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## THESIS

A DICTIONARY OF  
ACQUISITION AND CONTRACTING  
TERMS

by

Richard A. Mendez  
Gerald A. Rivas

June 1993

Principal Advisor: David V. Lamm

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### ABSTRACT

This thesis is a continuation of research initiated by LCDR Daniel Ryan, SC, USN to establish a basis for defining words and terms used in the field of contracting. The twenty terms selected for this thesis were synthesized from collected definitions, Government regulations and contracting literature and reviewed in some cases more than once by National Contract Management Association professionals in previous research efforts. This work differs from previous research in that it takes the terms from those efforts which lacked significant consensus and refines them using a Delphi Technique. This research is a joint effort conducted by students at the Naval Postgraduate School, Monterey, California, and the Air Force Institute of Technology, Wright-Patterson Air Force Base, Dayton, Ohio.

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## I. INTRODUCTION

### A. BACKGROUND

This thesis is part of a joint effort conducted by graduate students at the Naval Postgraduate School, Monterey, California, and the Air Force Institute of Technology, Wright-Patterson Air Force Base, Ohio, to derive definitions for words or phrases commonly used in the field of acquisition and contracting. This research is supported by the National Contract Management Association (NCMA), a professional association that will publish the consolidated research effort in the form of a dictionary of acquisition and contracting terminology.

The purpose of the dictionary is twofold. First, to provide an education tool to those unfamiliar with the acquisition and contracting process. Second, to provide a reference document for those who are working in or desire knowledge of the acquisition and contracting process.

A fundamental link in the ability to effectively communicate is a common language. Several individuals, organizations, commands and schools have attempted, with varying degrees of success, to develop such a language. However, until this ongoing research was established, no consolidated effort had been undertaken in this regard. The lack of a consolidated effort has caused a disparity in the definition of terms. The objective of this thesis is to refine those definitions that generated substantial

controversy in previous research with the ultimate goal of establishing a unified acquisition and contracting language.

#### **B. PRIOR RESEARCH**

Lieutenant Commander (LCDR) Daniel Ryan, Supply Corps (SC), United States Navy (USN) initiated the consolidation of baseline consensus definitions in 1988. In 1990, Lieutenant (LT) Robert Eric Wilson, SC, USN took terms from LCDR Ryan and three subsequent efforts that generated significant diversity and refined them using a modified Delphi Technique. Since then several other students have contributed to the effort initiated by LCDR Ryan. Each of these researchers synthesized approximately twenty-five terms that were provided to NCMA professionals for review and comments. The comments were analyzed and consolidated into consensus definitions.

This research effort is the second half of an effort to build a consensus of controversial terms. In 1992, LCDR Marco Furfuro and LCDR George Omechevaria began this effort by compiling a list of forty controversial terms that required further research. They each researched 10 terms leaving 20 terms for this effort. The original list of 40 terms to be refined included some terms that remained controversial after LT Wilson's efforts to refine them.

### **C. SCOPE AND ASSUMPTIONS**

The scope of this thesis is to refine the definitions of twenty contracting terms that were considered to lack sufficient consensus to be included, as developed, in a professional dictionary. The basic assumption of this thesis is that there is insufficient agreement on the specific meaning of terms applied in the acquisition and contracting arena. Additionally, it was assumed that no single source of authoritative contracting definitions exists. Finally, it was assumed that NCMA professionals had achieved the educational background and on-the-job experience necessary to possess a sufficient level of expertise to assess the definitions.

### **D. RESEARCH QUESTIONS AND OBJECTIVES**

The research question addressed in this thesis is:

To what extent can standard meanings be arrived at in the evolving field of contracting in which words are used with various meanings?

Subsidiary research questions include:

- What agreement can be reached from professionals in the field?
- What definition of terms can be concluded from research and feedback?
- Is the Delphi Technique useful for fine tuning controversial acquisition and contracting terms?

### **E. RESEARCH METHODS**

The objective of this thesis was to establish consensus definitions for twenty controversial acquisition and



contracting terms. To achieve consensus for these terms, the Delphi Technique was used.

The Delphi Technique is characterized by a small monitor team who designs a questionnaire that is sent to a larger respondent group. After the questionnaire is returned, the monitor team summarizes the results, submits the results to a committee for review and then develops a new questionnaire for the respondent group. The respondent group is usually given at least one opportunity to reevaluate its original answers based upon examination of the results from the first round and comments from other respondents. The technique is a combination of a polling procedure and a conference procedure that attempts to shift a significant portion of the effort needed for individuals to communicate from a larger respondent group to a smaller monitor team. [Ref. 10]

This study included two researchers who collected and examined two rounds of responses from a larger group. If warranted, revisions were made to the original definitions following each round. To maintain the integrity of the consensus method, the researchers submitted their work to an independent committee of three contracting professionals who examined the proposed changes and results for each round. The committee's primary function was to ensure that the researchers remained true to the consensus of the respondents and that pertinent comments were captured in any proposed changes to the definitions. The respondent group consisted of

1,000 NCMA members; four distinct groups of 250 participants, each responding to five terms. The procedures of this study were as follows:

1. Review the list of candidate controversial terms from previous theses.
2. Select a workable subset of terms (20) for refinement for this study.
3. Mail an initial questionnaire containing five controversial definitions to four distinct groups of 250 NCMA members (See Appendix B). Respondents were asked to indicate some degree of agreement or disagreement using a six-point Likert Scale and to provide qualitative comments regarding the definition of the five terms.
4. Analyze questionnaire responses and arrive at revised definitions, if necessary.
5. Submit results to the selected committee of contracting professionals to ensure the integrity of the consensus was met.
6. Mail a second questionnaire to the respondents containing the original definition, a summary of the Likert scale responses, the anonymous comments of all respondents and the revised definitions (See Appendix C).
7. Repeat steps 4 and 5 and arrive at consensus definitions for the 20 terms (See Appendix A).

The literature review and the organization of the study will be provided in the next two sections.

#### **F. LITERATURE REVIEW**

The literature review in this thesis differs from previous theses. Because the objective was to refine the controversial terms contained in previous efforts, the task of searching literature for definitions, glossaries, and usage of terms was limited to the Federal Acquisition Regulation [Ref. 6] and

textbooks [Ref. 1] [Ref. 5] [Ref. 17], as well as a review of previous theses conducted in this area of research.

Also, included in the literature review was a more extensive review of literature on the Delphi technique to better understand this research procedure. It is possible that there may have been unintentional elements of bias in previous efforts with respect to the development of questionnaires. The efforts by Furforo and Omechevaria utilized a five-point Likert scale which included three positive choices and only two negative choices. It is the researchers' opinion that this imbalance may have been the source of the unintentional bias. Therefore, through this research it was agreed upon to use the Delphi Technique with a six-point Likert scale and a review committee. It is recognized that reaching a consensus on terminology can be difficult. However, it is the researchers' opinion that this method is best suited to achieve the research objective and that the avenues for biases have been eliminated.

#### **G. ORGANIZATION OF THE STUDY**

Chapter I of this thesis provided background information and discussed the methodology and scope of the research effort. Chapters II, III, IV and V deal with the results and analysis of the two rounds of questionnaires. Five different controversial terms are discussed in each of these chapters. Chapter VI concludes the research effort by addressing the

research and subsidiary questions, and providing general comments, conclusions and recommendations.

## II. ANALYSIS OF RESPONSES - PART I

### A. INTRODUCTION

This chapter deals with the results of the two rounds of questionnaires that were sent to 250 NCMA members. The questionnaires requested the respondent to comment on five controversial acquisition and contracting terms. The five terms defined in this chapter include: Allotment, Award, Certification, Consultant and Cost Objective. The researchers analyzed the comments provided for each term using the criterion of improving the definition, either through content or enhancing the reader's ability to understand the term.

The format for this chapter is as follows: Subsection "a" provides the original definition for the term. This original definition is the end product of previous graduate theses. Subsection "b" presents the quantitative results of the first questionnaire (n=250; 16.0% returned). A breakdown of the responses is given for each point in the six-point Likert Scale. Subsection "c" identifies the respondents' issues, representative responses and the researchers' analysis. Subsection "d" proposes a revised definition based on the first responses.

Subsection "e" represents the quantitative results of the second questionnaire (n=32; 68.9% returned). A breakdown of the responses is given for each point in the six-point Likert Scale. The results include respondents who agreed or disagreed without comments, provided positive comments which

did not propose a change or supported the definition, or suggested changes to the synonyms or antonyms. Subsection "f" identifies the respondents' issues, representative responses, and the researchers' analysis. Subsection "g" proposes a revised definition based on the final responses. Finally, a summary of the chapter is provided.

## B. TERM ANALYSIS

### 1. Allotment

#### a. *Original Definition*

##### Allotment

An authorization by the head (or other authorized employee) of an operating agency which assigns a specified amount of money to subordinate units. The amount allotted by the agency cannot exceed the amount apportioned by the Office of Management and Budget (OMB).

Synonyms: None.

Antonyms: None.

#### b. *Results from First Iteration*

Strongly Agree	(22.5%)
Agree	(60%)
Agree with Reservation	(12.5%)
Disagree with Reservation	(00%)
Disagree	(00%)
Strongly Disagree	(00%)

#### c. *Issues*

The original definition was supported by a majority of the respondents. However, there was concern over the limitation set by the term "subordinate units". Some of the comments included:

- Allotments can be made by other than "heads" to "subordinate units".

- Allotments go farther down than to subordinate units. They end up being made to programs/projects and individual contracts.

In order to clarify the definition and not limit the scope of the definition the term "projects or activities" was added to the end of the first sentence.

**d. Proposed Definition Based on the First Responses**

Allotment

An authorization by the head (or other authorized employee) of an operating agency which assigns a specified amount of money to subordinate units, projects or activities. The amount allotted by the agency cannot exceed the amount apportioned by the Office of Management and Budget (OMB).

Synonyms: Funding.  
 Antonyms: None.

**e. Results from Final Iteration**

Strongly Agree	10 (43.5%)
Agree	13 (56.5%)
Agree with Reservation	0 (00%)
Disagree with Reservation	0 (00%)
Disagree	0 (00%)
Strongly Disagree	0 (00%)

**f. Issues**

The final round resulted in an overwhelming degree of agreement among the respondents and only one comment. The single comment received was:

- Note that the addition of the synonym "funding", while generally correct, could lead to confusion.

There was strong enough consensus on the last survey that further revision is unsupported and thus no changes will be made to this definition.

***g. Proposed Definition Based on the Final Responses***

**Allotment**

An authorization by the head (or other authorized employee) of an operating agency which assigns a specified amount of money to subordinate units, projects or activities. The amount allotted by the agency cannot exceed the amount apportioned by the Office of Management and Budget (OMB).

Synonyms: Funding.

Antonyms: None.

**2. Award**

***a. Original Definition***

**Award**

(1) The formal acceptance of an offeror's bid or proposal.

(2) Notification of intent to give a contract.

(3) Transmittal of advance authorization to proceed (e.g., letter contract).

Synonyms: None.

Antonyms: None.

***b. Results from First Iteration***

Strongly Agree	(23.1%)
Agree	(25.6%)
Agree with Reservation	(30.8%)
Disagree with Reservation	(7.7%)
Disagree	(10.3%)
Strongly Disagree	(2.6%)

***c. Issues***

The major issue with this definition was related to item (2). The majority of the respondents disagreed with item (2) because "intent" does not constitute award of a contract.

Some of the comments included:

- Add to end of item (1) "as offered".
- Item (1) needs to mention "formal acceptance by an authorized official of the Government".



- Delete item (2). Notification of intent to award does not constitute award.
- Item (2) is too broad. It needs more specifics.
- Item (2) may or may not result in a contract depending on the state of negotiations.
- Item (3) is a conditional award.
- Enhance item (3) by adding "Notice of Award, Notice to Proceed" to end of sentence.

*d. Proposed Definition Based on the First Responses*

Award

- (1) The formal acceptance of an offeror's bid or proposal.
- (2) Transmittal of advance authorization to proceed (e.g., letter contract).

Synonyms: None.  
 Antonyms: None.

*e. Results from Final Iteration*

Strongly Agree	7 (30.4%)
Agree	11 (47.8%)
Agree with Reservation	4 (17.4%)
Disagree with Reservation	0 (00%)
Disagree	0 (00%)
Strongly Disagree	1 (04.4%)

*f. Issues*

By deleting item (2) from the original definition a majority of the responses were favorable to the revised definition. Agreement was high enough to indicate its acceptance as a valid definition for the term. However, there were some parts of the definition that raised comments. These comments included:

- Item (1) needs to mention "formal acceptance" by an authorized official of the Government".

- "Transmittal" in item (2) should be changed to "notification".
- The individual that 'strongly disagreed' with the definition deleted "The" from the first sentence and the deletion of "(e.g., letter contract)" from item (2).

The committee agreed in order not to limit the scope of the definition to delete the phrase "(e.g., letter contract)". There was strong enough consensus on the last survey that further revision is unsupported.

***g. Proposed Definition Based on the Final Responses***

**Award**

- (1) The formal acceptance of an offeror's bid or proposal.
- (2) Transmittal of advance authorization to proceed.

Synonyms: None.

Antonyms: None.

**3. Certification**

***a. Original Definition***

**Certification**

The formal act of acknowledging in writing and affirming by signature that:

- some act has or has not been performed;
- some event has or has not occurred;
- some legal formality has or has not been complied with; or
- some condition exists or does not exist.

Synonyms: None.

Antonyms: None.

***b. Results from First Iteration***

Strongly Agree	(20.5%)
Agree	(59.0%)
Agree with Reservation	(12.8%)
Disagree with Reservation	(2.6%)
Disagree	(5.1%)
Strongly Disagree	(00%)

**c. Issues**

The original definition did not generate a large amount of disagreement. The disagreement that was generated dealt with the addition of terms more closely related to the FAR. Some of the comments included:

- Definition needs to follow FAR/DFARS/CFR more closely.
- Definition needs to mention legal accountability of certifier.
- Reword definition as a positive statement.
- Requirements should be mentioned in definition.
- Delete item (3) in its entirety.

There was strong enough consensus on the first survey that further revision is unsupported and thus no changes were made to this definition.

**d. Proposed Definition Based on the First Responses**

Certification

The formal act of acknowledging in writing and affirming by signature that:

- some act has or has not been performed;
- some event has or has not occurred;
- some legal formality has or has not been complied with; or
- some condition exists or does not exist.

Synonyms: None.

Antonyms: None.

**e. Results from Final Iteration**

Strongly Agree	9 (39.1%)
Agree	14 (60.9%)
Agree with Reservation	0 (00%)
Disagree with Reservation	0 (00%)
Disagree	0 (00%)
Strongly Disagree	0 (00%)

**f. Issues**

Agreement with the synthesized definition (100%) was high enough to indicate its acceptance as a valid definition for the term. The only comments received were to affirm the researchers' position that based on the first response no further revision to the definition was required. The comments were:

- Definition is close enough to FAR/DFARS/CFR.
- Accountability is a given - strongly and easily inferred.
- Certification of a negative condition is entirely possible and probable.

There was overwhelming consensus on the last survey and with concurrence from the committee further revision was unsupported and thus no changes were made to this definition.

**g. Proposed Definition Based on the Final Responses**

Certification

The formal act of acknowledging in writing and affirming by signature that:

- some act has or has not been performed;
- some event has or has not occurred;
- some legal formality has or has not been complied with; or
- some condition exists or does not exist.

Synonyms: None.

Antonyms: None.

#### 4. Consultant

##### a. *Original Definition*

###### Consultant

A person having specialized education and/or broad experience which uniquely qualifies them to be called upon to furnish expert advice on highly specialized matters and recommend solutions to particular problems.

Synonyms: Advisor, Expert, Subject Matter Expert (SME).

Antonyms: None.

##### b. *Results from First Iteration*

Strongly Agree	(23.1%)
Agree	(51.3%)
Agree with Reservation	(20.5%)
Disagree with Reservation	(00%)
Disagree	(5.1%)
Strongly Disagree	(00%)

##### c. *Issues*

The original definition generated a wide variety of comments. The main issues were the adjectives used to describe the consultant's experience and the result of a consultant's work. Some of the comments included:

- Change "qualifies them" to "qualifies him/her".
- Change the term "broad" to "extensive".
- Consultants may be called upon to furnish guidance or to advocate, for the benefit of an individual or entity.
- Add after "expert advice" , "or opinions".
- Definition is too narrow. Is a deliverable required?
- Change "highly specialized" to "various or relevant".

The comments added descriptive terms to the consultant's knowledge base but did not add to the overall

definition. One change that was made by the committee was the addition of "opinions" as a deliverable. Further clarification of the term is made in the synthesized definition.

**d. Proposed Definition Based on the First Responses**

Consultant

A person having specialized education and/or broad experience which uniquely qualifies him/her to be called upon to furnish expert advice or opinions on highly specialized matters and recommend solutions to particular problems.

Synonyms: Advisor, Expert, Subject Matter Expert (SME), Specialist, Authority.

Antonyms: None.

**e. Results from Final Iteration**

Strongly Agree	9 (39.1%)
Agree	13 (56.5%)
Agree with Reservation	1 (4.4%)
Disagree with Reservation	0 (00%)
Disagree	0 (00%)
Strongly Disagree	0 (00%)

**f. Issues**

The revised definition resulted in an overwhelming degree of agreement (100%). Two of the respondents agreed with the definition, however, they felt that the word "uniquely" meant that only one person possessed those skills.

Other comments included:

- I feel that "uniquely" should be removed.
- I would drop the word "uniquely". It suggests that he is the only person having those qualifications.
- I think "extensive" encompasses both breadth and depth, while "broad" covers breadth only in pertaining to experience.

There was overwhelming consensus on the last survey and further revision is unsupported and thus no changes were made to this definition.

***g. Proposed Definition Based on the Final Responses***

**Consultant**

A person having specialized education and/or broad experience which uniquely qualifies him/her to be called upon to furnish expert advice or opinions on highly specialized matters and recommend solutions to particular problems.

Synonyms: Advisor, Expert, Subject Matter Expert (SME), Specialist, Authority.

Antonyms: None.

**5. Cost Objective**

***a. Original Definition***

**Cost Objective**

(1) A function, organizational subdivision, contract, or other work unit for which cost data are desired and for which provision is made to accumulate and measure the cost of processes, products, capitalized projects, and so forth.

(2) Cost goal established for the completion of an element of work.

(3) Goal established for contract cost to be achieved during contract negotiations.

Synonyms: Cost Center, Cost Goal, Target Cost.

Antonyms: None.

***b. Results from First Iteration***

Strongly Agree	(17.9%)
Agree	(46.2%)
Agree with Reservation	(28.2%)
Disagree with Reservation	(2.6%)
Disagree	(2.6%)
Strongly Disagree	(2.6%)

**c. Issues**

This definition generated comments primarily directed at the first article in the definition. Many respondents felt that an organizational subdivision can not be a cost objective and should be deleted along with the synonym "cost center". Other comments included:

- Item (1) is closer to a definition of a cost center.
- The first sentence should be deleted. A cost center is classically a finite place, e.g., wind tunnel, to which costs may be assigned for purposes of determining cost of function/operation.
- Objective of any type cannot be a "function, organizational subdivision, contract, or other work unit". Cost objectives may be applied to these things, but they are not cost objectives.
- Would it be acceptable to cite headings for each of the items in the definition.

The researchers and the committee agreed with the respondents that an organizational subdivision is not a cost objective and that cost objectives are applied to such entities. The definition was revised by the addition of headings and incorporation of some of the comments to each of the items in the definition for clarification.

**d. Proposed Definition Based on the First Responses**

Cost Objective

(1) Accounting: A function, contract, or other work unit for which cost data are desired and for which provision is made to accumulate and measure the cost of processes, products, capitalized projects, and so forth.

(2) Program Management: Cost goal established for the completion of an element of work.



(3) Negotiations: Goal established for contract cost to be achieved during contract negotiations.

Synonyms: Cost Goal, Target Cost.

Antonyms: None.

**e. Results from Final Iteration**

Strongly Agree	9 (39.1%)
Agree	13 (56.5%)
Agree with Reservation	1 (4.4%)
Disagree with Reservation	0 (00%)
Disagree	0 (00%)
Strongly Disagree	0 (00%)

**f. Issues**

The comments received during this round were very favorable to the contents of the revised definition. The addition of the headings provided a more concise definition. However, according to one respondent, program management and negotiations are secondary definitions used within the trade and should be annotated as such. Other comments include:

- This is primarily an accounting term relating to current and historical data and should be so indicated.
- Add to item (1) after "data is desired" - "and/or required".
- O.K. I surrender. The weirdness of accountants leads me to tolerate this definition.
- Much better.

There was strong enough consensus on the last survey that further revision is unsupported and thus no changes were made to this definition with concurrence from the committee.

**g. Proposed Definition Based on the Final Responses**

Cost Objective

(1) Accounting: A function, contract, or other work unit for which cost data are desired and for which

provision is made to accumulate and measure the cost of processes, products, capitalized projects, and so forth.

(2) Program Management: Cost goal established for the completion of an element of work.

(3) Negotiations: Goal established for contract cost to be achieved during contract negotiations.

Synonyms: Cost Goal, Target Cost.

Antonyms: None.

### **C. SUMMARY**

This chapter has presented the analysis and final definitions of five terms: Allotment, Award, Certification, Consultant and Cost Objective. Revisions to the definitions, if any, were based on feedback from two rounds of surveys returned to the researchers and were reviewed by the committee. In Chapters III, IV and V, the results of fifteen additional controversial terms will be presented.

### III. ANALYSIS OF RESPONSES - PART II

#### A. INTRODUCTION

This chapter deals with the results of the two rounds of questionnaires that were sent to 250 NCMA members. The questionnaires requested the respondent to comment on five controversial acquisition and contracting terms. The five terms defined in this chapter include: Escalation, Expense, Industrial Plant Equipment (IPE), Offsets, and Weighted Average Cost Method. The researchers analyzed the comments provided for each term using the criterion of improving the definition, either through content or enhancing the reader's ability to understand the term.

