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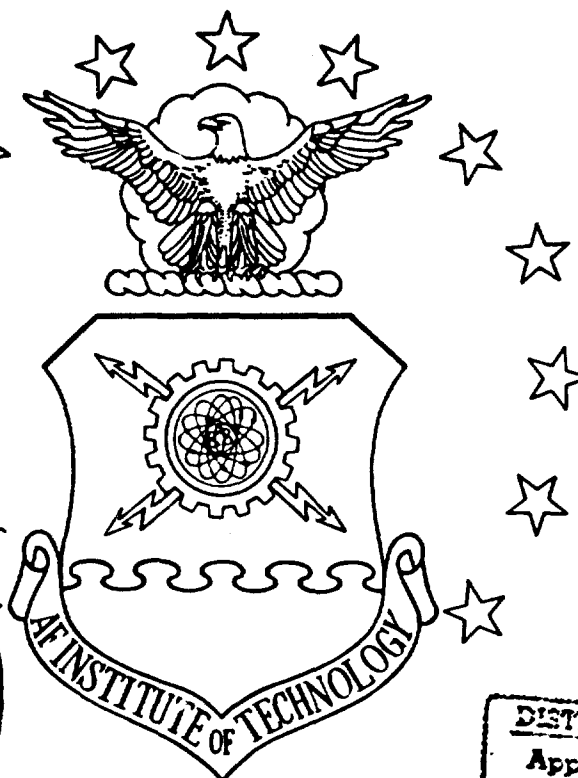
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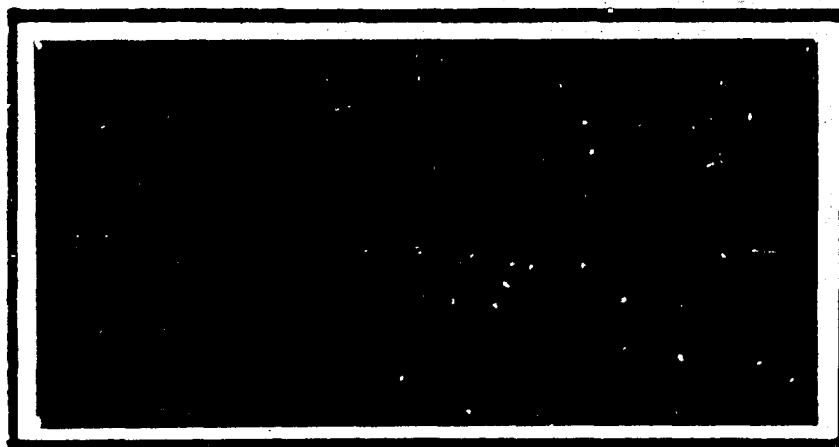
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DEFINING ACQUISITION  
AND CONTRACTING TERMS ASSOCIATED  
WITH CONTRACT ADMINISTRATION

THESIS

Laureli Mazik Moyle  
Captain, USAF

AFIT/GCM/LSY/90S-10

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DEFINING ACQUISITION  
AND CONTRACTING TERMS ASSOCIATED  
WITH CONTRACT ADMINISTRATION

THESIS

Presented to the Faculty of the School of Systems and Logistics  
of the Air Force Institute of Technology  
Air University  
In Partial Fulfillment of the  
Requirements for the Degree of  
Master of Science in Contracting And Manufacturing Management

Laureli Mazik Moyle, B.S.  
Captain, USAF

September 1990

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## *Acknowledgments*

As an athlete and a graduate of the Air Force Academy I have lived by the motto "No Pain No Gain". Like most of life's challenges, I found myself reciting this motto while here at AFIT. Fortunately, certain individuals were especially giving of themselves and sensitive to my pain as acknowledged below.

I would like to express my appreciation to Major Carl Templin, my thesis advisor, for his time and encouragement which helped me persevere.

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Closely sharing my pain, as well as dealing with his own, was my husband Rob, also an AFIT student, School of Engineering. Rob, I thank you for being such a dedicated scholar. You motivated me to study and as a result I have obtained my goals. May we be as successful in all our future endeavors.

