures); Vistron, Inc., B-277497, 97-2 CPD 9 107 (Oct. 17, 1997)(disregarding protestor's contention that agency failed to consider offeror's alleged technical superiority where, consistent with commercial item evaluation procedures, RFP contained no technical evaluation factors and, instead, clearly provided for award based upon lowest price); Micromass, Inc., B-278869, 98-1 CPD 9 93 (Mar. 24, 1998)(challenging, as unduly restrictive, agency's evaluation scheme and specific product compatibility requirements for commercial thermal ionization mass spectrometer is unavailing as FAR Subpart 12 supports such action).

On the other hand, where an agency fails to scrupulously follow the procedures prescribed in its published quotation or solicitation, GAO almost certainly, will not be inclined to favorably dispose of subsequent challenges to award decisions.

For instance, where it adopts a "best-value" approach in its RFQ, it cannot base the resulting award decision upon a rational that is not contemplated by such an evaluation scheme. In Opti-Lite Optical, B-281683, 99-1 CPD 9 61 (Mar. 22, 1999), GAO sustained a best-value award decision to a higher priced offeror for commercial item prescription eyeglasses and services. GAO concluded that the so called best-value source selection decision here was flawed because it consisted entirely of a comparison of total technical and price scores without any analysis of the trade-off to justify paying the higher price. Id. GAO noted the award memorandum contained "no hint" as to the basis for scoring the proposals and "no assessment" of the strengths and weaknesses of them. Id. Further, GAO reasoned the trade-off was inadequate because, beyond mechanical comparison of the total point scores, the contracting officer made no qualitative assessment of the technical differences between the competing offers to determine whether

the technical superiority of the awardee's offer justified the cost premium involved. Id. See also, Universal Building Maintenance, Inc., B-282456, 1999 U.S. Comp. Gen. LEXIS 132 (Jul. 15, 1999)(even under simplified acquisition procedures, award decision is not reasonable where record does not provide any documentation or explanation which supports the price/technical tradeoff, and the award determination appears to be based entirely on a comparison of total technical scores without consideration of protestor's lower technically scored but low priced proposal); Wilcox Industries Corp., B-281437.2, 281437.3, & 281437.4, 99-2 CPD § 3 (June 30, 1999)(sustaining protest in part, for agency's failure to conduct specified product test, where commercial item RFP evaluation scheme states such testing will be conducted as part of the evaluation); Beckman Coulter, B-281030, 99-1 CPD 9 9 (Dec. 21, 1998)(sustaining protest where agency failed to follow FAR 15 negotiated procedures by, according to GAO, conducting "improper post-BAFO discussions" with awardee that took exceptions to provisions in commercial item solicitation and had not fully addressed them in its final revised submission).

As suggested earlier, there is no reason to make this document complicated. Where contracting officers chose, however, to add complexity or to adopt negotiated procedures (as opposed to following the simplified acquisition procedures that ordinarily apply to commercial item acquisitions), the Comptroller General and the Courts will apply the rules governing negotiated acquisitions in these circumstances. And the Agency will be held to strict adherence to its published procedures.

Where contracting officers only wish to employ certain discrete aspects of FAR 15 in a particular commercial item acquisition, they should probably include an explicit provision that serves to notify offerors that the procurement is being conducted under simplified acquisition procedures and that FAR Part 13.5 governs despite the incorporation of various negotiated techniques. This is especially so following