The format for this chapter is as follows: Subsection "a" provides the original definition for the term. This original definition is the end product of previous graduate theses. Subsection "b" presents the quantitative results of the first questionnaire (n=250; 12.8% returned). A breakdown of the responses is given for each point in the six-point Likert Scale. Subsection "c" identifies the respondents' issues, representative responses and the researchers' analysis. Subsection "d" proposes a revised definition based on the first responses.

Subsection "e" represents the quantitative results of the second questionnaire (n=32; 56.3% returned). A breakdown of the responses is given for each point in the six-point Likert Scale. The results include respondents who agreed or

disagreed without comments, provided positive comments which did not propose a change or supported the definition, or suggested changes to the synonyms or antonyms. Subsection "f" identifies the respondents' issues, representative responses, and the researchers' analysis. Subsection "g" proposes a revised definition based on the final responses. Finally, a summary of the chapter is provided.

## **B. TERM ANALYSIS**

### **1. Escalation**

#### **a. *Original Definition***

##### **Escalation**

(1) A term traditionally used to indicate an upward or (more rarely) a downward movement of price. "Economic Price Adjustment" is the contemporary term used to express the application of escalation by specified procedures.

(2) In Government contracting refers to an amount or percent by which a contract price may be adjusted if predefined contingencies occur, such as changes in the vendor's raw material costs or labor costs. The amount of the "escalation" is usually tied to some predetermined price index.

Synonyms: Economic Price Adjustment.

Antonyms: None.

#### **b. *Results from First Iteration***

Strongly Agree	(15.4%)
Agree	(53.8%)
Agree with Reservation	(20.5%)
Disagree with Reservation	(2.6%)
Disagree	(2.6%)
Strongly Disagree	(5.1%)

**c. Issues**

The respondents as a whole tended to disagree that Economic Price Adjustment was not a synonym of Escalation and therefore should not be a part of the definition. Item (2) of the definition relates to Economic Price Adjustment and was recommended to be deleted. Other comments included:

- Change first sentence in (1) to "A price increase or revision upward due to external influences such as inflation or market adjustments."
- Change (1) "application of escalation by specified procedures" to "application of previously agreed price adjustments after contract award."
- Eliminate "more rarely" in item (1).
- Add to end of first sentence in (1) "/cost."
- Add to first sentence in (1) "A pricing term."
- Change end of (2) "predetermined price index" to "predetermined public or Government price index."
- Change in item (2) "escalation" to "adjustment".
- Escalation would be only an upward movement while Economic Price Adjustment could go both ways.
- Economic Price Adjustment is not a synonym of Escalation.

The researchers and the committee agreed that Economic Price Adjustment was not a synonym of Escalation and that all parts referring to Economic Price Adjustment be removed from the definition. Also, to clarify the definition, item (1) was reworded to incorporate the comments of the respondents.

**d. Proposed Definition Based on the First Responses**

**Escalation**

A pricing term traditionally used to indicate an upward movement of price/cost due to inflation or market adjustment.

Synonyms: None.

Antonyms: Deescalation.

**e. Results from Final Iteration**

Strongly Agree	7 (39%)
Agree	9 (50%)
Agree with Reservation	1 (5.5%)
Disagree with Reservation	1 (5.5%)
Disagree	0 (00%)
Strongly Disagree	0 (00%)

**f. Issues**

The final round resulted in 94.5 percent agreement with only slight disagreement over the revision. Two respondents felt that the revised definition was too narrow and the original definition was appropriate. However, neither of those respondents questioned Economic Price Adjustment as a synonym for Escalation. Therefore, the researchers and committee agree that the revised definition captures the consensus of the respondents. The two comments received were:

- I liked the addition of item (2) in the original definition. This makes it very clear to someone new to the business.
- Too narrow-escalation has meanings other than as pricing term.

There was strong enough consensus on the first survey that further revision is unsupported and thus no changes were made to this definition.

***g. Proposed Definition Based on the Final Responses***

**Escalation**

A pricing term traditionally used to indicate an upward movement of price/cost due to inflation or market adjustment.

Synonyms: None.  
Antonyms: Deescalation.

**2. Expense**

***a. Original Definition***

**Expense**

Costs of operation and maintenance of activities on the accrual basis for a fiscal period, as distinguished from capital costs that will be depreciated over their approximate service life.

Synonyms: Costs.  
Antonyms: Revenue, Income.

***b. Results from First Iteration***

Strongly Agree	(15.4%)
Agree	(48.7%)
Agree with Reservation	(25.6%)
Disagree with Reservation	(2.6%)
Disagree	(7.7%)
Strongly Disagree	(00%)

***c. Issues***

With almost ninety percent agreement on the first iteration the researchers along with the committee felt that only minor changes to the definition were needed for clarification. Some of the comments included:

- Change "will be depreciated" to "depreciate".
- Could break down definition into cash expenses and non-cash expenses.
- Change "on the accrual basis for a fiscal period, as ..." to "for a fiscal period."

- Change the definition to "The collection of costs related to a particular defined set of activities, over a set period."

The original definition was slightly cumbersome and only slight changes were made to simplify the definition.

**d. Proposed Definition Based on the First Responses**

Expense

Costs of operation and maintenance of activities on the accrual basis for a fiscal period, as distinguished from capital costs that depreciate over their approximate service life.

Synonyms: Costs.

Antonyms: Revenue, Income.

**e. Results from Final Iteration**

Strongly Agree	4 (22.2%)
Agree	9 (50%)
Agree with Reservation	4 (22.2%)
Disagree with Reservation	0 (00%)
Disagree	1 (5.6%)
Strongly Disagree	0 (00%)

**f. Issues**

The revised definition received overwhelming agreement with very few comments from the respondents. Those comments received were concerned with the limitation put on the definition by only recognizing accrual accounting and cost associated with operation and maintenance. These comments included:

- I still have a problem with limiting the definition to accrual basis.
- Costs are not always limited to operations, maintenance or investments. Other expenses such as taxes, engineering efforts or similar expenses don't categorically fit into operation, maintenance or investment.



There was strong enough consensus on the last survey that further revision is unsupported and thus no changes were made to this definition.

***g. Proposed Definition Based on the Final Responses***

**Expense**

Costs of operation and maintenance of activities on the accrual basis for a fiscal period, as distinguished from capital costs that depreciate over their approximate service life.

Synonyms: Costs.

Antonyms: Revenue, Income.

**3. Industrial Plant Equipment (IPE)**

***a. Original Definition***

**Industrial Plant Equipment (IPE)**

Plant equipment acquired by the Government, exceeding an established acquisition cost threshold, used for the purpose of cutting, abrading, grinding, shaping, forming, joining, testing, measuring, heating, treating or otherwise altering the physical, electrical or chemical properties of materials, components or other end items entailed in manufacturing, maintenance, supply, processing, assembly or research and development operations.

Synonyms: None.

Antonyms: None.

***b. Results from First Iteration***

Strongly Agree	(15.4%)
Agree	(51.3%)
Agree with Reservation	(28.2%)
Disagree with Reservation	(2.6%)
Disagree	(2.6%)
Strongly Disagree	(00%)

***c. Issues***

The original definition did not generate a large amount of disagreement. The disagreement that was generated

dealt with the limitations of the definition. Some of the comments included:

- Delete listing the type of equipment. The list may not include everything. Limits definition.
- Industrial Plant Equipment is not necessarily acquired by the Government in all cases. The contractor must sometimes invest in IPE.
- Delete "exceeding an established acquisition cost threshold." IPE is IPE if it is within or in excess of a cost threshold.

The comments received concerning the limitations set by listing the processes were taken into consideration and the definition was changed to be more inclusive. The committee also recommended that definition be further revised by adding industry as an acquirer of industrial plant equipment.

***d. Proposed Definition Based on the First Responses***

**Industrial Plant Equipment (IPE)**

Plant equipment acquired by either Government or industry, exceeding an established acquisition cost threshold, used for the purpose of altering the physical, electrical or chemical properties of materials, components or other end items entailed in manufacturing, maintenance, supply, processing, assembly or research and development operations.

Synonyms: None.

Antonyms: None.

***e. Results from Final Iteration***

Strongly Agree	4 (22.2%)
Agree	11 (61.1%)
Agree with Reservation	3 (16.7%)
Disagree with Reservation	0 (00%)
Disagree	0 (00%)
Strongly Disagree	0 (00%)

*f. Issues*

Agreement with the synthesized definition (100%) was high enough to indicate its acceptance as a valid definition for the term. The only comments received were concerned with the term "exceeding an established acquisition cost threshold...." Two of the respondents wanted the term deleted and the third respondent wanted to know who set the threshold. The researchers felt that the term is necessary to distinguish industrial plant equipment from plant equipment and with concurrence with the committee will remain in the final definition. Comments included:

- Delete "exceeding an established acquisition cost threshold."
- Who establishes the acquisition cost threshold?

There was overwhelming consensus on the last survey and further revision is unsupported and thus no changes were made to this definition.

*g. Proposed Definition Based on the Final Responses*

Industrial Plant Equipment (IPE)

Plant equipment acquired by either Government or industry, exceeding an established acquisition cost threshold, used for the purpose of altering the physical, electrical or chemical properties of materials, components or other end items entailed in manufacturing, maintenance, supply, processing, assembly or research and development operations.

Synonyms: None.

Antonyms: None.

#### 4. Offsets

##### a. *Original Definition*

###### Offsets

(1) A cost balancing action whereby a claim may be canceled or lessened by a counterclaim.

(2) Defective pricing: Allowable understatements (e.g., counterclaims or cost proposal errors that are favorable to the contractor) which are reduced by overstatements of cost that arise under a defective pricing case. In order to eliminate an increase in the contract price the offset cannot exceed the extent of the overstatement.

(3) Administrative offset: A procedure to collect a debt owed to the Government by withholding money payable to the contractor under a contract, in order to satisfy the contractor's debt which arose independently of that contract and which are in compliance with the Federal Claims Collection Act of 1966.

Synonyms: Counterclaim, Setoff.

Antonyms: None.

##### b. *Results from First Iteration*

Strongly Agree	(7.7%)
Agree	(59%)
Agree with Reservation	(23.1%)
Disagree with Reservation	(5.1%)
Disagree	(2.6%)
Strongly Disagree	(00%)

##### c. *Issues*

The original definition generated a wide variety of comments. The majority of dissent was concerned with the omission of international offsets in the definition. The researchers and committee concluded that international offsets should be definitized separately from this term and not included in the revised definition. Some of the comments included:

- International offsets left out.
- An offset may be a deduction or credit, as well.
- Delete "In order to eliminate an increase in the contract price the offset cannot exceed the extent of the overstatement."
- Add to paragraph three "payable to the contractor...."
- Add to paragraph three "A unilateral procedure...."

The comments did not add to the overall definition and thus were not incorporated into the revision. One change that was made was the addition of "the" after "money payable to" in the third paragraph for grammatical correctness. Further changes of the definition were not supported.

**d. Proposed Definition Based on the First Responses**

Offsets

(1) A cost balancing action whereby a claim may be canceled or lessened by a counterclaim.

(2) Defective pricing: Allowable understatements (e.g., counterclaims or cost proposal errors that are favorable to the contractor) which are reduced by overstatements of cost that arise under a defective pricing case. In order to eliminate an increase in the contract price the offset cannot exceed the extent of the overstatement.

(3) Administrative offset: A procedure to collect a debt owed to the Government by withholding money payable to the contractor under a contract, in order to satisfy the contractor's debt which arose independently of that contract and which are in compliance with the Federal Claims Collection Act of 1966.

Synonyms: Counterclaim, Setoff.

Antonyms: None.

*e. Results from Final Iteration*

Strongly Agree	4 (22.2%)
Agree	12 (66.6%)
Agree with Reservation	1 (5.6%)
Disagree with Reservation	1 (5.6%)
Disagree	0 (00%)
Strongly Disagree	0 (00%)

*f. Issues*

The revised definition resulted in only two comments. The one disagreement reworded the last sentence of the Defective pricing paragraph with no change in the definition. The comments included:

- Add the word "offsets" after the words "Defective pricing" for clarity.
- Delete from Defective pricing paragraph, second sentence: "In order to...extent of the overstatement." Insert: "When adjusting the contract price to correct the overstatement of cost and profit, the offset cannot exceed the amount of the overstatement."

There was overwhelming consensus on the last survey, however, for clarification purposes "offset" will be added to the second paragraph heading, and "In order to eliminate and increase" will be changed to "When eliminating an increase", one grammatical error was noted and will be changed. The term "contract and which are in" will be changed to "contract and which is in".

*g. Proposed Definition Based on the Final Responses*

Offsets

(1) A cost balancing action whereby a claim may be canceled or lessened by a counterclaim.

(2) Defective pricing offset: Allowable understatements (e.g., counterclaims or cost proposal errors that are favorable to the contractor) which

are reduced by overstatements of cost that arise under a defective pricing case. When eliminating an increase in the contract price the offset cannot exceed the extent of the overstatement.

(3) Administrative offset: A procedure to collect a debt owed to the Government by withholding money payable to the contractor under a contract, in order to satisfy the contractor's debt which arose independently of that contract and which is in compliance with the Federal Claims Collection Act of 1966.

Synonyms: Counterclaim, Setoff.

Antonyms: None.

## 5. Weighted Average Cost Method

### a. *Original Definition*

#### Weighted Average Cost Method

A method of determining the average unit cost of inventory and by implication an aid in determining the cost of goods made, sold, or held for future sale or incorporation into higher level end items. Under this technique, costs are periodically computed by adding the sum of the costs of beginning inventory with the sum of the costs of subsequent purchases and dividing by the total number of units.

Synonyms: None.

Antonyms: None.

### b. *Results from First Iteration*

Strongly Agree	(10.3%)
Agree	(69.2%)
Agree with Reservation	(15.4%)
Disagree with Reservation	(00%)
Disagree	(00%)
Strongly Disagree	(00%)

### c. *Issues*

The original definition generated 100 percent agreement. The comments that were received were positive and only requested changes to clarify the definition but did not add to the definition. The comments included:

- Change "goods made, sold, or held..." to "goods made in process, sold to regular customers or held...."
- Change "by implication an aid" to "by historical comparisons."
- Add to end of definition "Cost values are obtained by multiplying the values by their weights then added together and divided by the sum of the weights."

There was overwhelming consensus on the original definition and revision to the definition is unsupported, thus no changes will be made to the definition. However, Unit Cost Comparison Technique will be added as a synonym based on the input from the respondents.

**d. Proposed Definition Based on the First Responses**

**Weighted Average Cost Method**

A method of determining the average unit cost of inventory and by implication an aid in determining the cost of goods made, sold, or held for future sale or incorporation into higher level end items. Under this technique, costs are periodically computed by adding the sum of the costs of beginning inventory with the sum of the costs of subsequent purchases and dividing by the total number of units.

Synonyms: Unit Cost Comparison Technique.

Antonyms: None.

**e. Results from Final Iteration**

Strongly Agree	3 (16.7%)
Agree	13 (72.2%)
Agree with Reservation	2 (11.1%)
Disagree with Reservation	0 (00%)
Disagree	0 (00%)
Strongly Disagree	0 (00%)

**f. Issues**

Once again there was 100 percent agreement with the definition. The comments received during this round were very favorable and the only change requested was to add labor as an



item to which the Weighted Average Cost Method could be applied. The two comments were:

- Can also be used for labor costs.
- Weighted averaging can be used to cost many things—such as labor or to analyze past pricing data. Your definition is very narrow.

There was strong enough consensus on the last survey that further revision is unsupported and thus no changes were made to this definition.

*g. Proposed Definition Based on the Final Responses*

Weighted Average Cost Method

A method of determining the average unit cost of inventory and by implication an aid in determining the cost of goods made, sold, or held for future sale or incorporation into higher level end items. Under this technique, costs are periodically computed by adding the sum of the costs of beginning inventory with the sum of the costs of subsequent purchases and dividing by the total number of units.

Synonyms: Unit Cost Comparison Technique.

Antonyms: None.

**C. SUMMARY**

This chapter has presented the analysis and final definitions of five terms: Escalation, Expense, Industrial Plant Equipment (IPE), Offsets, and Weighted Average Cost Method. Revisions to the definitions, if any, were based on feedback from two rounds of surveys returned to the researchers and were reviewed by the committee. In Chapters IV and V, the results of ten additional controversial terms will be presented.

#### IV. ANALYSIS OF RESPONSES - PART III

##### A. INTRODUCTION

This chapter deals with the results of the two rounds of questionnaires that were sent to 250 NCMA members. The questionnaires requested the respondent to comment on five controversial acquisition and contracting terms. The five terms defined in this chapter include: Allocation, Amortization, Bid, Commitment, and Cost. The researchers analyzed the comments provided for each term using the criterion of improving the definition, either through content or enhancing the reader's ability to understand the term.

The format for this chapter is as follows: Subsection "a" provides the original definition for the term. This original definition is the end product of previous graduate theses. Subsection "b" presents the quantitative results of the first questionnaire (n=250; 19.2% returned). A breakdown of the responses is given for each point in the six-point Likert Scale. Subsection "c" identifies the respondents' issues, representative responses and the researchers' analysis. Subsection "d" proposes a revised definition based on the first responses.

Subsection "e" represents the quantitative results of the second questionnaire (n=40; 62.5% returned). A breakdown of the responses is given for each point in the six-point Likert Scale. The results include respondents who agreed or disagreed without comments, provided positive comments which

did not propose a change or supported the definition, or suggested changes to the synonyms or antonyms. Subsection "f" identifies the respondents' issues, representative responses, and the researchers' analysis. Subsection "g" proposes a revised definition based on the final responses. Finally, a summary of the chapter is provided.

**B. TERM ANALYSIS**

**1. Allocation**

**a. *Original Definition***

**Allocation**

(1) Funding: An amount of money transferred from one agency, bureau or account that is set aside in an appropriation of the various committees having spending responsibilities to carry out the purposes of the parent appropriation or fund.

(2) Within DOD, the money is being transferred from the services to the appropriate MAJCOMS.

(3) Financial: A cost accounting procedure which results in a reasonable distribution of costs among one or more cost objectives (e.g., products, programs, contracts, and activities). This includes both direct assignment of costs and the reassignment of a share from an indirect pool.

Synonyms: None.

Antonyms: None.

**b. *Results from First Iteration***

Strongly Agree	(4.2%)
Agree	(66.7%)
Agree with Reservation	(18.8%)
Disagree with Reservation	(6.3%)
Disagree	(4.2%)
Strongly Disagree	(00%)

### **c. Issues**

As depicted above there is virtually ninety percent overall agreement from the respondents on the original definition. Several comments, however, recommended the deletion of the second paragraph about DOD because it did not add anything to the definition of allocation. Some respondents also expressed concern and confusion with regard to the entities involved in an allocation, specifically as to the source, destination and use of funds allocated. These comments included:

- Add "Represents money that can be obligated." to Funding paragraph.
- Delete from Funding - "transferred from one agency, bureau or account."
- Change "from" to "to" and "parent appropriation or fund" to "concerned organization" in Funding paragraph.
- Change "one agency, bureau or account" to "entity" in Funding paragraph.
- Delete "of the various committees having spending responsibilities" from Funding paragraph.
- Change "agency, bureau or account" to "e.g. agency, bureau or account" to not limit definition.

The revised definition in the next subsection, has incorporated these comments in order to bring clarity. The researchers along with the committee agreed that the comments were relevant and that changes were in order.

**d. Proposed Definition Based on the First Responses**

**Allocation**

(1) **Funding:** An amount of money in a Government appropriation transferred to an agency, bureau or account having spending authority to carry out the purposes of that appropriation.

(2) **Financial:** A cost accounting procedure which results in a reasonable distribution of costs among one or more cost objectives including products, programs, contracts, and activities. This includes both direct assignment of costs and the reassignment of a share from an indirect pool.

Synonyms: None.

Antonyms: None.

**e. Results from Final Iteration**

Strongly Agree	7 (28%)
Agree	17 (68%)
Agree with Reservation	1 (4%)
Disagree with Reservation	0 (00%)
Disagree	0 (00%)
Strongly Disagree	0 (00%)

**f. Issues**

As the results from the second questionnaire indicate there is virtually 100 percent consensus on the revised definition. Two respondents, however, expressed concern over the use of the word "reasonable" with respect to distribution of costs. It was suggested to substitute the word "appropriate" in its place. Given the level of consensus with the revised definition and after discussion with the committee, the researchers concluded the word "reasonable" is correct to use in that the notion of appropriateness is implied. Therefore, no further revisions were made to the definition.

***g. Proposed Definition Based on the Final Responses***

**Allocation**

(1) **Funding:** An amount of money in a Government appropriation transferred to an agency, bureau or account having spending authority to carry out the purposes of that appropriation.

(2) **Financial:** A cost accounting procedure which results in a reasonable distribution of costs among one or more cost objectives including products, programs, contracts, and activities. This includes both direct assignment of costs and the reassignment of a share from an indirect pool.

Synonyms: None.

Antonyms: None.

**2. Amortization**

***a. Original Definition***

**Amortization**

The systematic reduction of an indebtedness or recorded asset value over a specific period of time by periodic payments to a creditor or charges to an expense, in accordance with generally accepted accounting procedures or principles.

Synonyms: Liquidation, Allocation, Writeoff.

Antonyms: Direct Charge.

***b. Results from First Iteration***

Strongly Agree	(16.7%)
Agree	(54.2%)
Agree with Reservation	(25.0%)
Disagree with Reservation	(00%)
Disagree	(4.2%)
Strongly Disagree	(00%)

***c. Issues***

The rate of agreement for this term was also very high at 95 percent. The researchers believed, however, that the following comments added clarity to the original definition and should be incorporated:

- Change "reduction" to "liquidation".
- Change "charges to an expense" to "charges against a capital account".
- Add after "expense" - "account".

The revised definition in the next subsection, has incorporated these comments for clarification and also comments concerning the deletion of the synonym "Allocation" and antonym "Direct Charge" were also incorporated.