Along with the pain, thank goodness, there are rewards. Therefore, I leave you with this thought:

Education is a companion which no misfortune can decrease, no crime destroy, no enemy alienate, no despotism enslave. Education may cost financial sacrifice and mental pain but in both money and life values it will repay one hundred fold.

author unknown

Laureli Mazik Moyle

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*Abstract*

The purpose of this study was to synthesize definitions for 20 terms associated with contract administration. To adequately accomplish this objective, research on dictionary and definition development was conducted. Also, literature was comparatively analyzed to synthesize definitions for each term. To validate the definitions a survey was administered to the NCNA Fellows. Respondents evaluated each definition using a Likert scale and provided written comments. Likert scale results were presented in bar chart form along with an arithmetic mean. Plus, if warranted, the respondents' suggestions were incorporated into the final definitions. As a result, finalized proposed definitions were developed and recommended for inclusion in any future dictionary of contract terminology. In conclusion, the need for further research will continue until all unique and arbitrary words in the contract management arena have been thoroughly researched and their descriptions documented.

# DEFINING ACQUISITION AND CONTRACTING TERMS ASSOCIATED WITH CONTRACT ADMINISTRATION

## *I. Introduction and Objective*

### *1.1 Overview*

The Navel Postgraduate School (NPS), Monterey, California, and the Air Force Institute of Technology (AFIT), School of Systems and Logistics, Wright-Patterson Air Force Base, Ohio are currently doing research in an effort to produce a Dictionary of Acquisition and Contracting Terms. This research was prompted by Congress' continual concerns for and academia's professional interest in improving the quality of the acquisition workforce within the Department of Defense. The next two subsections summarize recent congressional reports and academic research efforts which influenced the need for this thesis. This chapter also introduces the research problem and objectives as well as outlines the assumptions, scope and organization of the study.

### *1.2 Background*

Over the past thirty years there have been numerous reports and studies concerning Federal procurement reform initiatives. Presented here are some of the significant findings of the most recent studies. The Packard Commission's final report, "The Quest for Excellence, " June 1986, stated:

Contract specialists must master the extensive, complex body of knowledge encompassing materials and operations management, contract law, cost analysis, negotiating techniques, and industrial marketing. (42:68)

"Defense Management Report to the President," prepared by Secretary of Defense Dick Cheney, July 1989, reemphasized the need to fully implement the Packard Commission's recommendations. The report specifically directed the Department of Defense to seek ways to increase the professionalism of its procurement workforce (12:12-17). The latest report submitted to the House Committee on Armed Services, referred to as the Mavroulous-Hopkins proposal, outlined a comprehensive plan to improve the quality and professionalism of the acquisition workforce. The plan addressed the management and development of the entire acquisition workforce with special emphasis on contracting personnel. The proposal stated that "the complexity of the work and social utility of the contracting career field has increased in importance to such a degree that recognition of the career field as a profession is warranted " (27:3). As a result career enhancement elements such as training, education, promotion, retention, and management structure were discussed at length in the plan.

Reports such as these continually identify that there is a need to improve the acquisition environment. In a publication titled *Defense '88*, Assistant Secretary of the Air Force for Acquisition, John J. Welch Jr., commented that "while examining defense acquisition we are not discovering new wrongs, the problems have existed for a long time" (17:32). He continued to mention that the acquisition community needs to support the challenge of resolving these problems.

The next subsection focuses on the research accomplished by several government contracting personnel in support of improving defense acquisition, more specifically the acquisition workforce.