Office of Assistant General Counsel for Finance and Litigation

### A Lawyer's View of Commercial Items Acquisitions



Page 7

the decision in *Dubinsky v. United States*, 43 Fed.Cl. 243 (1999). In Dubinsky, the Federal Court of Claims held that when an agency elects to follow the discussion rules in FAR § 15.306, it also must follow the FAR §15.307 procedures that pertain when obtaining proposal revisions. Id. at 263. According to the Court, the Air Force Academy's position that the procurement of two electronic scoreboards for its football stadium was conducted according to FAR Part 13 (rather than FAR Part 15, as its RFP reflected) was an "afterthought" and, even assuming that simplified acquisition procedures were used, the Air Force prejudicially failed to provide adequate notice of that fact to offerors. Id. at 255. Taking issue with the agency's characterization of its action, the Court emphasized that the incorporation of FAR § 52.212-2 evidences the Contracting Officer elected to utilize FAR Part 15 procedures rather than the evaluation provisions of FAR Part 13. Id. at 256. Further supporting this conclusion, the Court also noted GAO has stated that FAR § 52.212-2 is to be used when FAR Part 15 procedures are contemplated. Id. (citing United Marine Int'l., LLC, B-281512, 1999 WL 88941 at \*3 (1999).

Thus, while the bulk of the FAR Part 12 commercial item cases underscore that Government contracting officers are accorded somewhat broad latitude, decisions such as *Dubinsky*, *supra*, likewise demonstrate, that the simple structure of the commercial item acquisition, as prescribed in the regulations and discussed, should be supplemented with aspects of FAR Parts 14 and 15 only to the extent these procedures are absolutely needed to facilitate the overall goals of each procurement action.

Second, if an agency needs to incorporate supplemental contract clauses or modified terms and conditions beyond those customarily required in the commercial marketplace for the item being acquired, GAO has held that you will need to obtain a waiver. *Smelkinson Sysco Food Servcs.*, B-281631, 99-1 CPD ¶ 57 (Mar. 15, 1999). FAR 12.301(e) allows CO's to include additional provisions. For instance FAR §12.301 (e)(1) calls for additional clauses from FAR \$16.505 for ID/IQ contracts and FAR \$12.301 (e)(2) permits additional clauses where the acquisition contemplates one or more options for items or performance. Beyond these situations, however, additional clauses, terms or conditions are permitted only as necessary to reflect agency unique statutes applicable to commercial items acquisitions or as approved by agency procurement executives. FAR \$12.301(f).

To a limited extent certain mandatory commercial item provisions can be modified or "tailored", FAR §§ 12.302 and 12.301 (b)(1-4), but only after conducting appropriate market research to verify that the changes are consistent with customary commercial practice for the items being acquired. FAR §§ 12.302(a) and 12.301 (a)(2). Neither tailored terms and conditions, nor supplemental provisions, however, can be added to any commercial item contract where they are inconsistent with customary commercial practice for the item(s) being acquired unless a waiver is obtained by the procuring agency. FAR § 12.302(c). In Smelkinson, supra, GAO sustained a protest because the Agency failed to conduct adequate market research to support its determination that the challenged terms, including disclosure of profit associated with interorganizational transfers of food items, were consistent with customary commercial practice or that it had obtained a waiver necessary to tailor the standard mandatory commercial item clause. Id.

As currently formulated, the regulations do not appear to contemplate the execution of waivers by immediate supervisors. Instead, waivers will probably have to come from the FAR Council. As a result, the waiver process will not be an expedient one. This is probably designed to discourage waivers from the standard commercial item terms and conditions in all but those cases where one is absolutely necessary.

#### Conclusions

The commercial item acquisition is a valuable tool in the hands of knowledgeable acquisition professionals. It enables them to give program clients fairly quick



Office of Assistant General Counsel for Finance and Litigation

### A Lawyer's View of Commercial Items Acquisitions





Page 8

turn-around in obtaining the goods and services to sustain daily program needs. Further, the process can be applied to a wide variety of goods and services and up to a significant monetary threshold. Based upon the caselaw to date, however, acquisition offices should understand they will be strictly held to the processes they adopt in structuring the quotations, solicitations, or other contract documents they publish. As this result is not new, it should not come as any surprise.

Among the unique aspects of contracting for commercial items is the abundantly broad discretion that appears to be accorded Government contracting officers. As GAO's decisions evidence, however, a "break point" occurs where an agency does not carefully follow the procedures it intentionally or unwittingly adopts when it crafts and publishes its quotation or solicitation. Nonetheless, such wide latitude should promote innovation and efficiency in procuring commercial items. And it also will enable Government acquisition professionals to attain measurable and beneficial results for program officials.