**d. Proposed Definition Based on the First Responses**

**Amortization**

The systematic liquidation of an indebtedness or recorded asset value over a specific period of time by periodic payments to a creditor or charges to an expense account, in accordance with generally accepted accounting procedures or principles.

Synonyms: Liquidation, Writeoff.

Antonyms: None.

**e. Results from Final Iteration**

Strongly Agree	5 (20%)
Agree	17 (68%)
Agree with Reservation	3 (12%)
Disagree with Reservation	0 (00%)
Disagree	0 (00%)
Strongly Disagree	0 (00%)

**f. Issues**

As in the previous term, there is virtually 100 percent consensus on the revised definition. Some (three) additional comments were submitted by respondents which the researchers concluded did not add to the definition. With the concurrence from the committee, no further revisions were made to the definition.

**g. Proposed Definition Based on the Final Responses**

**Amortization**

The systematic liquidation of an indebtedness or recorded asset value over a specific period of time by periodic payments to a creditor or charges to an expense account, in accordance with generally accepted accounting procedures or principles.

Synonyms: Liquidation, Writeoff.

Antonyms: None.

**3. Bid**

**a. Original Definition**

**Bid**

An offer to perform a contract by providing labor and or material for a specific price. In federal government contracting, this offer is provided in response to an invitation for bid.

Synonyms: None.

Antonyms: None.

**b. Results from First Iteration**

Strongly Agree	(18.8%)
Agree	(45.8%)
Agree with Reservation	(31.3%)
Disagree with Reservation	(00%)
Disagree	(2.1%)
Strongly Disagree	(00%)

**c. Issues**

Despite a high rate of agreement, several respondents addressed a portion of the first sentence in the original definition. Specifically, in this context, the phrase "providing labor and or material" is commonly referred to both in Government and industry as "providing goods or services." Pertinent comments included:



- Change "perform a contract by providing labor and or material" to "provide supplies or services for a contract".
- Change first sentence to "An offer by a prospective purchaser to buy goods or services at a stated price, or an offer by a prospective seller to sell his goods or services for a stated price."

Concern was also expressed by some respondents as to the scope of the definition and its limitation to the Government only. Therefore, it seemed appropriate, with concurrence from the committee, that the second sentence should be revised to denote what a bid would mean in the context of the Federal Government. Bids submitted in response to an Invitation for Bid are usually irrevocable except under certain conditions.

In view of the scope issue, it also seemed appropriate to include the recommendations for adding synonyms in the revised definition, specifically, "Offer" and "Proposal".

**d. Proposed Definition Based on the First Responses**

**Bid**

An offer to perform a contract by providing goods or services for a specific price. In Federal Government contracting, it is the technical term for an irrevocable offer in response to an Invitation for Bid (IFB).

Synonyms: Offer, Proposal.

Antonyms: None.

**e. Results from Final Iteration**

Strongly Agree	6 (24%)
Agree	16 (64%)
Agree with Reservation	3 (12%)
Disagree with Reservation	0 (00%)
Disagree	0 (00%)
Strongly Disagree	0 (00%)

*f. Issues*

There was some doubt (4.2% disagreement) as to the content of the original definition after the first round. There was virtually no disagreement from the respondents following the second round. Clearly, there is also less reservation among those who agree with the revision. However, one respondent expressed concern about the inclusion of "proposal" as a synonym. After discussion with the committee, the researchers concluded that more often than not, bid and proposal are interchangeable terms in industry. A bid or a proposal is merely "an offer to perform" irrespective of the vehicle used to solicit that offer be it an Invitation for Bid (IFB) or a Request for Proposal (RFP).

Another respondent questioned the irrevocability of a bid. The researchers recognized this difficulty. However, it is reiterated that except under certain specific conditions, in the context of the Federal Government, bids cannot be withdrawn when responding to an IFB. [REF 6] As a result, no further revisions were made to the definition.

*g. Proposed Definition Based on the Final Responses*

Bid

An offer to perform a contract by providing goods or services for a specific price. In Federal Government contracting, it is the technical term for an irrevocable offer in response to an Invitation for Bid (IFB).

Synonyms: Offer, Proposal.  
Antonyms: None.

#### 4. Commitment

##### a. *Original Definition*

###### Commitment

(1) The act by an authorized individual affirming the intent of an agency or company to take or accept a defined action not yet formalized by execution of a contract.

(2) Funding: A firm administrative reservation of funds based upon firm procurement directions, orders, requisitions, certified purchase requests, and budgetary authorizations which set aside certain funds for a particular contract without further recourse to the official responsible for certifying the availability of funds.

(3) Within DOD, reservation of funds are set aside by the appropriate operating division (wing or base) for use on a particular item.

(4) Accounting: The method of accounting for the available balance of an appropriation, fund, or contract authorization whereby commitments are recorded in the accounts as reductions of the available balance.

Synonyms: None.

Antonyms: None.

##### b. *Results from First Iteration*

Strongly Agree	(16.7%)
Agree	(47.9%)
Agree with Reservation	(20.8%)
Disagree with Reservation	(4.2%)
Disagree	(8.3%)
Strongly Disagree	(00%)

##### c. *Issues*

Respondents for this term expressed that there was conflict between the first and second paragraph as well as redundancy in some terminology. The researchers' opinion is that the original definition can be simplified by taking into account the following comments:

- Conflict between the first and second paragraph - "affirming the intent" and "A firm reservation of funds based on firm procurement directions."
- Second paragraph change "firm administrative" to "definitive."

Several comments also addressed "wing or base" and "DOD" in the definition which may be too organizationally specific for generic contracting terms. Consequently the "the Federal Government", a more generic term was suggested to replace "Within DOD". These comments included:

- Third paragraph delete "(wing or base)".
- Third paragraph change "division (wing or base)" to "organization."

***d. Proposed Definition Based on the First Responses***

**Commitment**

(1) The act by an authorized individual affirming the intent of an agency or company to take or accept a defined action not yet formalized by execution of a contract.

(2) Funding: A firm administrative reservation of funds based upon firm procurement directions, orders, requisitions, certified purchase requests, and budgetary authorizations which set aside certain funds for a particular contract without further recourse to the official responsible for certifying the availability of funds.

(3) Within DOD, reservation of funds are set aside by the appropriate operating organizations for use on a particular item.

(4) Accounting: The method of accounting for the available balance of an appropriation, fund, or contract authorization whereby commitments are recorded in the accounts as reductions of the available balance.

Synonyms: None.

Antonyms: None.

**e. Results from Final Iteration**

Strongly Agree	3 (12%)
Agree	20 (80%)
Agree with Reservation	2 (8%)
Disagree with Reservation	0 (00%)
Disagree	0 (00%)
Strongly Disagree	0 (00%)

**f. Issues**

In view of the second round results which indicate not only 100 percent agreement on the revised definition but also a significant decrease in the number of respondents who agreed with reservation (AWR). Those who AWR decreased from twenty percent of the respondents to only eight percent.

One respondent commented, "A commitment has no legal status unless ratified by execution of a contract. The definition as stated ascribes a false sense of legality." The researchers agree with the statement of legal status, however, the issue of legality is not germane. There may be confusion between a commitment and an "obligation." The proposed definition attempts to make this distinction. A commitment is an "administrative reservation of funds." In either case, a contract may or may not result. Therefore, an executed contract and a commitment are mutually exclusive, thereby precluding the need to further revise the definition.

**g. Proposed Definition Based on the Final Responses**

**Commitment**

(1) The act by an authorized individual affirming the intent of an agency or company to take or accept a defined action not yet formalized by execution of a contract.

(2) **Funding:** A firm administrative reservation of funds based upon firm procurement directions, orders, requisitions, certified purchase requests, and budgetary authorizations which set aside certain funds for a particular contract without further recourse to the official responsible for certifying the availability of funds.

(3) Within the Federal Government, reservation of funds are set aside by the appropriate operating organization for use on a particular item.

(4) **Accounting:** The method of accounting for the available balance of an appropriation, fund, or contract authorization whereby commitments are recorded in the accounts as reductions of the available balance.

Synonyms: None.  
Antonyms: None.

5. **Cost**

a. ***Original Definition***

**Cost**

(1) **For the Seller:** The amount of money or equivalent incurred for supplies or services exclusive of profit or fee.

(2) **For the Buyer:** The amount of money or equivalent paid for supplies or services including profit or fee.

Synonyms: Expense, Consideration, Charge, Total Cost.  
Antonyms: None.

b. ***Results from First Iteration***

Strongly Agree	(16.7%)
Agree	(39.6%)
Agree with Reservation	(18.8%)
Disagree with Reservation	(4.2%)
Disagree	(16.7%)
Strongly Disagree	(2.1%)

**c. Issues**

Of all the terms in this chapter, this term had the lowest rate of agreement (75%) and the highest rate of disagreement (23%). Two percent of the respondents did not provide a response to this term. Despite the significant level of disagreement, respondents provided very few comments substantiating their concerns.

The researchers believe, however, that one comment regarding cost for the buyer was germane. The comment was, "Change (2) to 'The amount of money or equivalent paid for supplies or services including the seller's profit or fee, the seller's price.'" It was the opinion of the researchers and the committee that the inclusion of "the seller's profit or fee" in part (2) clarifies that the buyer's cost includes the profit or fee for the seller.

**d. Proposed Definition Based on the First Responses**

Cost

(1) For the Seller: The amount of money or equivalent incurred for supplies or services exclusive of profit or fee.

(2) For the Buyer: The amount of money or equivalent paid for supplies or services including the seller's profit or fee.

Synonyms: Expense, Consideration, Charge, Total Cost.

Antonyms: None.

**e. Results from Final Iteration**

Strongly Agree	2 (8%)
Agree	20 (80%)
Agree with Reservation	3 (12%)
Disagree with Reservation	0 (00%)
Disagree	0 (00%)
Strongly Disagree	0 (00%)

**f. Issues**

As stated previously, the first iteration of this term resulted in significant disagreement of 23 percent. After making a minor change to the original definition, virtually all disagreement has been eliminated after the second round. Some, however, agreed with reservation. The comments expressing reservation included:

- I feel "consideration" should be deleted as a synonym.
- Over simplification renders the definition useless except perhaps as an elementary definition.
- "Total Cost" as a synonym would only be true in specific situations.
- Need some reference to price with regard to how it applies to "Total Cost."

The respondent raising the issue of consideration did not provide any justification for his comment. Since consideration can be "monetary" in nature it can be seen as a cost. Other respondents have commented that simpler definitions were needed. The researchers recognize that some terms are indeed complex and it is virtually impossible to capture every nuance of these complexities in this process. The attempt, however, is to derive definitions that will encompass broad aspects of the contracting profession.



As a result of the overwhelming consensus of the second round, no further revisions are recommended.

*g. Proposed Definition Based on the Final Responses*

Cost

(1) For the Seller: The amount of money or equivalent incurred for supplies or services exclusive of profit or fee.

(2) For the Buyer: The amount of money or equivalent paid for supplies or services including the seller's profit or fee.

Synonyms: Expense, Consideration, Charge, Total Cost.

Antonyms: None.

**C. SUMMARY**

This chapter has presented the analysis and final definitions of five terms: Allocation, Amortization, Bid, Commitment and Cost. Revisions to the definitions, if any, were based on feedback from two rounds of surveys returned to the researchers and were reviewed by the committee. In Chapter V, the results of the final five controversial terms will be presented.

## V. ANALYSIS OF RESPONSES - PART IV

### A. INTRODUCTION

This chapter deals with the results of the two rounds of questionnaires that were sent to 250 NCMA members. The questionnaires requested the respondent to comment on five controversial acquisition and contracting terms. The five terms defined in this chapter include: Delinquency, Executed Contract, Independent Cost Estimate, Novation Agreement and Royalty. The researchers analyzed the comments provided for each term using the criterion of improving the definition, either through content or enhancing the reader's ability to understand the term.

The format for this chapter is as follows: Subsection "a" provides the original definition for the term. This original definition is the end product of previous graduate theses. Subsection "b" presents the quantitative results of the first questionnaire (n=250; 22.8% returned). A breakdown of the responses is given for each point in the six-point Likert Scale. Subsection "c" identifies the respondents' issues, representative responses and the researchers' analysis. Subsection "d" proposes a revised definition based on the first responses.

Subsection "e" represents the quantitative results of the second questionnaire (n=47; 72.3% returned). A breakdown of the responses is given for each point in the six-point Likert Scale. The results include respondents who agreed or

disagreed without comments, provided positive comments which did not propose a change or supported the definition, or suggested changes to the synonyms or antonyms. Subsection "f" identifies the respondents' issues, representative responses, and the researchers' analysis. Subsection "g" proposes a revised definition based on the final responses. Finally, a summary of the chapter is provided.

## **B. TERM ANALYSIS**

### **1. Delinquency**

#### **a. *Original Definition***

##### **Delinquency**

(1) Failure, omission, or violation of contractual obligation or duty.

(2) The actual failure by the contractor to meet the contract delivery or performance schedule, or the potential failure to do so by failing to maintain required progress in contract performance as required by the contract delivery or performance schedule.

Synonyms: Overdue, Tardy, Late.

Antonyms: Early, Accelerated, Timely.

#### **b. *Results from First Iteration***

Strongly Agree	(31.6%)
Agree	(33.3%)
Agree with Reservation	(28.1%)
Disagree with Reservation	(3.5%)
Disagree	(1.8%)
Strongly Disagree	(1.8%)

**c. Issues**

Although a high rate of consensus (93%), several respondents indicated concern about the second paragraph and the issue of "potential failure." Some pertinent comments included:

- Is "potential delinquency" a delinquency?.
- In (2) delete "potential."

The researchers concur with this recommendation. There is clearly a distinction between an actual failure to comply with contractual requirements and the "potential failure" to comply. Although the Government can terminate a contract because it knows that the contractor will not comply, the fact remains that a potential failure is not delinquency until the failure to comply has occurred.

Another respondent recommended that paragraph (2) be deleted in its entirety. It is the researchers' opinion that paragraph (2) provides amplification and detail to paragraph (1) much like a dictionary gives further amplification for words and is relevant to the definition. For clarity, however, the following recommendation was taken into consideration:

- Change (2) from "meet the contract delivery or performance schedule" to "meet the contract delivery or performance schedule or performance requirements."

**d. Proposed Definition Based on the First Responses**

Delinquency

(1) Failure, omission, or violation of contractual obligation or duty.

(2) The actual failure by the contractor to meet the contract delivery or performance schedule, performance requirements or by failing to maintain required progress in contract performance as required by the contract delivery or performance schedule.

Synonyms: Overdue, Tardy, Late.

Antonyms: Early, Accelerated, Timely.

*e. Results from Final Iteration*

Strongly Agree	11 (32.4%)
Agree	16 (47.1%)
Agree with Reservation	5 (14.7%)
Disagree with Reservation	0 (00%)
Disagree	2 (5.9%)
Strongly Disagree	0 (00%)

*f. Issues*

It appears from the returned questionnaires that some respondents did not completely understand the iterative process being used to refine the definitions or they did not read the revised definition provided in the second questionnaire. One respondent requested that the researchers "take out the word 'potential'" with regard to failure to comply with contractual requirements. This issue was addressed in the first round and resulted in a revised definition. Taking this into account, there would have been 97 percent consensus on the revision.

Another respondent requested that the word "required" be deleted the first time it appears in paragraph (2). This does appear to be redundant and its deletion would add clarity to the definition.

**g. Proposed Definition Based on the Final Responses**

**Delinquency**

(1) Failure, omission, or violation of contractual obligation or duty.

(2) The actual failure by the contractor to meet the contract delivery or performance schedule, performance requirements or by failing to maintain progress in contract performance as required by the contract delivery or performance schedule.

Synonyms: Overdue, Tardy, Late.

Antonyms: Early, Accelerated, Timely.

**2. Executed Contract**

**a. Original Definition**

**Executed Contract**

A written document which has been signed by both parties and mailed or otherwise furnished to each party, which expresses the requirements, terms, and conditions to be met by each party.

Synonyms: None.

Antonyms: None.

**b. Results from First Iteration**

Strongly Agree	(26.3%)
Agree	(31.6%)
Agree with Reservation	(28.1%)
Disagree with Reservation	(3.5%)
Disagree	(5.3%)
Strongly Disagree	(5.3%)

**c. Issues**

This is another example of low rate of agreement as compared to others, only 86 percent, and very little qualitative input for changes. There were two comments, however, regarding the furnishing of documents to the parties involved. These comments were:

- Change "and mailed or otherwise" to "and."

- Does definition cover new technology, i.e., EDI, FAX, etc.?

It is the researchers' opinion, with concurrence from the committee which included one lawyer, that for the purpose of defining an executed contract, the method of furnishing documentation is not germane. The definition includes a written agreement, signed by both parties furnished to each party. It is recognized that there are acceptable and unacceptable methods prescribed by regulations to furnish contracts to the parties, especially in Government contracting.

The researchers also agreed it would be appropriate to include definitized contract as a synonym as recommended by another respondent.

**d. Proposed Definition Based on the First Responses**

**Executed Contract**

A written document which has been signed by both parties and furnished to each party, which expresses the requirements, terms, and conditions to be met by each party.

Synonyms: Definitized Contract.  
 Antonyms: None.

**e. Results from Final Iteration**

Strongly Agree	19 (55.9%)
Agree	9 (26.5%)
Agree with Reservation	3 (8.8%)
Disagree with Reservation	1 (2.9%)
Disagree	2 (5.9%)
Strongly Disagree	0 (00%)

**f. Issues**

Although not 100 percent agreement as in other terms, there is clearly an improvement in the consensus of agreement from 86 percent to 91 percent. Many respondents commented that the revised definition was either a "better" or a "simpler" definition.

One respondent stated, "this definition does not consider legal purpose/premise, competent parties, and adequate consideration aspects of a legally binding, valid contract." Albeit a valid point, the researchers are assuming that users of these definitions (contracting professionals or trainees) would have a pre-existing knowledge of what the basic elements of a contract entail.

In regard to the synonyms, another stated, "definitized is not an acceptable word ... speak English and not DOD speak." According to the Merriam-Webster Dictionary, definitize means "to make definite." The researchers' have determined that no further revision to the definition is required.

***g. Proposed Definition Based on the Final Responses***

**Executed Contract**

A written document which has been signed by both parties and furnished to each party, which expresses the requirements, terms, and conditions to be met by each party.

Synonyms: Definitized Contract.

Antonyms: None.



### 3. Independent Cost Estimate

#### a. *Original Definition*

##### Independent Cost Estimate

A cost estimate developed outside the normal advocacy channels, independent of any cost information provided by the offeror, used for the purpose of comparing with bids or proposals. Preparation of independent cost estimates generally include representations from the areas of cost analysis, procurement, production management, engineering, and program management.

Synonyms: Independent Government Cost Estimate (IGCE).

Antonyms: None.

#### b. *Results from First Iteration*

Strongly Agree	(24.6%)
Agree	(36.8%)
Agree with Reservation	(29.8%)
Disagree with Reservation	(5.3%)
Disagree	(3.5%)
Strongly Disagree	(00%)

#### c. *Issues*

There was strong consensus of agreement on this term, 91.2 percent. However, there were several questions about "normal advocacy channels." Pertinent comments included a request to elaborate or simply, "What is a normal advocacy channel?" As a result and after consideration, it seemed appropriate to delete the phrase "outside the normal advocacy channels." The core of the definition is "a cost estimate developed independent of any information provided by the offeror." It is the researchers' opinion that the phrase in question did not add to the definition and was not required.

Another respondent recommended, "Add after 'representations from' - 'one or more areas of price/cost analysis.'" This is an excellent recommendation because in its original form one could conclude that an independent cost estimate includes representations from all the areas listed. In fact, an independent cost estimate may be partial in that it may include "one or more" of the areas listed.

**d. Proposed Definition Based on the First Responses**

**Independent Cost Estimate**

A cost estimate developed independent of any cost information provided by the offeror, used for the purpose of comparing with bids or proposals. Preparation of independent cost estimates generally include representations from one or more of the areas of cost/price analysis, procurement, production management, engineering, and program management.

Synonyms: Independent Government Cost Estimate (IGCE).

Antonyms: Contractor Prepared Cost Information.

**e. Results from Final Iteration**

Strongly Agree	9 (26.5%)
Agree	15 (44.1%)
Agree with Reservation	7 (20.6%)
Disagree with Reservation	2 (5.9%)
Disagree	0 (00%)
Strongly Disagree	1 (2.9%)

**f. Issues**

Despite the 91 percent rate of agreement, there were concerns raised by some respondents as to the purpose of an independent cost estimate. Some pertinent comments included:

- The purpose is to validate the prices received are reasonable.
- Change "comparing" to "comparison."

- Change "provided by the offeror" to "provided by an offeror."

The researchers along with the committee agree that the definition as written may be narrow in scope with respect to the purpose of an independent cost estimate. A situation may exist in which one may not have more than one bid or proposal (sole source), thereby necessitating the need for an independent cost estimate to determine reasonableness of price. An independent cost estimate does not have to be solely for the comparison of multiple proposals. The suggestions above were incorporated into the proposed definition.

***g. Proposed Definition Based on the Final Responses***

**Independent Cost Estimate**

A cost estimate developed independent of any cost information provided by an offeror, used for the purpose of comparison. Preparation of independent cost estimates generally include representations from one or more of the areas of cost/price analysis, procurement, production management, engineering, and program management.

Synonyms: Independent Government Cost Estimate (IGCE).

Antonyms: Contractor Prepared Cost Information.

**4. Novation Agreement**

***a. Original Definition***

**Novation Agreement**

A legal instrument, executed by the parties to a contract and a successor in interest, which transfers all obligations and rights under the contract to the successor.

The Government may recognize a third party as a successor of a Government contract when the third party's interests arise out of the transfer of 1) all the contractor's assets, or 2) the entire portion of the assets involved in performing a contract.

Synonyms: None.

Antonyms: None.