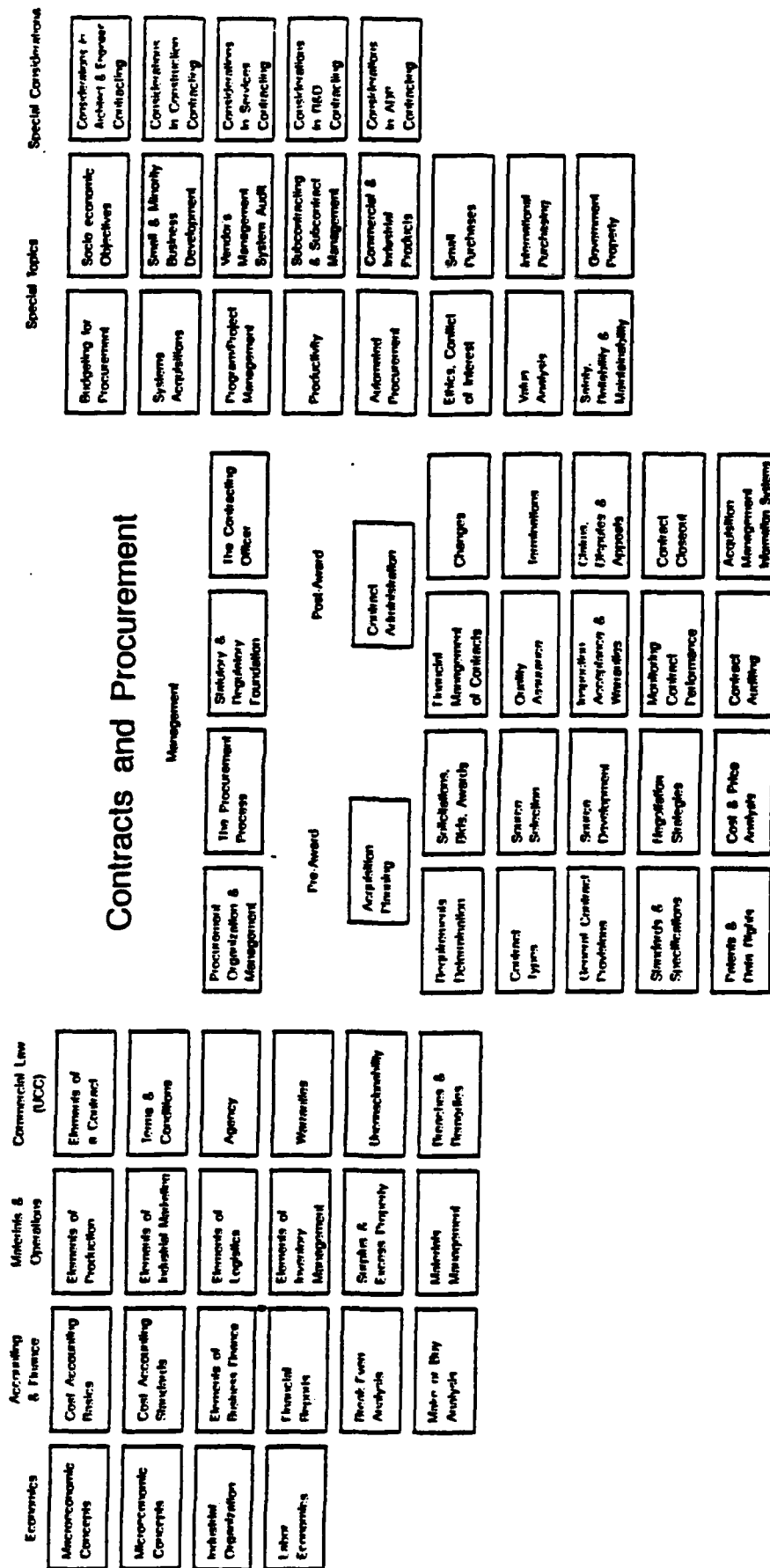
### *1.3 Previous Research Efforts*

In 1987, Lieutenant Commander (LCDR) Connie L. Thornton attempted to define the body of knowledge for the contracting discipline as it relates to the Federal acquisition workforce. The development of this definition is presented in her thesis,