**b. Results from First Iteration**

Strongly Agree	(22.8%)
Agree	(45.6%)
Agree with Reservation	(21.1%)
Disagree with Reservation	(7%)
Disagree	(00%)
Strongly Disagree	(00%)

**c. Issues**

Although the consensus of agreement was nearly ninety percent, it is the researchers' opinion that the original definition lacked clarity. The comments received from several respondents were particularly apropos in providing the necessary clarity to improve the definition.

These comments included:

- Change "under the contract to the successor" to "under the contract of one party to its successor in interest."
- Paragraph two, change "may" to "reserves the right to."
- Paragraph two, change "successor" to "successor in interest."
- Change "performing" to "performance of."

**d. Proposed Definition Based on the First Responses**

**Novation Agreement**

A legal instrument, executed by the parties to a contract and a successor in interest, which transfers all obligations and rights under the contract of one party to the successor in interest.

The Government reserves the right to recognize or not to recognize a third party as a successor in interest of a Government contract when the third party's interests arise out of the transfer of 1) all the contractor's assets, or 2) the entire portion of the assets involved in the performance of a contract.

Synonyms: None.  
Antonyms: None.

**e. Results from Final Iteration**

Strongly Agree	9 (26.5%)
Agree	21 (61.8%)
Agree with Reservation	4 (11.8%)
Disagree with Reservation	0 (00%)
Disagree	0 (00%)
Strongly Disagree	0 (00%)

**f. Issues**

This round resulted in 100 percent consensus of agreement. Comments included:

- The Government "reserves the right to..." is a great addition!
- Much better wording.

A minor grammatical change in the second paragraph was suggested. Change "arises" to "arise" for correctness. The researchers concurred.

**g. Proposed Definition Based on the Final Responses**

**Novation Agreement**

A legal instrument, executed by the parties to a contract and a successor in interest, which transfers all obligations and rights under the contract of one party to the successor in interest. The Government reserves the right to recognize or not to recognize a third party as a successor in interest of a Government contract when the third party's interests arise out of the transfer of

1) all the contractor's assets, or 2) the entire portion of the assets involved in the performance of a contract.

Synonyms: None.  
Antonyms: None.

5. **Royalty**

a. ***Original Definition***

**Royalty**

Compensation paid to the owner, vendor or lessor of personal, real, tangible or intangible property for the use of that property. Usually a percentage of the selling price of goods and services, production of which employs the property.

Synonyms: Commission Payment, Use Fee.  
Antonyms: Royalty Free Use.

b. ***Results from First Iteration***

Strongly Agree	(26.3%)
Agree	(43.9%)
Agree with Reservation	(21.1%)
Disagree with Reservation	(1.8%)
Disagree	(3.5%)
Strongly Disagree	(1.8%)

c. ***Issues***

Several respondents expressed confusion about the second sentence of the original definition stating that it was not clear. Another respondent recommended to deletion of the phrase "production of which employs the property" from the second sentence. These comments coupled with the opinions of the researchers' and review by the committee seemed appropriate for incorporation into the definition. The second sentence in its entirety will be deleted because the amount of royalty paid is not essential in defining royalty.

One respondent wrote, "I do not consider a fee for rental of property to be a royalty." The committee concurred with the respondent and researchers, therefore, "or lessor" was deleted from the definition. The addition of a synonym was recommended and will be included in the revised definition.

**d. Proposed Definition Based on the First Responses**

**Royalty**

Compensation paid to the owner or vendor of personal, real, tangible or intangible property for the use of that property.

Synonyms: Commission Payment, Use Fee, Intellectual Property Fee.

Antonyms: Royalty Free Use.

**e. Results from Final Iteration**

Strongly Agree	12 (35.3%)
Agree	15 (44.1%)
Agree with Reservation	3 (8.8%)
Disagree with Reservation	0 (00%)
Disagree	2 (5.9%)
Strongly Disagree	1 (2.9%)

**f. Issues**

Although there was over ninety percent consensus, some respondents remained concerned about the issue of rent. This was recognized in the first round and as a result, the term "lessor" was deleted. Some pertinent comments included:

- This new definition can include rental of personal property and lease of real property, both of which are usually for a fixed time period as opposed to royalties paid for the occasional use.
- Royalty is associated with intangible property in my experience, not rent.

- A rent or use fee is generally not proportional to the use made, but a royalty is. This distinction should be made.

To preclude the confusion about rent, it is specifically excluded in the revised definition.

*g. Proposed Definition Based on the Final Responses*

Royalty

Compensation paid (excluding rent) to the owner or vendor of personal, real, tangible or intangible property for the use of that property.

Synonyms: Commission Payment, Use Fee, Intellectual Property Fee.

Antonyms: Royalty Free Use.

**C. SUMMARY**

This chapter has presented the analysis and final definitions of five terms: Delinquency, Executed Contract, Independent Cost Estimate, Novation Agreement and Royalty. Revisions to the definitions, if any, were based on feedback from two rounds of surveys returned to the researchers and were reviewed by the committee. In Chapter VI, the conclusions and recommendations of the research effort will be presented.



## VI. CONCLUSIONS AND RECOMMENDATIONS

### A. OVERVIEW

This chapter presents the conclusions and recommendations resulting from this research effort. Included are observations made while conducting the research and recommendations which might improve follow on research. This chapter also concludes by addressing the primary research question posed at the beginning of this thesis along with a summary of the chapter.

### B. CONCLUSIONS

This section will include some general comments about this research, and will then compare the results of this effort with those of LCDR Ryan's and LT Wilson's previous efforts.

The first round of 1,000 questionnaires generated an 18.4 percent response while the second round resulted in a 66 percent response. A noteworthy point is that while the second questionnaire generated a higher rate of return, fewer comments were received perhaps indicating a strong consensus of agreement on the definitions.

It is the researchers' opinion that the questionnaires have significant inherent value because the majority of the respondents are Acquisition and Contracting Professionals who are currently working in the field. Many of those who responded were appreciative of the opportunity to participate in the research effort. They also expressed that they considered the project to be valid and worthwhile. Many of

the respondents also indicated the need for a conscious attempt to provide universal definitions to terms and not to concentrate on Government "unique" or Government oriented terms and definitions. Conversely, some respondents thought that the definitions should be based solely on Federal Acquisition Regulation (FAR) definitions.

The researchers' disagree with basing definitions solely on the FAR. It is recognized that there are a variety of terms that are only applicable to Government contracting however, there are numerous other terms which may apply to both Government and commercial contracting. Therefore, definitions to be used by acquisition and contracting professionals should be universal and applicable to the profession in general to the largest extent possible.

Based on the researchers' analysis of the data, results were compared to those of LCDR Ryan's and LT Wilson's efforts. These conclusions follow:

1. The product of this thesis will add to the body of knowledge which makes up the contracting discipline. [Ref. 15:p. 79] [Ref. 21:p. 72]

Clearly, the twenty terms which were refined in this thesis coupled with previous efforts of this nature reinforce the foundation of a common language and therefore, add to the body of knowledge. Although most of the terms in this study resulted in 100 percent consensus, research efforts should

continue in order to expand the volume of defined terms and further refine the definitions of controversial terms.

2. The observations of questionnaire respondents reflect a concern for the continued development of the contracting discipline. [Ref. 15:p. 79] [Ref. 21:p. 72]

The respondents for this thesis as in others continue to express the need for the continued development of the discipline. The low response rate (18.4%) in the first iteration was not reflective of a lack of interest but rather a mailing list that was not current. Nearly two hundred questionnaires were returned because of incorrect addresses. The response rate in the second iteration (66%) was consistent with previous efforts. The positive comments received for both rounds indicated a sincere desire among the respondents to contribute to the body of knowledge for acquisition and contracting. A review of the completed questionnaires indicate that the majority of the respondents were very articulate and well-versed in the profession. Several of the respondents requested information to obtain a copy of the dictionary when completed.

3. There is not universal agreement concerning the meaning of most contracting terms. [Ref. 15:p. 80] [Ref. 21:p. 73]

The researchers agree with this conclusion as expressed by LT Wilson. Even with terms resulting with 100 percent consensus there were still valid comments made by

respondents which warranted consideration. It was clear that each respondent understood the basic concept of the terms. However, the respondents differed as to which aspects of a specific term should be included in the definition. Clearly, the iterative process of the Delphi Technique was significant in improving the rate of agreement for the controversial definitions. Although nearly all of the consensus definitions presented in this research received 100 percent approval rates, there was an element of dissent among those who "agreed with reservation" and those who disagreed to one extent or another for four of the terms. This dissent highlights the need for a comprehensive compilation of contracting terms.

4. The procedure used in this thesis to achieve consensus on term definitions as used in contracting is valid. [Ref. 15:p. 80] [Ref. 21:p. 73]

The high rate of consensus certainly indicated that the procedure used is valid. The procedure used differed from others in that feedback was provided to all the respondents after the first round on the second questionnaire. The feedback was a distribution of responses and an anonymous compilation of comments from all the respondents. This allowed the respondents to benefit by anonymously reviewing their response in view of others' responses before responding in the second round. Also, the incorporation of a review committee to ensure that the researchers were true to the consensus added significantly to the research process. It is

the researchers' opinion that these modifications improved the quality of responses and were contributors to reaching a higher level of consensus.

5. The inclusion of synonyms and antonyms contributed very little to the thesis. [Ref. 15:p. 80] [Ref. 21:p. 73]

The researchers' disagree with this conclusion however, agreed with Furfuro and Omechevaria. Although few synonyms and antonyms were suggested for the twenty terms, this in itself does not indicate the lack of diligence on the part of the survey respondents. This research demonstrated that including synonyms and antonyms in the questionnaire generated a significant number of comments.

#### C. RECOMMENDATIONS

Based on the researchers' analysis, this section will compare recommendations made by LT Wilson and the results of this study. Recommendations are as follows:

1. The consensus definitions derived from this research should be added to those from previous research and incorporated into the contracting dictionary. [Ref. 21:p. 113]

The twenty terms generated strong consensus among the participants; agreement ranged from 91 to 100 percent. It is the researchers' opinion that the revised definitions represent the consensus of professionals in the acquisition and contracting field and should be incorporated in the contracting dictionary.

2. Continue to refine only the terms deemed controversial in subsequent research with the methodology utilized in this effort. [Ref. 21:p. 113]

The researchers do not agree with this recommendation made by previous researchers. However, the researchers concur with Furfuro and Omechevaria in that not all definitions are subject to refinement. The only definitions that should be further refined are those definitions that generate significant diversity in comments or require extensive revisions in response to comments. [Ref. 8:p. 61] [Ref. 12:p. 61]

3. Standardize the procedure for determining agreement or disagreement with a term's definition. [Ref. 21:p. 115]

The researchers strongly agree with this recommendation. In order to make a genuine comparison of data and the analyses thereof between research efforts, standard procedures must be used. If not, then dissimilar items are being compared. One cannot help but think what the results might be if the same procedure (not a similar procedure) were used in previous studies as was used in this effort. Since this effort resulted in 100 percent consensus on 16 of 20 terms, one could conclude that there would not have been 40 controversial terms to refine if the same procedure would have been used previous to Furfuro's and Omechevaria's effort. The modified Delphi Technique that has been used in previous related studies should be carefully analyzed. A detailed

analysis of the procedures could establish an appropriate strategy for standardization. [Ref. 8:p. 62]

4. Continue to follow up questionnaires with a reminder letter. [Ref. 21:p. 114]

The researchers are neutral on this recommendation. Due to time constraints a reminder letter was not used in this effort for either round. Notwithstanding, the researchers believe an up-to-date mailing list would have improved the response rate in the first round. In the second round without a reminder letter, the responses received were comparable to previous efforts that used reminders. More than likely this is due to the majority (more than 50%) of first round respondents decided at the beginning to participate in the process all the way through.

5. Allow ample time for data collection and analysis.

As indicated previously, the researchers were faced with a time constraint which precluded an original intention of conducting three iterations of questionnaires. The development, printing, and mailing of any number of research questionnaires takes considerable time. In addition, the researcher must allow time for the participants' responses and the analysis of the responses. If there were ample time for a third round, clearly, a higher rate of consensus could have been achieved on those terms with less than 100 percent consensus. Consequently, having an adequate time table cannot be overstated.

#### D. RESEARCH QUESTION ANSWERS

The subsidiary research questions were:

1. What agreement can be reached from professionals in the field?
2. What definition of terms can be concluded from research and feedback?
3. Is the Delphi Technique useful for fine tuning controversial acquisition and contracting terms?

This research clearly demonstrated, although not perfectly or always unqualified, significant agreement can be reached from professionals in the field. The Delphi Technique provided the researchers and participants with valuable feedback that was an integral part of this research effort.

The primary research question was: To what extent can standard meanings be arrived at in the evolving field of contracting in which words are used with various meanings?

One hundred percent of the respondents selecting "Strongly Agree" is not very likely. In the same manner, LCDR Ryan first answered this question by writing, "A 100 percent consensus on an exact definition for any given contracting term is not likely to occur..." To date, this has been substantiated by all the work in this area including this effort. However, it is clear, as Ryan continues that, "a definition which represents consensus can occur with success..." [Ref. 15:p. 83]

The results of this thesis demonstrate standard meanings can be arrived at in the contracting profession. Although,



there will always be a small number of skeptics who will not accept these standard meanings.

#### **E. AREAS FOR FURTHER RESEARCH**

The methodology used in this research effort could also be used to improve the definitions of non-controversial terms from previous or subsequent graduate theses. An analysis would demonstrate whether the refinement process was productive.

The researchers believe that an acceptable consensus was achieved after the second questionnaire. Since the rate of agreement improved from one round to the next, a third questionnaire might have helped to improve consensus on those terms with relatively low results further supporting the refinement process.

#### **F. SUMMARY**

This chapter offered conclusions and recommendations made by the researchers regarding this research effort as well as answering the primary and subsidiary research questions. The completion of a comprehensive dictionary of acquisition and contracting terms is a useful project and will be an important tool for contracting professionals, students and academics.

## APPENDIX A: PROPOSED CONSENSUS DEFINITIONS

### ALLOTMENT

An authorization by the head (or other authorized employee) of an operating agency which assigns a specified amount of money to subordinate units, projects or activities. The amount allotted by the agency cannot exceed the amount apportioned by the Office of Management and Budget (OMB).

Synonyms: Funding.  
Antonyms: None.

### AWARD

- (1) The formal acceptance of an offeror's bid or proposal.
- (2) Transmittal of advance authorization to proceed.

Synonyms: None.  
Antonyms: None.

### CERTIFICATION

The formal act of acknowledging in writing and affirming by signature that:

- some act has or has not been performed;
- some event has or has not occurred;
- some legal formality has or has not been complied with; or
- some condition exists or does not exist.

Synonyms: None.  
Antonyms: None.

### CONSULTANT

A person having specialized education and/or broad experience which uniquely qualifies him/her to be called upon to furnish expert advice or opinions on highly specialized matters and recommend solutions to particular problems.

Synonyms: Advisor, Expert, Subject Matter Expert (SME),  
Specialist, Authority.  
Antonyms: None.

### COST OBJECTIVE

(1) Accounting: A function, contract, or other work unit for which cost data are desired and for which provision is made to accumulate and measure the cost of processes, products, capitalized projects, and so forth.

(2) Program Management: Cost goal established for the completion of an element of work.

(3) Negotiations: Goal established for contract cost to be achieved during contract negotiations.

Synonyms: Cost Goal, Target Cost.

Antonyms: None.

### ESCALATION

A pricing term traditionally used to indicate an upward movement of price/cost due to inflation or market adjustment.

Synonyms: None.

Antonyms: Deescalation.

### EXPENSE

Costs of operation and maintenance of activities on the accrual basis for a fiscal period, as distinguished from capital costs that depreciate over their approximate service life.

Synonyms: Costs.

Antonyms: Revenue, Income.

### INDUSTRIAL PLANT EQUIPMENT

Plant equipment acquired by either the Government or industry, exceeding an established acquisition cost threshold, used for the purpose of altering the physical, electrical or chemical properties of materials, components or other end items entailed in manufacturing, maintenance, supply, processing, assembly or research and development operations.

Synonyms: None.

Antonyms: None.

## OFFSETS

(1) A cost balancing action whereby a claim may be canceled or lessened by a counterclaim.

(2) Defective pricing offset: Allowable understatements (e.g., counterclaims or cost proposal errors that are favorable to the contractor) which are reduced by overstatements of cost that arise under a defective pricing case. When eliminating an increase in the contract price the offset cannot exceed the extent of the overstatement.

(3) Administrative offset: A procedure to collect a debt owed to the Government by withholding money payable to the contractor under a contract, in order to satisfy the contractor's debt which arose independently of that contract and which is in compliance with the Federal Claims Collection Act of 1966.

Synonyms: Counterclaim, Setoff.

Antonyms: None.

## WEIGHTED AVERAGE COST METHOD

A method of determining the average unit cost of inventory and by implication an aid in determining the cost of goods made, sold, or held for future sale or incorporation into higher level end items. Under this technique, costs are periodically computed by adding the sum of the costs of beginning inventory with the sum of the costs of subsequent purchases and dividing by the total number of units.

Synonyms: Unit Cost Comparison Technique.

Antonyms: None.

## ALLOCATION

(1) Funding: An amount of money in a Government appropriation transferred to an agency, bureau or account having spending authority to carry out the purposes of that appropriation.

(2) Financial: A cost accounting procedure which results in a reasonable distribution of costs among one or more cost objectives including products, programs, contracts, and activities. This includes both direct assignment of costs and the reassignment of a share of an indirect pool.

Synonyms: None.

Antonyms: None.

### AMORTIZATION

The systematic liquidation of an indebtedness or recorded asset value over a specific period of time by periodic payments to a creditor or charges to an expense account, in accordance with generally accepted accounting procedures or principles.

Synonyms: Liquidation, Writeoff.

Antonyms: None.

### BID

An offer to perform a contract by providing goods or services for a specific price. In Federal Government contracting, it is the technical term for an irrevocable offer in response to an Invitation for Bid (IFB).

Synonyms: Offer, Proposal.

Antonyms: None.

### COMMITMENT

(1) The act by an authorized individual affirming the intent of an agency or company to take or accept a defined action not yet formalized by execution of a contract.

(2) Funding: An administrative reservation of funds based upon procurement directions, orders, requisition, certified purchase requests, and budgetary authorizations which set aside certain funds for a particular contract without further recourse to the official responsible for certifying the availability of funds.

(3) Within the Federal Government, reservation of funds are set aside by the appropriate operating organizations for use on a particular item.

(4) Accounting: The method of accounting for the available balance of an appropriation, fund, or contract authorization whereby commitments are recorded in the accounts as reductions of the available balance.

Synonyms: None.

Antonyms: None.

## COST

(1) For the Seller: The amount of money or equivalent incurred for supplies or services exclusive of profit or fee.

(2) For the Buyer: The amount of money or equivalent paid for supplies or services including the seller's profit or fee.

Synonyms: Expense, Consideration, Charge, Total Cost.

Antonyms: None.

## DELINQUENCY

(1) Failure, omission or violation of contractual obligation or duty.

(2) The actual failure by the contractor to meet the contract delivery or performance schedule, performance requirements or by failing to maintain required progress in contract performance as required by the contract delivery or performance schedule.

Synonyms: Overdue, Tardy, Late.

Antonyms: Early, Accelerated, Timely.

## INDEPENDENT COST ESTIMATE

A cost estimate developed independent of any cost information provided by an offeror, used for the purpose of comparison. Preparation of independent cost estimates generally includes representations from one or more of the areas of cost/price analysis, procurement, production management, engineering, and program management.

Synonyms: Independent Government Cost Estimate (IGCE).

Antonyms: Contractor Prepared Cost Information.

## EXECUTED CONTRACT

A written document which has been signed by both parties and furnished to each party, which expresses the requirements, terms, and conditions to be met by each party.

Synonyms: Definitized Contract.

Antonyms: None.

### NOVATION AGREEMENT

A legal instrument, executed by the parties to a contract and a successor in interest, which transfers all obligations and rights under the contract of one party to the successor in interest. The Government reserves the right to recognize or not to recognize a third party as a successor in interest of a Government contract when the third party's interests arise out of the transfer of 1) all the contractor's assets, or 2) the entire portion of the assets involved in the performance of a contract.

Synonyms: None.

Antonyms: None.

### ROYALTY

Compensation paid (excluding rent) to the owner or vendor of personal, real, tangible or intangible property for the use of that property.

Synonyms: Commission Payment, Use Fee, Intellectual Property Fee.

Antonyms: Royalty Free Use.

## APPENDIX B: INITIAL QUESTIONNAIRE

This appendix represents the initial questionnaire which was mailed to 1000 Professional Contracts managers and Certified Associate Contracts Managers.

### A. INITIAL QUESTIONNAIRE

Graduate students at the Naval Postgraduate School, Monterey, California, and the Air Force Institute of Technology, Wright-Patterson Air Force Base, Ohio, are conducting research to derive baseline definitions for commonly used acquisition words or phrases. When the project is complete, the definitions will be included as part of a professional dictionary of contracting terminology. The purpose of the dictionary is twofold. First, to provide an educational tool to those unfamiliar with the acquisition process. Second, to provide a reference document for those working in the field.

The purpose of this questionnaire is to obtain feedback from contracting professionals regarding proposed definitions of contracting terms. All of the terms have been synthesized from collected definitions, government regulations and contracting literature and have been reviewed once by National Contract Management Association Fellows in an effort to obtain a consensus definition. The terms in this questionnaire were selected for refinement using the Delphi Technique due to the diversity of comments which they generated.

The Delphi Technique is a method of refining a viewpoint by resubmitting successive opinions for review by the same respondents until consensus is reached. This research will entail resubmitting initial opinions with complete feedback and rationale for changes to the respondents once. Therefore, it is requested that you include your name and address with your response to enable the researchers to include you in the subsequent review of the terms. Your responses will be considered confidential. Your name and address is requested solely for the purpose of conducting a second review.

Please review the definition provided for each contracting term. When reviewing, please feel free to make changes as you deem necessary. This may be done in any way which will be legible to the researcher, such as lining out words. Also, please include a short explanation for the change in the remarks section; this will aid the researcher in understanding your reasoning when reviewing the proposed definition.



Your participation in this research and response by 12 March 1993 is greatly appreciated. If you need any additional details, contact LCDR Richard Mendez (408) 759-9783/LT Gerald Rivas (408) 655-1625, or by writing to:

LT Gerald A. Rivas, SC, USN  
SMC #2715  
Naval Postgraduate School  
Monterey, CA 93943-5000

Name: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

**ALLOTMENT**

An authorization by the head (or other authorized employee) of an operating agency which assigns a specified amount of money to subordinate units. The amount allotted by the agency cannot exceed the amount apportioned by the Office of Management and Budget (OMB).

**Synonyms:** None  
**Antonyms:** None

Do you agree with this definition?

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**Synonyms:** \_\_\_\_\_

**Antonyms:** \_\_\_\_\_

**AWARD**

- (1) The formal acceptance of an offeror's bid or proposal.
- (2) Notification of intent to give a contract.
- (3) Transmittal of advance authorization to proceed (e.g. letter contract).

**Synonyms:** None  
**Antonyms:** None

Do you agree with this definition?

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**Synonyms:** \_\_\_\_\_

**Antonyms:** \_\_\_\_\_

**CERTIFICATION**

The formal act of acknowledging in writing and affirming by signature that:

- some act has or has not been performed;
- some event has or has not occurred;
- some legal formality has or has not been complied with; or
- some condition exists or does not exist.

**Synonyms:** None

**Antonyms:** None

Do you agree with this definition?

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**Synonyms:** \_\_\_\_\_

**Antonyms:** \_\_\_\_\_

**CONSULTANT**

A person having specialized education and/or broad experience which uniquely qualifies them to be called upon to furnish expert advice on highly specialized matters and recommend solutions to particular problems.

**Synonyms:** Advisor, Expert, Subject Matter Expert (SME)

**Antonyms:** None

Do you agree with this definition?

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**Synonyms:** \_\_\_\_\_

**Antonyms:** \_\_\_\_\_

**COST OBJECTIVE**

(1) A function, organizational subdivision, contract, or other work unit for which cost data is desired and for which provision is made to accumulate and measure the cost of processes, products, capitalized projects, and so forth.

(2) Cost goal established for the completion of an element of work.

(3) Goal established for contract cost to be achieved during contract negotiations.

**Synonyms:** Cost Center, Cost Goal, Target Cost

**Antonyms:** None

Do you agree with this definition?

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**Synonyms:** \_\_\_\_\_

**Antonyms:** \_\_\_\_\_

**ESCALATION**

(1) A term traditionally used to indicate an upward or (more rarely) a downward movement of price. "Economic Price Adjustment" is the contemporary term used to express the application of escalation by specified procedures.

(2) In Government contracting refers to an amount or percent by which a contract price may be adjusted if predefined contingencies occur, such as changes in the vendor's raw material costs or labor costs. The amount of the "escalation" is usually tied to some predetermined price index.

**Synonyms:** Economic Price Adjustment

**Antonyms:** None

Do you agree with this definition?

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**Synonyms:** \_\_\_\_\_

**Antonyms:** \_\_\_\_\_

**EXPENSE**

Costs of operation and maintenance of activities on the accrual basis for a fiscal period, as distinguished from capital costs that will be depreciated over their approximate service life.

**Synonyms:** Costs

**Antonyms:** Revenue, Income

Do you agree with this definition?

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**Synonyms:** \_\_\_\_\_

**Antonyms:** \_\_\_\_\_



**INDUSTRIAL PLANT EQUIPMENT (IPE)**

Plant equipment acquired by the Government, exceeding an established acquisition cost threshold, used for the purpose of cutting, abrading, grinding, shaping, forming, joining, testing, measuring, heating, treating or otherwise altering the physical, electrical or chemical properties of materials, components or other end items entailed in manufacturing, maintenance, supply, processing, assembly or research and development operations.

**Synonyms:** None

**Antonyms:** None

Do you agree with this definition?

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**Synonyms:** \_\_\_\_\_

**Antonyms:** \_\_\_\_\_

**OFFSETS**

A cost balancing action whereby a claim may be canceled or lessened by a counterclaim.

Defective pricing: Allowable understatements (e.g., counterclaims or cost proposal errors that are favorable to the contractor) which are reduced by overstatements of cost that arise under a defective pricing case. In order to eliminate an increase in the contract price the offset cannot exceed the extent of the overstatement.

Administrative Offset: A procedure to collect a debt owed to the Government by withholding money payable to contractor under a contract, in order to satisfy the contractor's debt which arose independently of that contract and which are in compliance with the Federal Claims Collection Act of 1966.

**Synonyms:** Counterclaim, Setoff

**Antonyms:** None

Do you agree with this definition?

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**Synonyms:** \_\_\_\_\_

**Antonyms:** \_\_\_\_\_

**WEIGHTED AVERAGE COST METHOD**

A method of determining the average unit cost of inventory and by implication an aid in determining the cost of goods made, sold, or held for future sale or incorporation into higher level end items. Under this technique, costs are periodically computed by adding the sum of the costs of beginning inventory with the sum of the costs of subsequent purchases and dividing by the total number of units.

**Synonyms:** None  
**Antonyms:** None

Do you agree with this definition?

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**Synonyms:** \_\_\_\_\_

**Antonyms:** \_\_\_\_\_

**Allocation**

**Funding:** An amount of money transferred from one agency, bureau or account that is set aside in an appropriation of the various committees having spending responsibilities to carry out the purposes of the parent appropriation or fund.

Within DOD, the money is being transferred from the services to the appropriate MAJCOMS.

**Financial:** A cost accounting procedure which results in a reasonable distribution of costs among one or more cost objectives (e.g., products, programs, contracts, and activities). This includes both direct assignment of costs and the reassignment of a share from an indirect pool.

**Synonyms:** None

**Antonyms:** None

Do you agree with this definition?

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**Synonyms:** \_\_\_\_\_

**Antonyms:** \_\_\_\_\_

**Amortization**

The systematic reduction of an indebtedness or recorded asset value over a specific period of time by periodic payments to a creditor or charges to an expense, in accordance with generally accepted accounting procedures or principles.

**Synonyms:** Liquidation, Allocation, Writeoff

**Antonyms:** Direct charge

Do you agree with this definition?

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**Synonyms:** \_\_\_\_\_

**Antonyms:** \_\_\_\_\_

**Bid**

An offer to perform a contract by providing labor and or material for a specific price. In federal government contracting, this offer is provided in response to an invitation for bid.

**Synonyms:** None  
**Antonyms:** None

Do you agree with this definition?

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**Synonyms:** \_\_\_\_\_

**Antonyms:** \_\_\_\_\_

**Commitment**

The act by an authorized individual affirming the intent of an agency or company to take or accept a defined action not yet formalized by execution of a contract.

Funding: A firm administrative reservation of funds based upon firm procurement directions, orders, requisitions, certified purchase requests, and budgetary authorizations which set aside certain funds for a particular contract without further recourse to the official responsible for certifying the availability of funds.

Within DOD, reservation of funds are set aside by the appropriate operating division (wing or base) for use on a particular item.

Accounting: The method of accounting for the available balance of an appropriation, fund, or contract authorization whereby commitments are recorded in the accounts as reductions of the available balance.

**Synonyms:** None

**Antonyms:** None

Do you agree with this definition?

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**Synonyms:** \_\_\_\_\_

**Antonyms:** \_\_\_\_\_

**Cost**

(1) For the Seller: The amount of money or equivalent incurred for supplies or services exclusive of profit or fee.

(2) For the Buyer: The amount of money or equivalent paid for supplies or services including profit or fee.

**Synonyms:** Expense, Consideration, Charge, Total Cost

**Antonyms:** None

Do you agree with this definition?

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**Synonyms:** \_\_\_\_\_

**Antonyms:** \_\_\_\_\_



**Delinquency**

(1) Failure, omission, or violation of contractual obligation or duty.

(2) The actual failure by the contractor to meet the contract delivery or performance schedule, or the potential failure to do so by failing to maintain required progress in contract performance as required by the contract delivery or performance schedule

**Synonyms:** Overdue, Tardy, Late

**Antonyms:** Early, Accelerated, Timely

Do you agree with this definition?

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**Synonyms:** \_\_\_\_\_

**Antonyms:** \_\_\_\_\_

**Executed Contract**

A written document which has been signed by both parties and mailed or otherwise furnished to each party, which expresses the requirements, terms, and conditions to be met by each party.

**Synonyms:** None  
**Antonyms:** None

Do you agree with this definition?

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**Synonyms:** \_\_\_\_\_

**Antonyms:** \_\_\_\_\_

**Independent Cost Estimate**

A cost estimate developed outside the normal advocacy channels, independent of any cost information provided by the offeror, used for the purpose of comparing with bids or proposals. Preparation of independent costs estimates generally include representations from the areas of cost analysis, procurement, production management, engineering, and program management.

**Synonyms:** Independent Government Cost Estimate (IGCE)

**Antonyms:** None

Do you agree with this definition?

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**Synonyms:** \_\_\_\_\_

**Antonyms:** \_\_\_\_\_

**Novation Agreement**

A legal instrument, executed by the parties to a contract and a successor in interest, which transfers all obligations and rights under the contract to the successor.

The government may recognize a third party as a successor of a government contract when the third party's interests arises out of the transfer of 1) all the contractor's assets, or 2) the entire portion of the assets involved in the performing a contract.

**Synonyms:** None  
**Antonyms:** None

Do you agree with this definition?

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**Synonyms:** \_\_\_\_\_

**Antonyms:** \_\_\_\_\_

**Royalty**

Compensation paid to the owner, vendor or lessor of personal, real, tangible or intangible property for the use of that property. Usually a percentage of the selling price of goods and services, production of which employs the property.

**Synonyms:** Commission Payment, Use Fee

**Antonyms:** Royalty Free Use

Do you agree with this definition?

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**Synonyms:** \_\_\_\_\_

**Antonyms:** \_\_\_\_\_

## APPENDIX C: FOLLOW-UP QUESTIONNAIRE

This appendix represents the follow-on questionnaire which was mailed to the respondents from the initial questionnaire who provided names and addresses.

### A. FOLLOW-ON QUESTIONNAIRE

Thank you for completing the initial questionnaire and participating in this follow-on research to arrive at consensus definitions of contracting terminology. Your efforts have provided an excellent base for the establishment of a consensus. This questionnaire will only be sent to those who responded to the initial questionnaire, so your continued participation is very important.

As a reminder: Graduate students at the Naval Postgraduate School, Monterey, California, and the Air Force Institute of Technology, Wright-Patterson Air Force Base, Ohio, are conducting research to derive baseline definitions for commonly used acquisition words or phrases. When the project is complete, the definitions will be included as part of a professional dictionary of contracting terminology that will be published by the NCMA. The purpose of the dictionary is two fold. First, to provide an educational tool to those unfamiliar with the acquisition process. Second to provide a reference document for those working in the field. This research is an ongoing effort in obtaining feedback from contracting professionals regarding proposed definitions of contracting terms. It differs from the previous research in that it is taking terms from previous efforts which generated significant diversity, and is refining them using the Delphi Technique. All terms were synthesized from collected definitions, Government regulations and contracting literature and were reviewed once by NCMA Fellows and Certified professionals prior to your input on the initial questionnaire.

Attached for your review are the revised definitions and selected comments from the initial questionnaires. The definitions were revised by the researchers and reviewed by a committee of contracting professionals for compliance with the consensus. Please review the revised definitions and indicate your agreement level on the scale provided from 1 to 6. If you have any disagreements or comments, please either annotate them where applicable, or write them on the space provided.

Your continued participation in this research and response by 26 April 1993 is greatly appreciated. If you need any additional details, contact LCDR Richard Mendez or LT Gerald Rivas by telephone at (408) 656-2536 (Administrative Science Curriculum Office), or by writing to:

LT Gerald A. Rivas  
SMC #2715  
Naval Postgraduate School  
Monterey, California 93943-5000

**Original Definition:**

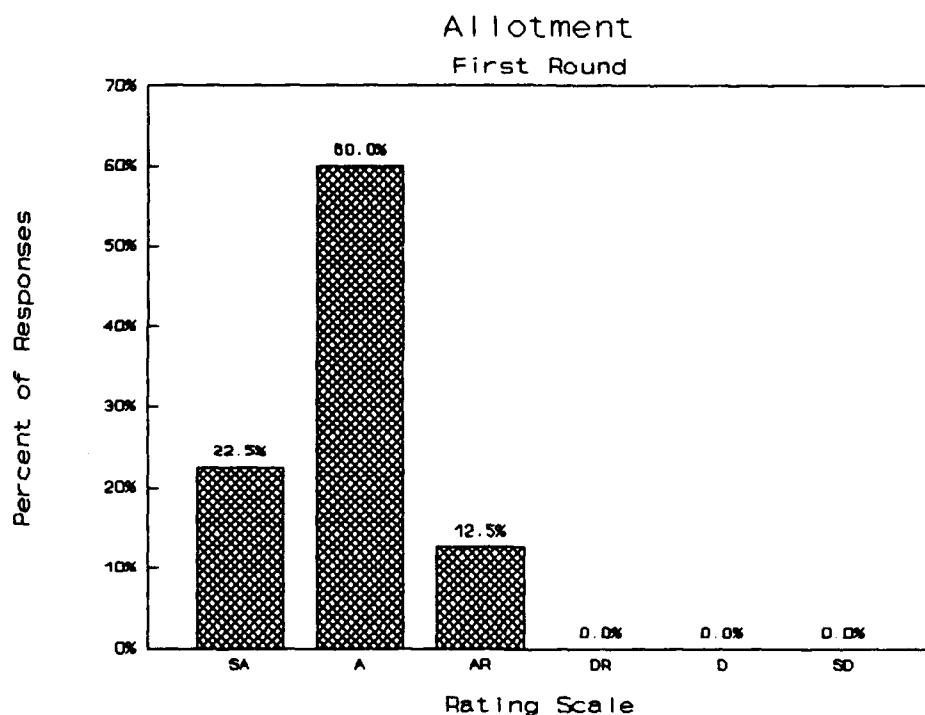
**ALLOTMENT**

An authorization by the head (or other authorized employee) of an operating agency which assigns a specified amount of money to subordinate units. The amount allotted by the agency cannot exceed the amount apportioned by the Office of Management and Budget (OMB).

**Synonyms:** None

**Antonyms:** None

**Survey Results**



**Comments:**

Allotments can be made by other than "heads" to "subordinate units".

Allotments go farther than to subordinate agency units. They end up being made to programs/projects and individual contracts.



Periodicity of allotments, i.e. quarterly/annually.

Add to end of first sentence ", projects or activities."

Can negotiation go on between subordinate units.

Government Contracts Reference Book definition: "In DOD, the process by which commanders, Major Commanders, or Special Operating Agencies distribute their allocated funds to themselves, to installation commanders or to other subordinate organizations. This process may continue into as many sub allotments as necessary."

**Synonyms:** Funding, Budgeted Amount, Obligation, Appropriation, Public Troth.

**Antonyms:**

**Revised Definition:**

**ALLOTMENT**

An authorization by the head (or other authorized employee) of an operating agency which assigns a specified amount of money to subordinate units, **projects or activities**. The amount allotted by the agency cannot exceed the amount apportioned by the Office of Management and Budget (OMB).

**Synonyms:** Funding.

**Antonyms:** None

Do you agree with this definition?

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STRONGLY AGREE    AGREE W/    DISAGREE W/    DISAGREE    STRONGLY  
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SYNONYMS: \_\_\_\_\_

ANTONYMS: \_\_\_\_\_

**Original Definition:**

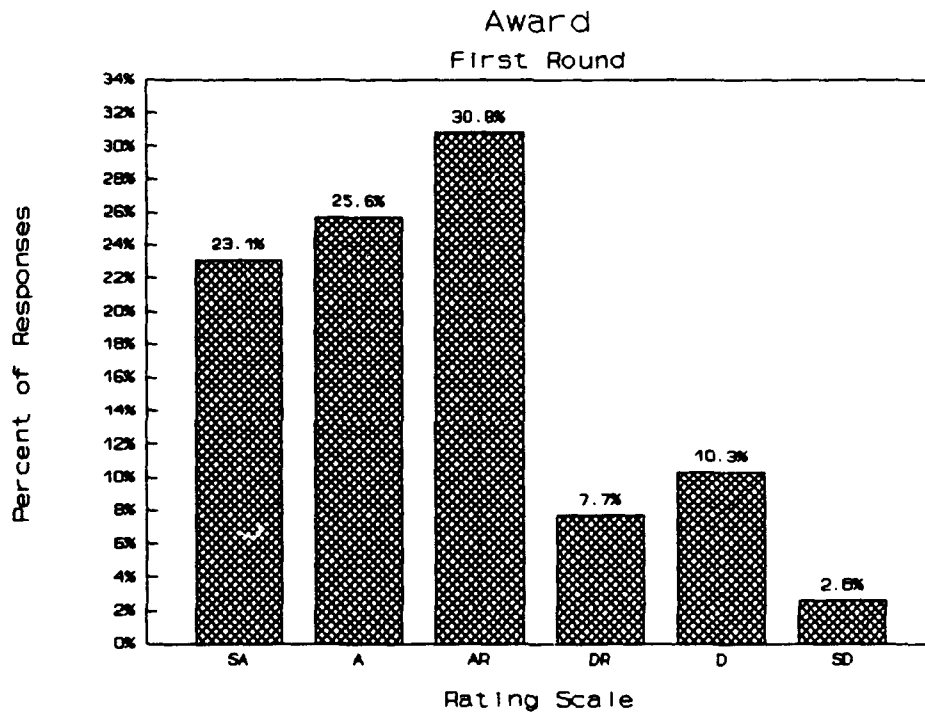
**AWARD**

- (1) The formal acceptance of an offeror's bid or proposal.
- (2) Notification of intent to give a contract.
- (3) Transmittal of advance authorization to proceed (e.g. letter contract).

**Synonyms:** None

**Antonyms:** None

**Survey Results**



**Comments:**

In (2) change "give" to "let".

Very essential to establish clear and concise communication between contractor and Government contracting personnel.

Delete (2). Notification of intent to award does not constitute award. Enhance definition by adding "Notice of Award, Notice to Proceed" to (3).

Award is the process through which a buyer and seller come to agreement over the terms of a contract, "award" is always rendered by the buyer.

Item (2) is too broad - needs more specifics - leaves out FAR/DFAR.

Item (3) is a conditional award.

Item (2) may or may not result in a contract depending on state of negotiation.

"Notification of intent" and "advance authorization" are not considered "award".

Item (1) needs to mention "formal acceptance by an authorized official of the Government".

Item (2), intent is not an award.

Items (2) and (3) are a result of Item (1) and they infer acceptance.

Add to end of (1) "as offered."

Item (2) requires return notice of acceptance by offeror.

Reference Book Definition: "The notification by the Government that it will contract with a private party. The award of a contract is usually made by Acceptance of an Offer that has been made by an offeror. In procurements by sealed bidding, the contracting officer makes a contract award by written notice, within the time for acceptance specified in the bid or extension, to the responsible bidder whose bid, conforming to solicitation, is the most advantageous to the Government, considering only price and price-related factors included in the solicitation. In procurements by negotiation, the contracting officer awards a contract with reasonable promptness to the successful offeror (the source whose best and final offer (BAFO) is most advantageous to the Government considering price and other factors included in the solicitation) by transmitting a written notice of award to that offeror.

**Synonyms:** Contract, Win, Definitization of Contract.

**Antonyms:** Loss

**Revised Definition:**

**AWARD**

- (1) The formal acceptance of an offeror's bid or proposal.
- (2) Transmittal of advance authorization to proceed (e.g. letter contract).

**Synonyms:** None

**Antonyms:** None

Do you agree with this definition?

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SYNONYMS: \_\_\_\_\_

ANTONYMS: \_\_\_\_\_

**Original Definition:**

**CERTIFICATION**

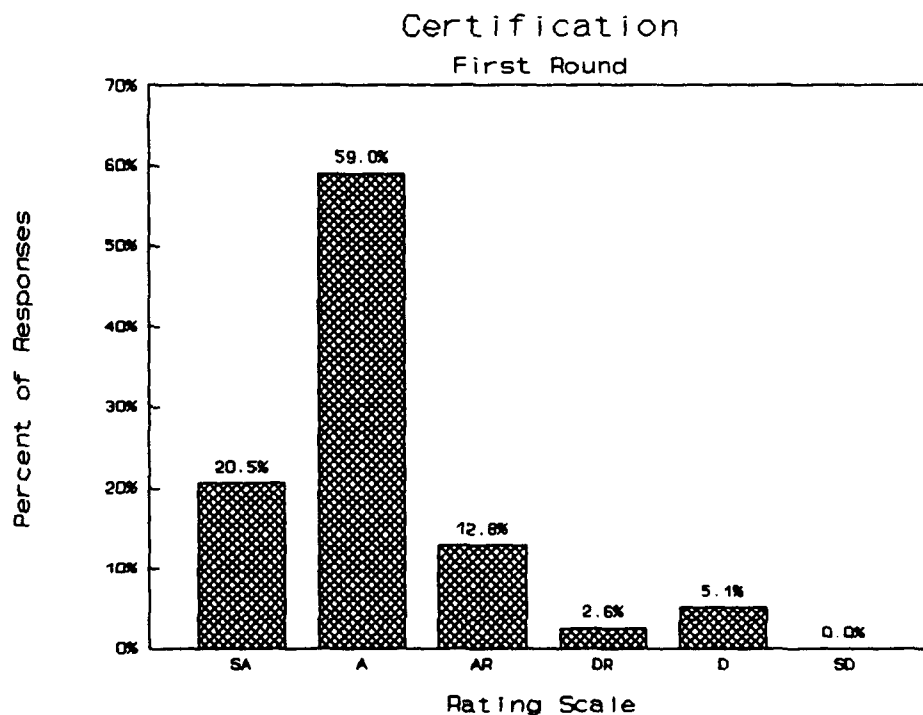
The formal act of acknowledging in writing and affirming by signature that:

- some act has or has not been performed;
- some event has or has not occurred;
- some legal formality has or has not been complied with; or
- some condition exists or does not exist.