entitled *Contracting: A Systematic Body of Knowledge*. The resultant product, shown in Figure 1.1, was developed and is used extensively by the National Contract Management Association (NCMA) as a classification scheme. They use it to index the literature published in their journal, to classify training and research events, and to address tasks and activities associated with the procurement process. The selected systematic body of knowledge specifically identified those principal disciplines that a contract specialist must master as prescribed by the Packard Commission. However, she explained that in order to fully master and utilize the body of knowledge there is a need for a common language among all the disciplines. In her thesis she stated that "a common language is important because it is woven throughout the texture of a body of knowledge" (41:49). In acknowledgment of this fact, a dictionary of acquisition and contracting terms was initiated. In his thesis entitled *A Dictionary of Acquisition and Contracting Terms*, LCDR Daniel F. Ryan, determined that there was "no one known authoritative source of contracting definitions." Therefore, he developed a procedure that derived concise definitions which were acceptable to contracting authorities. The procedure involved synthesizing definitions from existing definitions and glossary "explanations." The definitions were validated by surveying a representative body of knowledgeable contracting personnel, the NCMA Fellows. LCDR Ryan concluded that this procedure, although a 100 percent agreement on an exact definition did not occur, was effective in reaching a consensus on term meanings (28 terms were defined) (37:83). With an established procedure for defining words, the need for its application continued.

John E. Cannaday, Captain, USAF, in his thesis entitled *Determination of Baseline Definitions for Contracting Words and Phrases* researched twenty-five additional terms. Captain Cannaday's research efforts not only added volume to the proposed dictionary but quality. He presented a general form that a definition should take: Word + Class + Difference (11:19). It was believed that this formulation would promote a complete and useful definition. Capt Cannaday's and LCDR Ryan's ef-

## Basic Tools and Functions



### Figure 1.1. NCMA Body of Knowledge



forts have started a project that will increase the understanding and application of the body of knowledge by ensuring clear communication. In addition, a dictionary will improve the professionalism of the workforce by maintaining the internal coherence of the contracting discipline.

As a result of their success, the NPS felt confident to initiate three simultaneous efforts. By following the basic methodology used by LCDR Ryan, each student formulated definitions for 25 terms. All three graduates, LT Daniel Lee Downs, USN, LT Thomas Prien, USN, and Capt Richard Florck, USA completed their thesis work in Dec 1989. With their contributions a total of 128 terms have been defined. Concurrent with this research effort are two similar projects. The respective AFIT students are Capt Randy Indvik and Capt Dean Matro. All three of these efforts are complete as of Sept 1990.

So far this chapter has identified reports and studies which motivated this thesis effort. The next subsection addresses the work environment in which the contracting specialists must operate. The facts presented will reemphasize the need for a dictionary of acquisition and contracting terms.

#### *1.4 Problem Statement*

The above subsections suggested contract specialists must be learned in the many disciplines that are associated with the acquisition process. This requirement results primarily because of the following two reasons: 1) In defense acquisition the Contracting Officer is responsible for signing and issuing government contracts; and 2) The defense acquisition process inherently demands the contracting specialist's continual participation. The following discussion addresses these two reasons in more detail.

First, by regulation the contracting specialist who signs the contract is held legally responsible for the administration of that contract. This level of responsibility highlights the importance of understanding the language and requirements that

make up the contract. Second, the acquisition process only adds to this responsibility. The contracting office does not physically produce a solicitation/contract until after the needs, requirements, specification, and funds have been determined. However, they are involved from the onset of the acquisition cycle. Contracting specialists are continually dealing with engineering, manufacturing, quality control, data management, pricing, legal, industry, auditing, and administration personnel. This monitoring is needed to ensure all information and documentation to produce a solicitation/contract is formulated. Contract managers are solely responsible for translating and integrating the policies, operating procedures, work statements, schedules, terms, and program requirements that result from the various phases of the acquisition cycle into the appropriate contractual provisions. This responsibility requires considerable knowledge about and communication with all the disciplines that are involved in the acquisition process. However, communication is continually blocked by confusing and contradictory terminology; each discipline has a unique language.