**Synonyms:** None

**Antonyms:** None

**Survey Results**



**Comments:**

Needs to follow FAR/DFARS/CFR more closely.

Need to mention legal accountability of certifier.

Reword definition as a positive statement. Strike "or has not" and "or does not" from sentences.

Requirement should be mentioned in definition.

Delete item 3.

**Synonyms:**

**Antonyms:**

**Revised Definition:**

**CERTIFICATION**

The formal act of acknowledging in writing and affirming by signature that:

- some act has or has not been performed;
- some event has or has not occurred;
- some legal formality has or has not been complied with; or
- some condition exists or does not exist.

**Synonyms:** None

**Antonyms:** None

Do you agree with this definition?

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**SYNONYMS:** \_\_\_\_\_

**ANTONYMS:** \_\_\_\_\_

**Original Definition:**

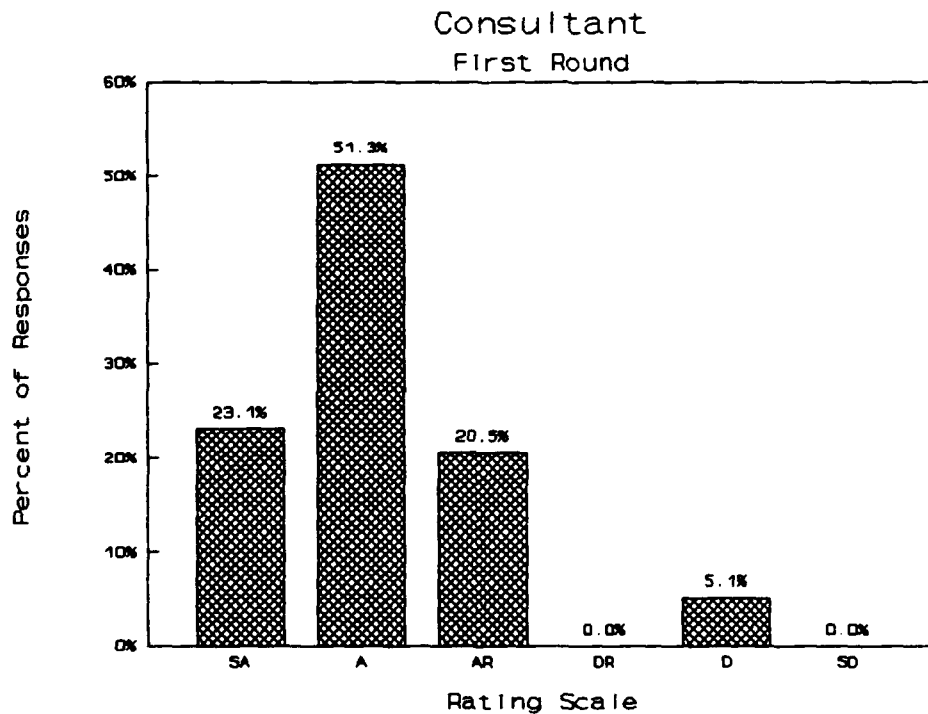
**CONSULTANT**

A person having specialized education and/or broad experience which uniquely qualifies them to be called upon to furnish expert advice on highly specialized matters and recommend solutions to particular problems.

**Synonyms:** Advisor, Expert, Subject Matter Expert (SME)

**Antonyms:** None

**Survey Results**



**Comments:**

Change "them" to "him/her".

Change "broad" to "extensive".

Consultants may be called upon to furnish guidance or to advocate, for the benefit of an individual or entity.

Add after "expert advice" - "or opinions".

Add after "called upon" - "by the Federal Government".

Add to end of definition "of a non-inherently governmental nature."

Definition too narrow. Is deliverable required?

Consultant connotes a business relationship unlike synonyms.

Change "highly specialized" to "various or relevant".

Add to end of definition "and is so called upon for that specific purpose." this will exclude persons already obligated by govt contract.

**Synonyms:** Specialist, Facilitator, Authority.

**Antonyms:** Employee.

**Revised Definition:**

**CONSULTANT**

A person having specialized education and/or broad experience which uniquely qualifies **him/her** to be called upon to furnish expert advice or **opinions** on highly specialized matters and recommend solutions to particular problems.

**Synonyms:** Advisor, Expert, Subject Matter Expert (SME), **Specialist, Authority.**

**Antonyms:** None

Do you agree with this definition?

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STRONGLY	AGREE	AGREE W/	DISAGREE W/	DISAGREE	STRONGLY
AGREE		RESERVATION	RESERVATION		DISAGREE

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SYNONYMS: \_\_\_\_\_

ANTONYMS: \_\_\_\_\_



**Original Definition:**

**COST OBJECTIVE**

(1) A function, organizational subdivision, contract, or other work unit for which cost data is desired and for which provision is made to accumulate and measure the cost of processes, products, capitalized projects, and so forth.

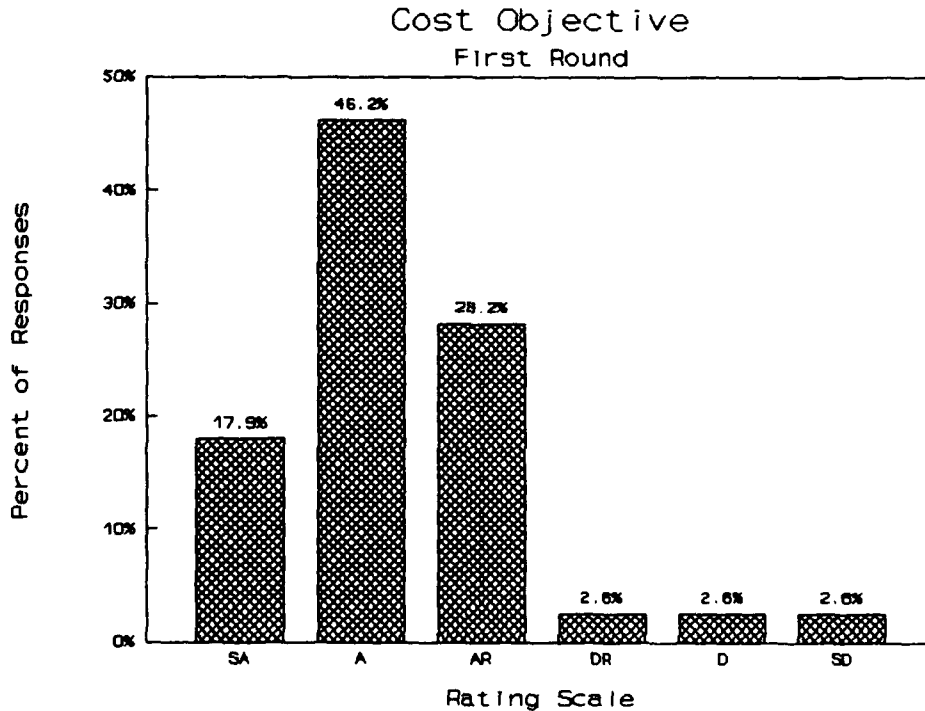
(2) Cost goal established for the completion of an element of work.

(3) Goal established for contract cost to be achieved during contract negotiations.

**Synonyms:** Cost Center, Cost Goal, Target Cost

**Antonyms:** None

**Survey Results**



**Comments:**

Delete (1) and "Cost Center" synonym.

Add to (1) after "data is desired" - "and/or required".

Change definition to "Cost objective is a measure of applicable dollars to a defined task/work effort. Can apply to a contract, organization or other work unit."

**Synonyms:** Cost Segment.

**Antonyms:** None

**Revised Definition:**

**COST OBJECTIVE**

**Accounting:** A function, contract, or other work unit for which cost data is desired and for which provision is made to accumulate and measure the cost of processes, products, capitalized projects, and so forth.

**Program Management:** Cost goal established for the completion of an element of work.

**Negotiations:** Goal established for contract cost to be achieved during contract negotiations.

**Synonyms:** Cost Goal, Target Cost

**Antonyms:** None

Do you agree with this definition?

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SYNONYMS: \_\_\_\_\_

ANTONYMS: \_\_\_\_\_

**Original Definition:**

**ESCALATION**

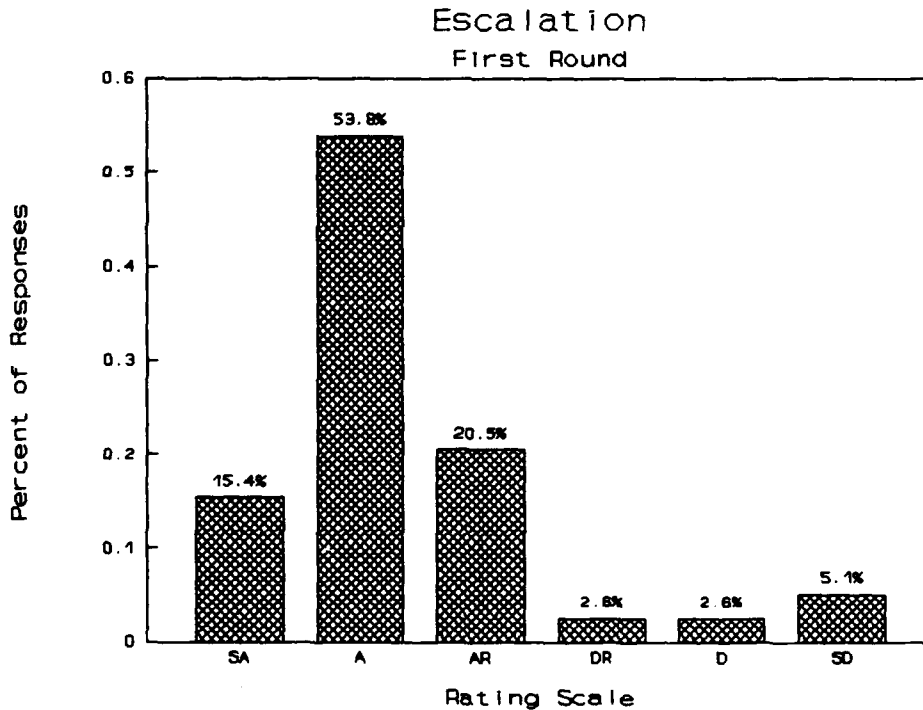
(1) A term traditionally used to indicate an upward or (more rarely) a downward movement of price. "Economic Price Adjustment" is the contemporary term used to express the application of escalation by specified procedures.

(2) In Government contracting refers to an amount or percent by which a contract price may be adjusted if predefined contingencies occur, such as changes in the vendor's raw material costs or labor costs. The amount of the "escalation" is usually tied to some predetermined price index.

**Synonyms:** Economic Price Adjustment

**Antonyms:** None

**Survey Results**



**Comments:**

Delete definition, add "A term traditionally used to indicate the periodic price adjustment of a contract. It is frequently computed by a mathematical formula, specified in the contract or BOA, utilizing well known national indices. It is not

uncommon for the contractor to be limited to recovery of only a portion of the total fluctuation defined by the formula as part of the risk sharing arrangement of the contract.

Add to (1) "A pricing term".

Change (2) to "In Government contracting refers to an amount, rate or percent by which a contract price may be adjusted if predefined contingencies occur, such as significant changes beyond its control in the vendor's raw material costs or labor costs. The amount of the "escalation" must be tied to some predetermined price index."

Add to end of first sentence in (1) "/cost."

Escalation would be only an upward movement while EPA could go both ways.

Eliminate "more rarely" in (1).

Add to (2) after "such as changes" - "upward or downward".

EPA is not synonym of Escalation. EPA is application of escalation.

Should contract type be included in definition, i.e. CP or FFP?

Change (1) "application of escalation by specified procedures" to "application of previously agreed price adjustment(s) after contract award.

Change (2) "escalation" to "adjustment".

Change end of (2) "predetermined price index" to "predetermined public or Government price index."

Change first sentence in (1) to "A price increase or revision upward due to external influences such as inflation or market adjustments."

**Synonyms:** Cost Growth.

**Antonyms:** Deescalation.

**Revised Definition:**

### **ESCALATION**

A pricing term traditionally used to indicate an upward movement of price/cost due to inflation or market adjustment.

**Synonyms:** None  
**Antonyms:** Deescalation

Do you agree with this definition?

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AGREE                      RESERVATION      RESERVATION                      DISAGREE

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SYNONYMS: \_\_\_\_\_

ANTONYMS: \_\_\_\_\_

**Original Definition:**

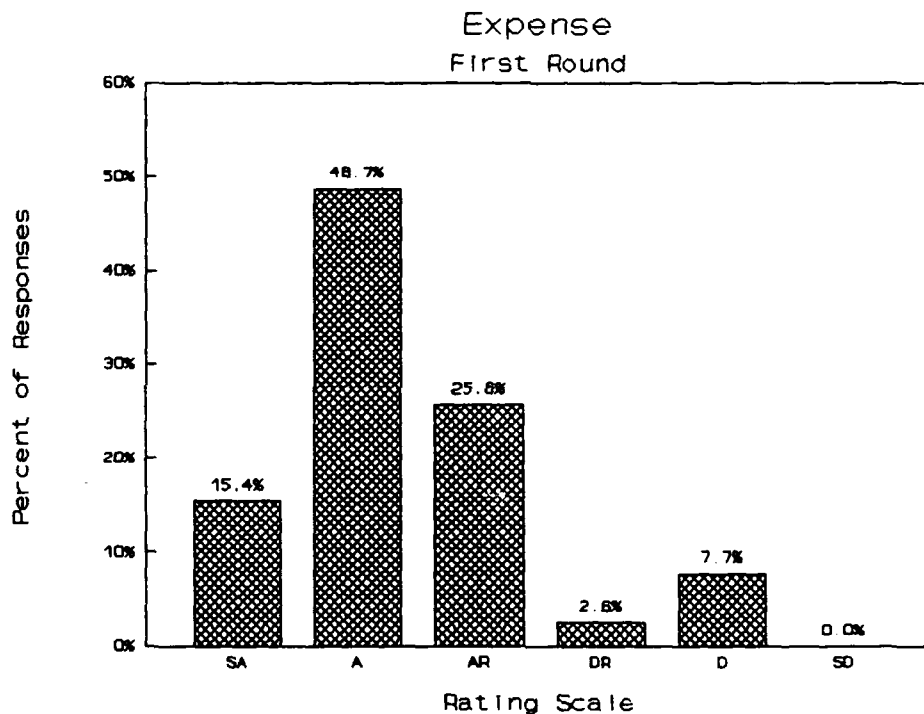
**EXPENSE**

Costs of operation and maintenance of activities on the accrual basis for a fiscal period, as distinguished from capital costs that will be depreciated over their approximate service life.

**Synonyms:** Costs

**Antonyms:** Revenue, Income

**Survey Results**



**Comments:**

Change definition to "A cost incurred in performance of a business operation or contract to be accounted for on an accrual basis for a fiscal year or tied to a specific contract. As distinguished from capital ...."

Delete "Revenue, Income" from antonyms.

Change "will be depreciated" to "depreciate".

Could break down definition into cash expenses and non-cash expenses.

Change "on the accrual basis for a fiscal period, as ...." to "for a fiscal period."

Change definition to "The collection of costs related to a particular defined set of activities, over a set period of time."

Change "Costs of operation" to "Reasonable costs, direct and indirect, of operation".

Why only "accrual basis"? Is it true for "cost basis"?

**Synonyms:** Costs, Burdens, Indirect Costs, Outgo, Overhead Item, Consumption, Spending.

**Antonyms:** Fee.

**Revised Definition:**

**EXPENSE**

Costs of operation and maintenance of activities on the accrual basis for a fiscal period, as distinguished from capital costs that **depreciate** over their approximate service life.

**Synonyms:** Costs

**Antonyms:** Revenue, Income

Do you agree with this definition?

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STRONGLY AGREE    AGREE    AGREE W/    DISAGREE W/    DISAGREE    STRONGLY  
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SYNONYMS: \_\_\_\_\_

ANTONYMS: \_\_\_\_\_

**Original Definition:**

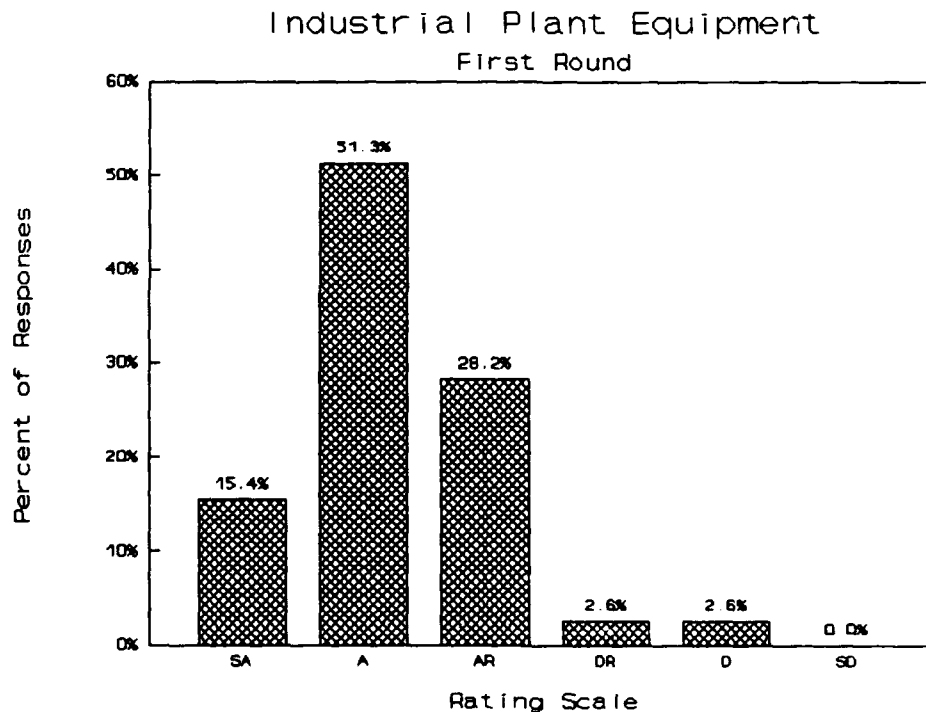
**INDUSTRIAL PLANT EQUIPMENT (IPE)**

Plant equipment acquired by the Government, exceeding an established acquisition cost threshold, used for the purpose of cutting, abrading, grinding, shaping, forming, joining, testing, measuring, heating, treating or otherwise altering the physical, electrical or chemical properties of materials, components or other end items entailed in manufacturing, maintenance, supply, processing, assembly or research and development operations.

**Synonyms:** None

**Antonyms:** None

**Survey Results**



**Comments:**

Add to end of definition "anticipated to have value and use after the contract is completed."

Delete "exceeding an established acquisition cost threshold".  
IPE is IPE if it is within or in excess of a cost threshold.



DFARS 245.301.

Add to definition "This equipment is Government Furnished Equipment (GFE) for the contractors' use in furtherance of the Government contract."

Delete listing type of equipment - too limiting.

IPE is not necessarily acquired by the Government in all cases. The contractor must sometimes invest in IPE.

**Synonyms:** None

**Antonyms:** None

**Revised Definition:**

**INDUSTRIAL PLANT EQUIPMENT (IPE)**

Plant equipment acquired by either Government or industry, exceeding an established acquisition cost threshold, used for the purpose of altering the physical, electrical or chemical properties of materials, components or other end items entailed in manufacturing, maintenance, supply, processing, assembly or research and development operations.

**Synonyms:** None

**Antonyms:** None

Do you agree with this definition?

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SYNONYMS: \_\_\_\_\_

ANTONYMS: \_\_\_\_\_

**Original Definition:**

**OFFSETS**

A cost balancing action whereby a claim may be canceled or lessened by a counterclaim.

**Defective pricing:** Allowable understatements (e.g., counterclaims or cost proposal errors that are favorable to the contractor) which are reduced by overstatements of cost that arise under a defective pricing case. In order to eliminate an increase in the contract price the offset cannot exceed the extent of the overstatement.

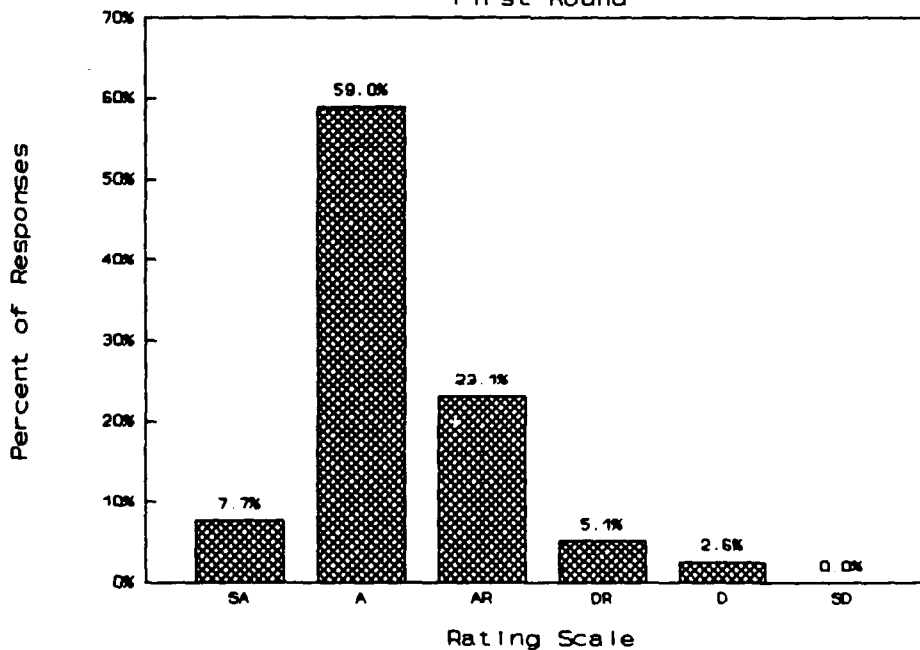
**Administrative Offset:** A procedure to collect a debt owed to the Government by withholding money payable to contractor under a contract, in order to satisfy the contractor's debt which arose independently of that contract and which are in compliance with the Federal Claims Collection Act of 1966.

**Synonyms:** Counterclaim, Setoff

**Antonyms:** None

**Survey Results**

Offsets  
First Round



**Comments:**

International offsets left out.

An offset may be a deduction or credit, as well.

Delete "In order to eliminate an increase in the contract price the offset cannot exceed the extent of the overstatement."

Add to paragraph 3 "payable to the contractor ...".

Add to paragraph 3 "A unilateral procedure ...".

Add to end of paragraph 1 "A tradeoff wherein a cost is allowed for a particular segment of the work but a corresponding reduction in cost is agreed upon for another segment."

**Synonyms:**

**Antonyms:**

**Revised Definition:**

**OFFSETS**

A cost balancing action whereby a claim may be canceled or lessened by a counterclaim.

Defective pricing: Allowable understatements (e.g., counterclaims or cost proposal errors that are favorable to the contractor) which are reduced by overstatements of cost that arise under a defective pricing case. In order to eliminate an increase in the contract price the offset cannot exceed the extent of the overstatement.

Administrative Offset: A procedure to collect a debt owed to the Government by withholding money payable to the contractor under a contract, in order to satisfy the contractor's debt which arose independently of that contract and which are in compliance with the Federal Claims Collection Act of 1966.

**Synonyms:** Counterclaim, Setoff

**Antonyms:** None

Do you agree with this definition?

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SYNONYMS: \_\_\_\_\_

ANTONYMS: \_\_\_\_\_

**Original Definition:**

**WEIGHTED AVERAGE COST METHOD**

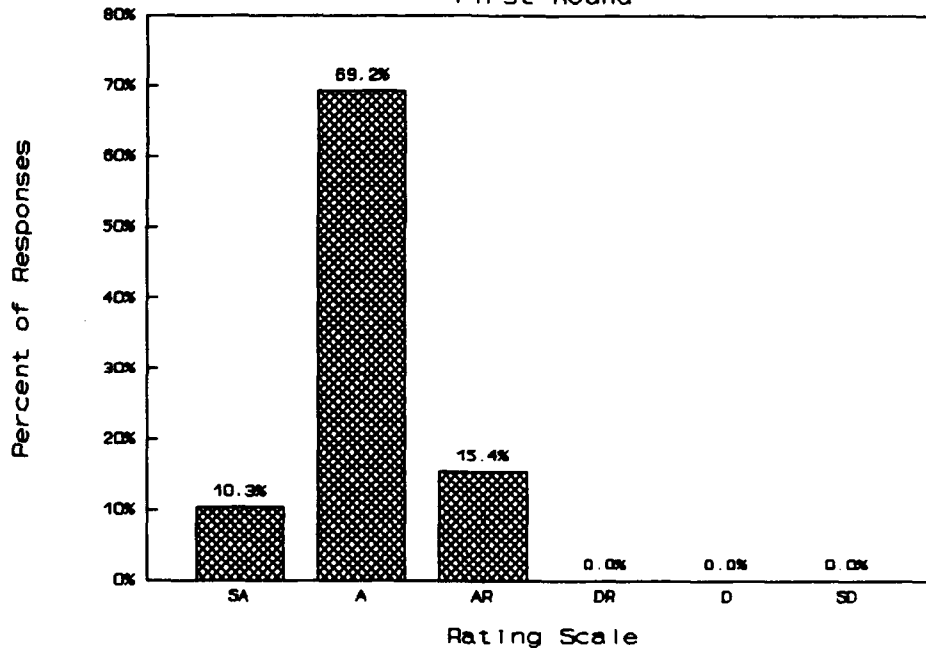
A method of determining the average unit cost of inventory and by implication an aid in determining the cost of goods made, sold, or held for future sale or incorporation into higher level end items. Under this technique, costs are periodically computed by adding the sum of the costs of beginning inventory with the sum of the costs of subsequent purchases and dividing by the total number of units.

**Synonyms:** None

**Antonyms:** None

**Survey Results**

Weighted Average Cost Method  
First Round



**Comments:**

Change "goods made, sold, or held..." to "goods made in process, sold to regular customers or held...".

Change "by implication an aid" to "by historical comparisons".

Add to end of definition "Cost values are obtained by multiplying the values by their weights then added together and divided by the sum of the weights."

**Synonyms:** Unit Cost Comparison Technique.

**Antonyms:** Specific Identification, Actual Cost Method.

**Revised Definition:**

**WEIGHTED AVERAGE COST METHOD**

A method of determining the average unit cost of inventory and by implication an aid in determining the cost of goods made, sold, or held for future sale or incorporation into higher level end items. Under this technique, costs are periodically computed by adding the sum of the costs of beginning inventory with the sum of the costs of subsequent purchases and dividing by the total number of units.

**Synonyms:** Unit Cost Comparison Technique

**Antonyms:** None

Do you agree with this definition?

-----1-----2-----3-----4-----5-----6-----  
STRONGLY AGREE    AGREE W/    DISAGREE W/    DISAGREE    STRONGLY  
AGREE            RESERVATION    RESERVATION            DISAGREE

COMMENT: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

SYNONYMS: \_\_\_\_\_

ANTONYMS: \_\_\_\_\_

**Original Definition:**

**Allocation**

**Funding:** An amount of money transferred from one agency, bureau or account that is set aside in an appropriation of the various committees having spending responsibilities to carry out the purposes of the parent appropriation or fund.

Within DOD, the money is being transferred from the services to the appropriate MAJCOMS.

**Financial:** A cost accounting procedure which results in a reasonable distribution of costs among one or more cost objectives (e.g., products, programs, contracts, and activities). This includes both direct assignment of costs and the reassignment of a share from an indirect pool.

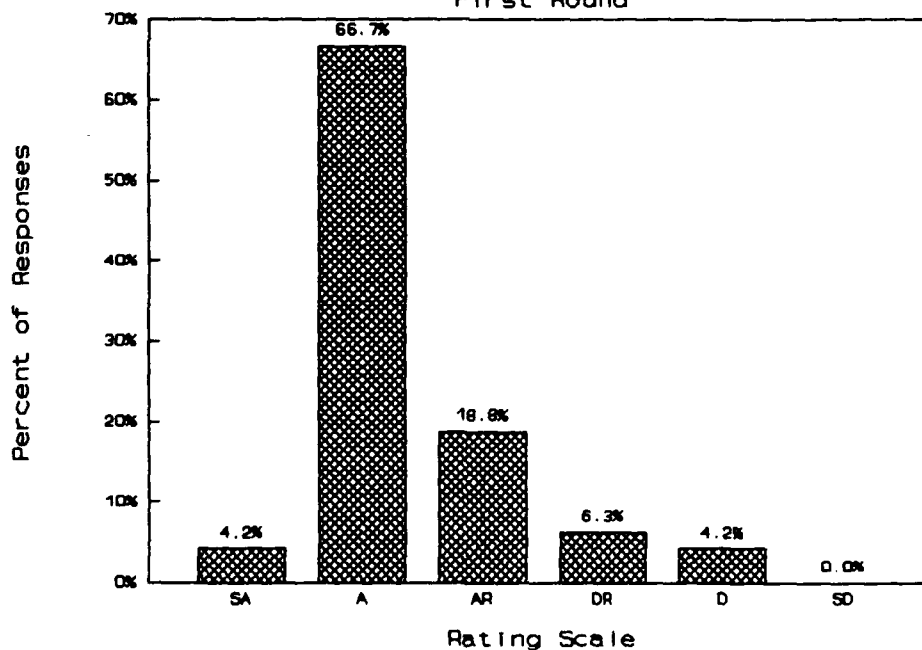
**Synonyms:** None

**Antonyms:** None

**Survey Results**

Allocation

First Round



**Comments:**

Perhaps change reasonable distribution to appropriate distribution.

Funding: An amount of money distributed or assigned by formal action to a particular group or account for a particular use or period of time.

Addition of the meaning of term for resources in the acquisition arena, i.e., allocation of manpower, skills, computer time and memory to tasks.

Add "Represents money that can be obligated." to Funding.

Delete from Funding - "transferred from one agency, bureau or account".

Delete "Within DOD" paragraph.

Change "from" to "to" and "parent appropriation or fund." to "concerned organization" in Funding paragraph.

Add "from DOD to the services" to "Within DOD" paragraph.

Change "transferred" to "earmarked for" in Funding paragraph.

Change "objectives" to "categories" in Financial paragraph. We are not setting objectives when we allocate costs.

Change "one agency, bureau or account" to "entity" in Funding paragraph.

Not sure that funds had to be transferred - allocation could be done by notation or journal entry.

Delete "of the various committees having spending responsibilities" from Funding paragraph.

Change "transferred from the services to the appropriate MAJCOMS." to "flowed down from higher headquarters to the appropriate users."

Change Financial to read "An accounting procedure which assigns costs to an identified usage or purpose."

Change "agency, bureau or account" to "e.g. agency bureau or account" to not limit definition.

Spell out acronym.



Change Financial to read "A cost accounting process of assigning a cost, or group of costs, to one or more cost objectives, in reasonable and realistic proportion to the benefit provided or other equitable relationship.

Delete "Within DOD" paragraph.

Consider the Accounting definition "A systematic distribution or assignment of a total amount among several years, accounts, products, departments or other elements."

**Synonyms:** Allotment, earmark, assignment, allowance, portion, quota, share allotment, set aside.

**Antonyms:** Double Counting.

**Revised Definition:**

**Allocation**

**Funding:** An amount of money in a Government appropriation transferred to an agency, bureau or account having spending authority to carry out the purposes of the that appropriation.

**Financial:** A cost accounting procedure which results in a reasonable distribution of costs among one or more cost objectives including products, programs, contracts, and activities. This includes both direct assignment of costs and the reassignment of a share from an indirect pool.

**Synonyms:** None

**Antonyms:** None

Do you agree with this definition?

-----1-----	-----2-----	-----3-----	-----4-----	-----5-----	-----6-----
STRONGLY	AGREE	AGREE W/	DISAGREE W/	DISAGREE	STRONGLY
AGREE		RESERVATION	RESERVATION		DISAGREE

COMMENT: \_\_\_\_\_  
\_\_\_\_\_  
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SYNONYMS: \_\_\_\_\_

ANTONYMS: \_\_\_\_\_

**Original Definition:**

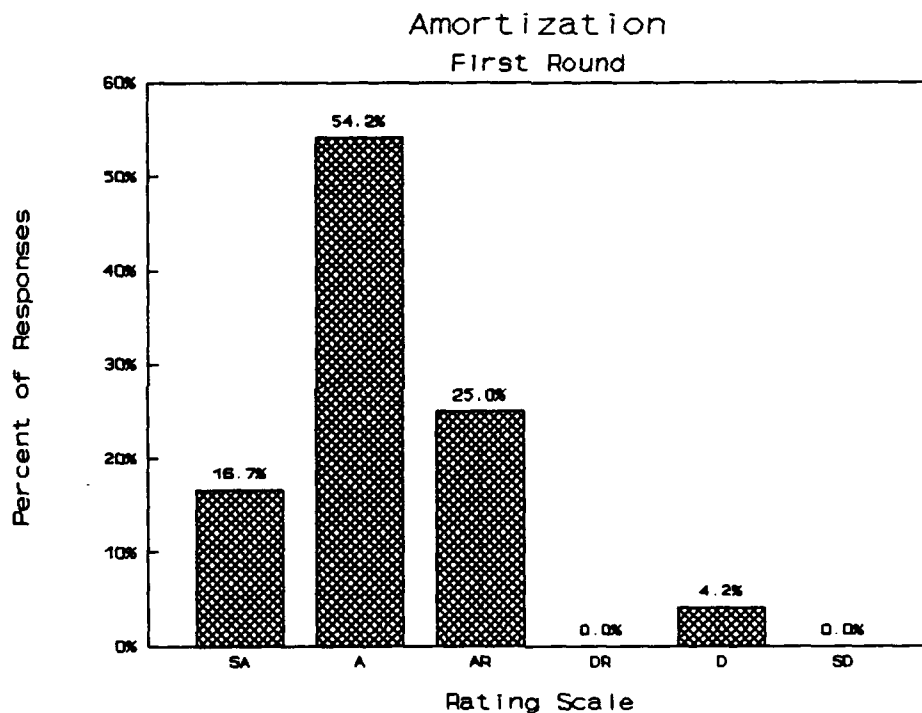
**Amortization**

The systematic reduction of an indebtedness or recorded asset value over a specific period of time by periodic payments to a creditor or charges to an expense, in accordance with generally accepted accounting procedures or principles.

**Synonyms:** Liquidation, Allocation, Writeoff

**Antonyms:** Direct charge

**Survey Results**



**Comments:**

Reference to GAAP not necessary.

Delete allocation as synonym.

Change "asset value" to "asset net value".

Delete direct charge as an antonym.

Change "reduction" to "liquidation".

Change "charges to an expense" to "charges against a capital account".

Change definition to "A system or method which reflects how much of the value of an asset is reduced due to usage or the passage of time."

Add "Amortization is often calculated to occur over a specified period of time."

Add after "asset value", "usually a depreciable capital asset".

Delete "recorded" and "value" from "recorded asset value".

Add after "expense", "account".

Change "reduction of an indebtedness" to "extinguishment of debt".

**Synonyms:** Depreciation(?), reduction, redemption.

**Antonyms:** Expense item, Expensed.

**Revised Definition:**

**Amortization**

The systematic liquidation of an indebtedness or recorded asset value over a specific period of time by periodic payments to a creditor or charges to an expense account, in accordance with generally accepted accounting procedures or principles.

**Synonyms:** Liquidation, Writeoff

**Antonyms:** None

Do you agree with this definition?

-----1-----	-----2-----	-----3-----	-----4-----	-----5-----	-----6-----
STRONGLY	AGREE	AGREE W/	DISAGREE W/	DISAGREE	STRONGLY
AGREE		RESERVATION	RESERVATION		DISAGREE

COMMENT: \_\_\_\_\_  
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SYNONYMS: \_\_\_\_\_

ANTONYMS: \_\_\_\_\_

**Original Definition:**

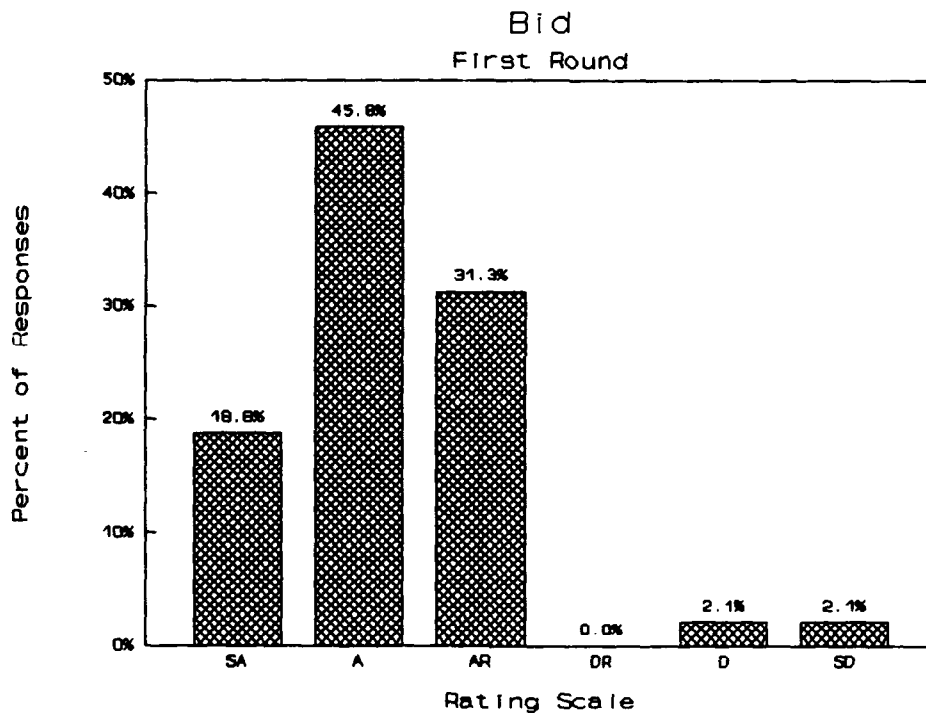
**Bid**

An offer to perform a contract by providing labor and or material for a specific price. In federal government contracting, this offer is provided in response to an invitation for bid.

**Synonyms:** None

**Antonyms:** None

**Survey Results**



**Comments:**

Change "specific price" to "fixed or specific price".

Are "labor and or material" too specific and do they include special test equipment/technical services.

Change "perform a contract by providing labor and or material" to "provide supplies or services for a contract".

Capitalize "Invitation for Bid".

Change "Bid" to "Proposal" - outdated term.

Add to first sentence, "in accordance with specified contract terms."

Reference legal obligation in definition.

Change "and or material" to "and/or material".

Change "perform" to "form".

Change "invitation for bid" to "a solicitation which invites the submission of such offers."

Address "sealed bid".

Add to first sentence, "A firm-fixed-price, usually irrevocable, offer to perform ...".

Add to end of definition, "that will not be negotiated."

Add to end of first sentence, "usually on a firm fixed price basis."

Change second sentence to "To perform the work specified in an invitation for bid (IFB)."

Change first sentence to "An offer to perform the scope of work specified in a contract for a specific price."

Don't limit definition to Government only.

Change first sentence to "An offer by a prospective purchaser to buy goods or services at a stated price, or an offer by a prospective seller to sell his goods or services for a stated price."

**Synonyms:** Offer.

**Antonyms:** Request for Proposals (RFP)

**Revised Definition:**

**Bid**

An offer to perform a contract by providing goods or services for a specific price. In Federal Government contracting, it is the technical term for an irrevocable offer in response to an Invitation For Bid (IFB).

**Synonyms:** Offer, Proposal.  
**Antonyms:** None

Do you agree with this definition?

-----1-----2-----3-----4-----5-----6-----  
STRONGLY AGREE    AGREE W/    DISAGREE W/    DISAGREE    STRONGLY  
AGREE            RESERVATION    RESERVATION            DISAGREE

COMMENT: \_\_\_\_\_  
\_\_\_\_\_  
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SYNONYMS: \_\_\_\_\_

ANTONYMS: \_\_\_\_\_

**Original Definition:**

**Commitment**

The act by an authorized individual affirming the intent of an agency or company to take or accept a defined action not yet formalized by execution of a contract.

**Funding:** A firm administrative reservation of funds based upon firm procurement directions, orders, requisitions, certified purchase requests, and budgetary authorizations which set aside certain funds for a particular contract without further recourse to the official responsible for certifying the availability of funds.

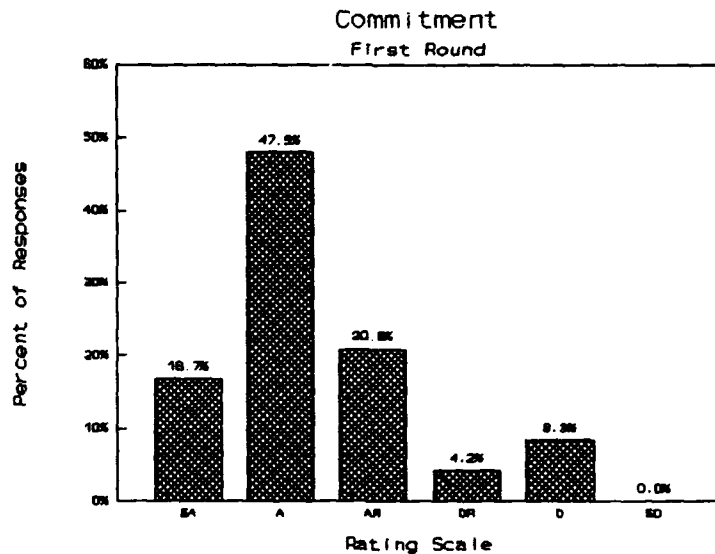
Within DOD, reservation of funds are set aside by the appropriate operating division (wing or base) for use on a particular item.

**Accounting:** The method of accounting for the available balance of an appropriation, fund, or contract authorization whereby commitments are recorded in the accounts as reductions of the available balance.

**Synonyms:** None

**Antonyms:** None

**Survey Results**



**Comments:**

Change first paragraph to "An engagement by contract involving financial obligation."

Change last paragraph to "Accounting: The total accumulated financial obligation against a contract or other objective at a specific point in time."

Note: A commitment can be either written or unwritten.

Second paragraph add "It indicates intention(s) to incur obligations."

Third paragraph change "use on a particular item." to "something to be bought in the future."

Third paragraph delete "(wing or base)".

Conflict between first and second paragraph - "affirming the intent" and "A firm reservation of funds based on firm procurement directions".

Third paragraph change "division (wing or base)" to "organizations".

Second paragraph change "contract" to "activity". Funding can be set aside for other than contracts, i.e. interagency agreements.

Delete first paragraph - intent is not binding.

First paragraph change "agency or company" to "entity".

Paragraph three delete "reservation of".

Second paragraph change "firm administrative" to "definitive".

Second paragraph change "firm procurement directions" to "procurement directives".

**Synonyms:** None

**Antonyms:** None

**Revised Definition:**

**Commitment**

The act by an authorized individual affirming the intent of an agency or company to take or accept a defined action not yet formalized by execution of a contract.



**Funding:** An administrative reservation of funds based upon procurement directions, orders, requisitions, certified purchase requests, and budgetary authorizations which set aside certain funds for a particular contract without further recourse to the official responsible for certifying the availability of funds.

Within DOD, funds are set aside by the appropriate operating organizations for use on a particular item.

**Accounting:** The method of accounting for the available balance of an appropriation, fund, or contract authorization whereby commitments are recorded in the accounts as reductions of the available balance.

**Synonyms:** None

**Antonyms:** None

Do you agree with this definition?