Random House's *Dictionary of the English Language* refers to these language differences as occupational or field variations. The reason for the variations is stated as follows:

Every profession, job, business, field of study has some vocabulary more or less exclusively associated with it, regularly used by participants in or students of the field or activity, and usually less known or used by nonparticipants. This web of interrelationships among various fields and their associated vocabularies is complex. (20:xxii)

Such a situation exists between the contracting field and the other acquisition disciplines. For example the following definitions cover the meanings attributable to "allocation":

- To assign an item of cost, or a group of items of cost, to one or more cost objectives. (36:11-2)

- The distribution of total budget outlays or total new budget authority in a concurrent resolution on the budget to the various committees having spending responsibility. (33:186)
- The methodical division of a requirement, such as volume, weight, reliability, or maintainability, downward to constituent system, subsystems, etc., in such a manner that each is assigned a part of the requirement which is appropriate to its hardware level and state-of-the-art. (19:15)
- The process or result of administrative assignment or distribution of resources, revenues, facilities, operations, activities or related areas of responsibility within an organization, of from one organization to another. (7:39)

Each of the above provides a noticeable difference in the definition and subsequent application of the term "allocation." Respectively, the term is defined in accordance with the way it is used in pricing, funding, engineering, and administration. Martin Gross in his article "Mediocrity or Education" identifies the field variation problem and addresses the NCMA community as follows:

More must be done to encourage the interdisciplinary dialogues between functions such as legal, budgets, finance, technical, and procurement for the purpose of discussing their problems in commonality as teacher and student. (26:43)

Clearly, if contracting is to understand and communicate information about needs, requirements, objectives, and events, there must be a foundation of common language from which to start. In turn, this foundation will enhance the contracting community efforts to: 1) ensure contracting requirements are clearly and correctly stated by enhancing communication and reducing language ambiguities between the acquisition disciplines; 2) strengthen the body of knowledge with a dictionary supplement which explains its unique taxonomy; 3) promote government contracting as a profession by establishing a baseline of required knowledge which produces a

cohesive and qualified organization; and 4) help the Federal government improve the quality of the acquisition workforce by providing contract specialists with organized research data which helps them execute more intelligent and responsible procurement determinations. In summary, a dictionary of terms will help definitize the body of knowledge, leading to the creation of a more proficient acquisition workforce who proactively approach the execution of their duties in a more professional manner. Therefore, to further develop a baseline terminology for the contracting career field, creating or synthesizing comprehensive and acceptable definitions in the postaward phase (that phase which occurs after contract award) needs to be addressed.

### *1.5 Research Objectives*

Four research objectives served as the overall guide to this research effort:

1. Selection of candidate contracting terms which needed to be defined.
2. Synthesizing comprehensive literature-based definition(s) for each term.
3. Validating each synthesized definition(s).
4. Arriving at a proposed definition(s) for each term selected.

### *1.6 Assumptions and Scope of the Research*

Throughout the thesis it was assumed that the reader is somewhat familiar with Government contracting and procurement procedures. For the purpose of this research effort, the words contracting, acquisition, and procurement are assumed to have equivalent meanings and are used interchangeably throughout this study. Likewise, the term contract specialist is used to address contracting officers (CO), administrative contracting officers (ACO), contract managers, contract administrators, and buyers as one cohesive unit.

The scope of the thesis involves identifying the need for a dictionary of acquisition and contracting terms and discusses the methods used to define terminology and finally synthesizes and validates definitions for 20 selected procurement terms.

### *1.7 Organization of the Study*

This thesis is divided into six chapters. This section, Chapter I, identified legislative reports and related thesis efforts that promoted the need for a lexicon of contracting terminology. Next, it explained why the contracting specialist needs a dictionary of terms. It suggested that there are language ambiguities among the acquisition disciplines, concluding that effective and intelligent communication will remain a problem until a common language is recognized. The problem statement addressed the requirement of continued research in creating a valid contracting terminology. Four research objectives were stated for accomplishing this goal: selecting, synthesizing, validating, and arriving at proposed definitions for contracting terms. Chapter II, provides a discussion on the development of dictionaries and definitions. This discussion supports and adds to the previous research presented in Capt Canaday's thesis. Chapter III, outlines the methodology selected for this study. Details regarding the literature used to accumulate data and the procedures followed in formulating the definitions are presented. Reasons for using a survey, choosing the desired format, administering it in a precise fashion, and selecting the quoted group are justified. Chapter IV documents the data collected on each term and presents the synthesized literature-based definition(s) of each term. Chapter VI summarizes the survey results. Each term was reevaluated in reference to the respondents approval/disapproval ratings, the survey comments, and the documented data. The results determined the final proposed definition(s) for each term. Finally, Chapter IV concludes with summary comments and suggestions for further study based on the knowledge acquired from and the analysis performed during this thesis.