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STRONGLY AGREE    AGREE W/    DISAGREE W/    DISAGREE    STRONGLY  
AGREE                    RESERVATION    RESERVATION                    DISAGREE

COMMENT: \_\_\_\_\_  
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SYNONYMS: \_\_\_\_\_

ANTONYMS: \_\_\_\_\_

**Original Definition:**

**Cost**

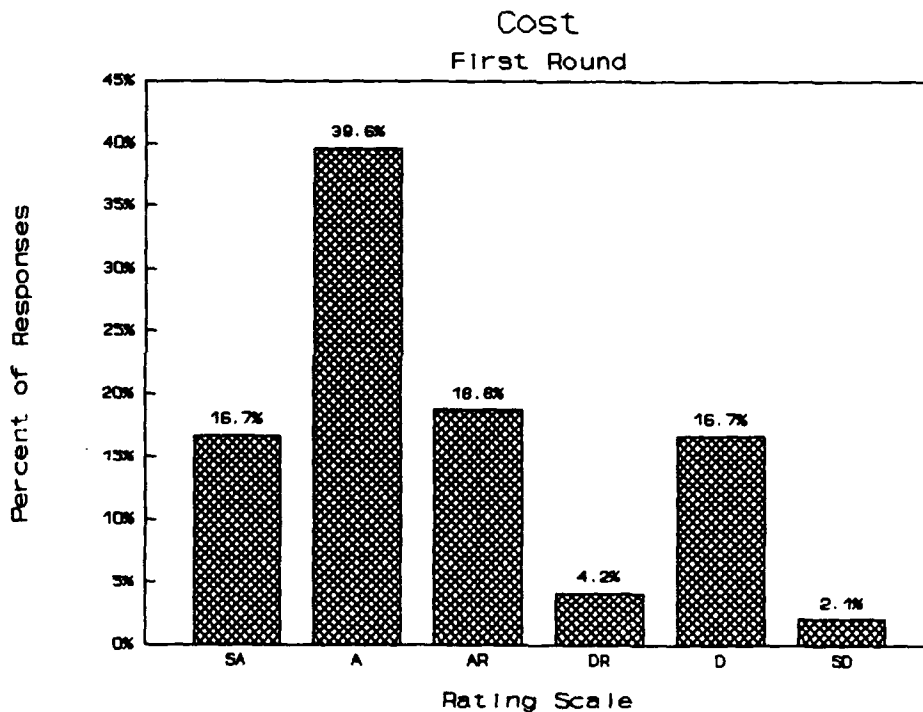
(1) For the Seller: The amount of money or equivalent incurred for supplies or services exclusive of profit or fee.

(2) For the Buyer: The amount of money or equivalent paid for supplies or services including profit or fee.

**Synonyms:** Expense, Consideration, Charge, Total Cost

**Antonyms:** None

**Survey Results**



**Comments:**

Change (1) to "The total amount of money or equivalent incurred for the production or purchase of supplies or the performance of services exclusive of profit or fee."

Change (2) to "The amount of money or equivalent paid for supplies or services including the seller's profit or fee, the seller's price."

Remove "Total Cost" from Synonyms because total cost may include fee.

Remove "Consideration" from Synonyms.

Add (3) "A direct or indirect charge of a specific or unique element allocated to a particular cost objective."

Consider type of contract - Cost Plus Fixed Fee, cost is separate from profit.

**Synonyms:** Direct Cost, Indirect Cost, Billed Amount, Actual Cost.

**Antonyms:** Applicable Credit, Negative Expenditure.

**Revised Definitions:**

**Cost**

(1) For the Seller: The amount of money or equivalent incurred for supplies or services exclusive of profit or fee.

(2) For the Buyer: The amount of money or equivalent paid for supplies or services including the seller's profit or fee.

**Synonyms:** Expense, Consideration, Charge, Total Cost

**Antonyms:** None

Do you agree with this definition?

-----1-----2-----3-----4-----5-----6-----  
STRONGLY AGREE    AGREE W/    DISAGREE W/    DISAGREE    STRONGLY  
AGREE            RESERVATION    RESERVATION                    DISAGREE

COMMENT: \_\_\_\_\_  
\_\_\_\_\_  
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SYNONYMS: \_\_\_\_\_

ANTONYMS: \_\_\_\_\_

**Original Definition:**

**Delinquency**

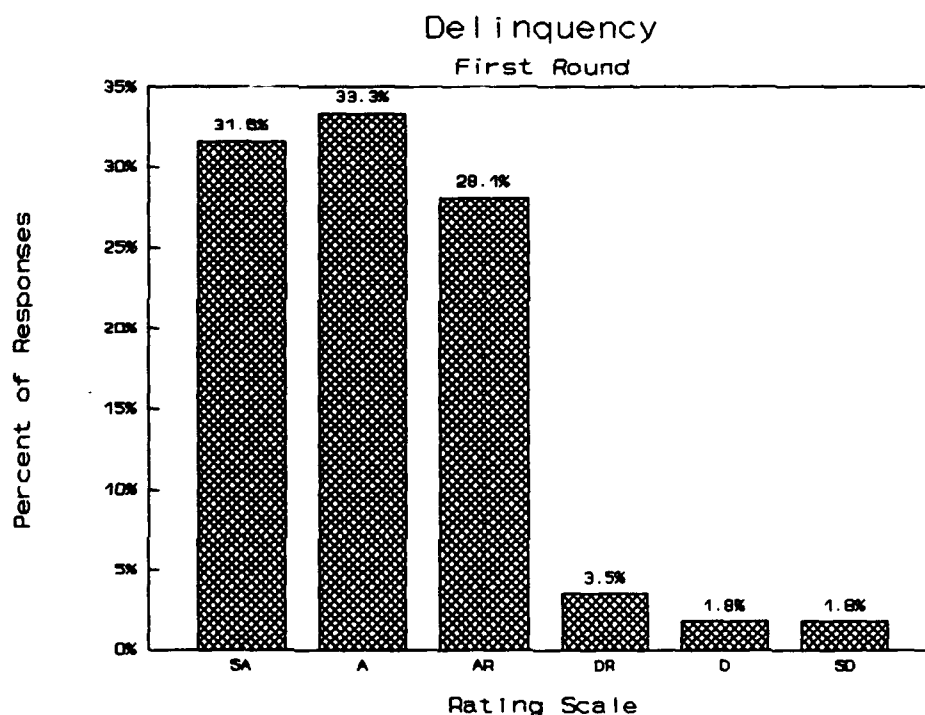
(1) Failure, omission, or violation of contractual obligation or duty.

(2) The actual failure by the contractor to meet the contract delivery or performance schedule, or the potential failure to do so by failing to maintain required progress in contract performance as required by the contract delivery or performance schedule

**Synonyms:** Overdue, Tardy, Late

**Antonyms:** Early, Accelerated, Timely

**Survey Results**



**Comments:**

In (2) change "required progress" to "progress".

Change (2) to "The actual failure by a contractor, subcontractor or supplier to meet the contract delivery or performance schedule, or the potential failure to do so by not

maintaining progress as required by the contract delivery or performance schedule."

Delete (2).

Is "potential delinquency" a delinquency?

In (2) delete "potential".

In (2) add Government contribution to delinquency by failing to deliver GFE on time.

Change (2) from "meet the contract delivery or performance schedule" to "meet the contract delivery or performance schedule or performance requirements".

**Synonyms:** Pass Due, Deficient, Substandard Performance, Breach, Noncompliance, In Default, Derelict, Failure, Behind Schedule, Missed Milestone.

**Antonyms:** Proficient, Standard Performance, Compliant.

**Revised Definition:**

**Delinquency**

(1) Failure, omission, or violation of contractual obligation or duty.

(2) The actual failure by the contractor to meet the contract delivery or performance schedule, **performance requirements** or by failing to maintain required progress in contract performance as required by the contract delivery or performance schedule

**Synonyms:** Overdue, Tardy, Late

**Antonyms:** Early, Accelerated, Timely

Do you agree with this definition?

-----1-----	-----2-----	-----3-----	-----4-----	-----5-----	-----6-----
STRONGLY	AGREE	AGREE W/	DISAGREE W/	DISAGREE	STRONGLY
AGREE		RESERVATION	RESERVATION		DISAGREE

COMMENT: \_\_\_\_\_  
\_\_\_\_\_  
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SYNONYMS: \_\_\_\_\_

ANTONYMS: \_\_\_\_\_

**Original Definition:**

**Executed Contract**

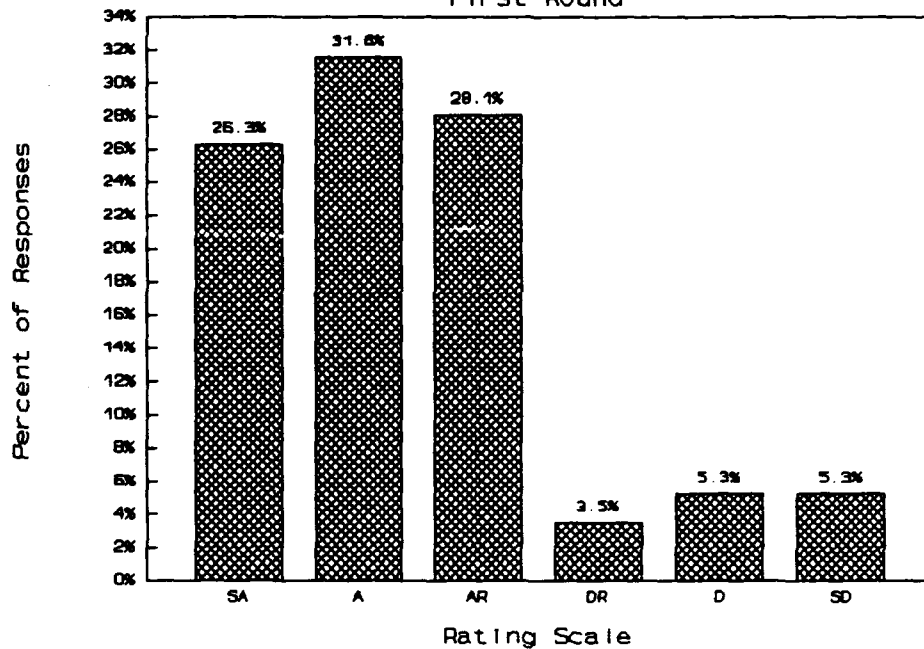
A written document which has been signed by both parties and mailed or otherwise furnished to each party, which expresses the requirements, terms, and conditions to be met by each party.

**Synonyms:** None

**Antonyms:** None

**Survey Results**

Executed Contract  
First Round



**Comments:**

Change "A written document which..." to "A written document in the hands and under control of all parties which..."

Executed or Executory Contract.

Change "and mailed or otherwise" to "and".

Should price/consideration be added?

Change "which expresses" to "which clearly expresses the mutually agreed".

Does definition cover new technology, i.e. EDI, FAX, etc.?

**Synonyms:** Covenant, Legally Binding Agreement, Definitized Contract, Award, Purchase Agreement, Fully Signed Document.

**Antonyms:** Ratified, Executory Contract.

**Revised Definition:**

**Executed Contract**

A written document which has been signed by both parties and furnished to each party, which expresses the requirements, terms, and conditions to be met by each party.

**Synonyms:** Definitized Contract

**Antonyms:** None

Do you agree with this definition?

-----1-----2-----3-----4-----5-----6-----  
STRONGLY AGREE    AGREE    AGREE W/    DISAGREE W/    DISAGREE    STRONGLY  
AGREE                    RESERVATION    RESERVATION                    DISAGREE

COMMENT: \_\_\_\_\_  
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SYNONYMS: \_\_\_\_\_

ANTONYMS: \_\_\_\_\_

**Original Definition:**

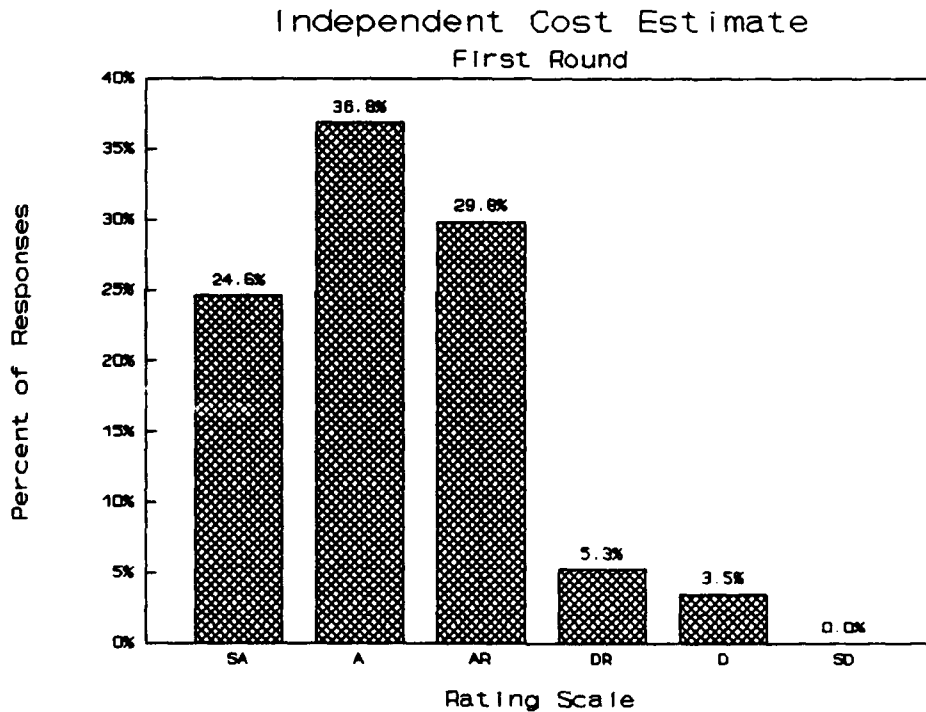
**Independent Cost Estimate**

A cost estimate developed outside the normal advocacy channels, independent of any cost information provided by the offeror, used for the purpose of comparing with bids or proposals. Preparation of independent costs estimates generally include representations from the areas of cost analysis, procurement, production management, engineering, and program management.

**Synonyms:** Independent Government Cost Estimate (IGCE)

**Antonyms:** None

**Survey Results**



**Comments:**

Change "cost analysis" to "cost estimating".

Change "include representations" to "includes input".

Elaborate on advocacy channels.



Add after "developed" - "within the procuring organization".

Add after "proposals" - "and often used in negotiations."

Add after "representations from" - "one or more areas of price/cost analysis".

Put parenthesis around sentence 2.

**Synonyms:** Should Cost Estimate.

**Antonyms:** Contractor Prepared Cost Information, Dependent Cost Estimate.

**Revised Definition:**

**Independent Cost Estimate**

A cost estimate developed independent of any cost information provided by the offeror, used for the purpose of comparing with bids or proposals. Preparation of independent costs estimates generally includes representations from **one or more of the areas of cost/price analysis, procurement, production management, engineering, and program management.**

**Synonyms:** Independent Government Cost Estimate (IGCE)

**Antonyms:** Contractor Prepared Cost Information

Do you agree with this definition?

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STRONGLY AGREE      AGREE W/      DISAGREE W/      DISAGREE      STRONGLY  
AGREE                      RESERVATION      RESERVATION                      DISAGREE

COMMENT: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

SYNONYMS: \_\_\_\_\_

ANTONYMS: \_\_\_\_\_

**Original Definition:**

**Novation Agreement**

A legal instrument, executed by the parties to a contract and a successor in interest, which transfers all obligations and rights under the contract to the successor.

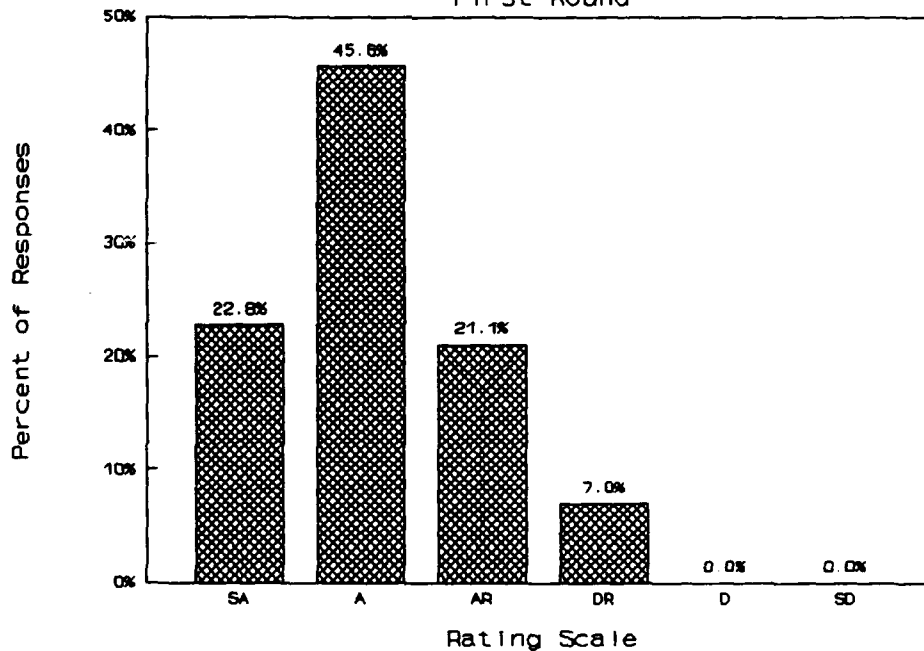
The government may recognize a third party as a successor of a government contract when the third party's interests arises out of the transfer of 1) all the contractor's assets, or 2) the entire portion of the assets involved in the performing a contract.

**Synonyms:** None

**Antonyms:** None

**Survey Results**

Novation Agreement  
First Round



**Comments:**

Change "performing" to "performance of".

Change "under the contract to the successor" to "under the contract of one party to its successor in interest."

Paragraph 2 change "successor" to "successor in interest".

Novation agreements can be made only when a company changes their name only. (?)

Paragraph 2 change "may" to "reserves the right to".

**Synonyms:** Transfer Agreement, Discharge of Contract, Mutual Rescission, Cancellation, Substituted Contract, Contract Name Change.

**Antonyms:**

**Revised Definition:**

**Novation Agreement**

A legal instrument, executed by the parties to a contract and a successor in interest, which transfers all obligations and rights under the contract of one party to the successor in interest.

The government reserves the right to recognize or not recognize a third party as a successor in interest of a government contract when the third party's interests arises out of the transfer of 1) all the contractor's assets, or 2) the entire portion of the assets involved in the performance of a contract.

**Synonyms:** None

**Antonyms:** None

Do you agree with this definition?

-----1-----	-----2-----	-----3-----	-----4-----	-----5-----	-----6-----
STRONGLY	AGREE	AGREE W/	DISAGREE W/	DISAGREE	STRONGLY
AGREE		RESERVATION	RESERVATION		DISAGREE

COMMENT: \_\_\_\_\_  
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SYNONYMS: \_\_\_\_\_

ANTONYMS: \_\_\_\_\_

**Original Definition:**

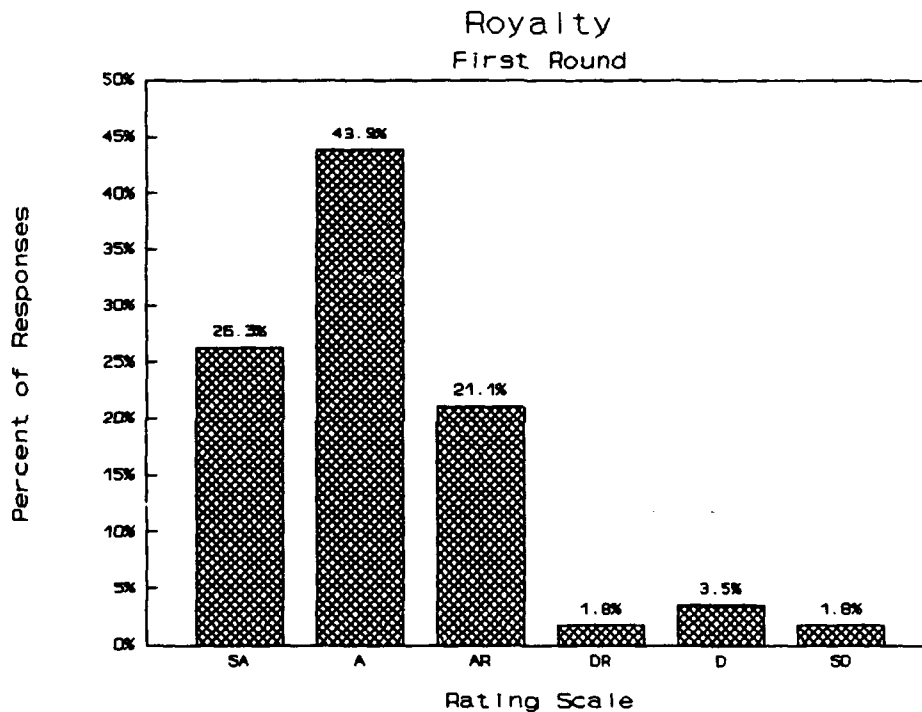
**Royalty**

Compensation paid to the owner, vendor or lessor of personal, real, tangible or intangible property for the use of that property. Usually a percentage of the selling price of goods and services, production of which employs the property.

**Synonyms:** Commission Payment, Use Fee

**Antonyms:** Royalty Free Use

**Survey Results**



**Comments:**

Delete "production of which employs the property".

Sentence 2 not clear.

Do not consider a fee for rental of property to be royalty.

Protected rights of the owner.

**Synonyms:** Intellectual Property Fee, License Fee, Rent.

**Antonyms:** No Fee, Rent Free.

**Revised Definition:**

**Royalty**

Compensation paid to the owner or vendor of personal, real, tangible or intangible property for the use of that property.

**Synonyms:** Commission Payment, Use Fee, Intellectual Property Fee.

**Antonyms:** Royalty Free Use

Do you agree with this definition?

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STRONGLY AGREE AGREE W/ DISAGREE W/ DISAGREE STRONGLY  
AGREE RESERVATION RESERVATION DISAGREE

COMMENT: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

SYNONYMS: \_\_\_\_\_

ANTONYMS: \_\_\_\_\_

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