## II. Literature Review

### 2.1 Overview

Chapter one discussed the need for a Dictionary of Acquisition and Contracting terms. The problem now is to develop the dictionary and the definitions contained therein. Therefore, this chapter identifies dictionary and definition development which provides guidance for planning and conducting the research.

### 2.2 Dictionary Development

Around 1960, Yakov Malkiel, a linguist scholar presented his attempt to construct an organized schema for classifying dictionaries (31:257). His findings established the following three classification criteria: 1) range; 2) perspective; and 3) presentation. Each of the criteria are subject to further subdivision.

**2.2.1 Range.** The first criteria, range, refers to the size and scope of the dictionary (31:257). When dealing with a specific area, such as contracting, scope is already defined. Sidney Landau in his book, *Dictionaries: The Art and Craft of Lexicography* mentions that the hard part is to determine the extent of the lexicon (29:6). This is so true in the field of contracting. As mentioned before, the contracting vocabulary contains a nucleus of words that are linked together on every side to other disciplines. For instance, contract specialists request and utilize audits. Therefore, the term "audit" is part of the contracting lexicon as well as the auditing community's vocabulary. The diagram in Figure 2.1 depicts the contracting community's belief that the contracting language has no discernible circumference. However, lexicographers realize that dictionaries have definite limits. Therefore, like the drafters of *An American Dictionary of the English Language* said, "lines must be drawn in each diverging direction to determine the boundaries of the language; while knowing that the lines drawn will not satisfy all critics" (43:preface).

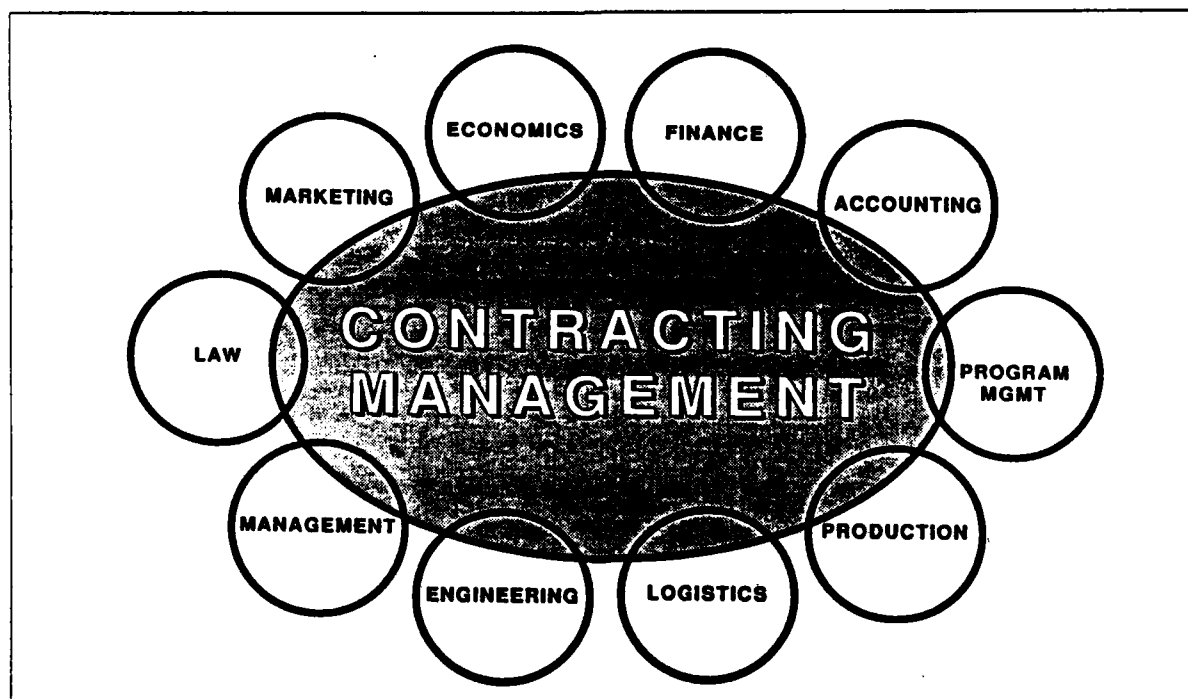


Figure 2.1. Contract Management and Related Disciplines

The defined boundaries of the lexicon dictates the number of entries included in the dictionary. It is the number, along with the length of the entries that affects the size of the dictionary. Landau notes that subject-field dictionaries are usually lengthy because they are encyclopedic in content (29:20). Specialized dictionaries include the pertinent norms, standards, and rules associated with a particular term. Such descriptive definitions make the narrative long. This point is made clear by comparing the way two different dictionaries define the same term. *The American Heritage Dictionary of the English Language*, a general dictionary, defines "audit" as follows: "an examination of records or accounts to check their accuracy " (4:86). While the *Dictionary of Administration and Management*, a subject-field dictionary, defines "audit" as follows:

Systematic analysis, appraisal, testing, and verifying the legality, fidelity, efficiency or feasibility of proposed or operating processes, procedure, transactions, expenditures, and the official books and records thereof, in private and public sector organizations, institutes or systems. (7:91)

Clearly, definitions vary in length. However, long definitions are not always more accurate than short ones. A good definition defines what the entry word is, with simple and understandable language. Landau emphasizes this fact by saying that "all definitions of things are compromises between specific accuracy and breadth of inclusiveness" (29:148). In summary, definitions should be only as long as they need to be.

A third aspect of range is the number of languages covered. While not a foreign language, like French or Spanish, contracting does have a unique vocabulary which is not understood by all. Therefore, the proposed definitions will act as translations. Like the English student who looks up unfamiliar French words in a French dictionary, an engineer should consult a contracting dictionary when faced with unfamiliar contracting words. Obviously, the essential purpose of the dictionary will affect the translational equivalents provided, the fullness of the equivalents, and the choice of entries. This aspect becomes very complicated when several languages are involved and the purpose of the dictionary is multifaceted. Since this issue has only minor relevance to this study it will not be elaborated upon any further.

*2.2.2 Perspective.* The second criteria, perspective, is based on the drafter's attitude towards his work and his favored style of approach (31:255). Attitude is usually determined by the individual's curiosity and interest which drove him to initiate the project (31:259). It seems reasonable to assume that the greater the curiosity and interest the more time and effort will be put into the researching and developing a quality product. Therefore, with the right attitude the proper approach concerning the dictionaries time period, arrangement, and tone will be chosen from the following options (31:259) (29:31-34):



- time period—historical or static
- arrangement—alphabetically, by form of entry word, by meaning, or haphazardly
- tone—objective, perceptive, or jocular

Looking at these options in more detail it can be seen that historical dictionaries (diachronic) trace the changing developmental of forms and meanings of each entry. Such dictionaries take a very long time to complete. Documentation shows it has taken up to 65 years to produce a diachronic dictionary (29:31). While synchronic dictionaries address the present usage of words at a particular point in time (not necessarily the present). Both types of dictionaries are only as good as the amount of time and money available. James Sledd, an authority on the history of lexicography, says that "useful things in lexicography can now be done by only large staffs, operating under the direction of scholarly editor with plenty of money at their disposal . . ." (39:128). However, one area money does not affect is dictionary arrangement.

The arrangement of a dictionary determines the way in which one accrues the information provided therein. The most common method is by listing the entries alphabetically. This approach is simple, easily revised and assumes that everybody knows the alphabet. Words sharing a common form (morphemic) such as; *appropriate* and *apportionment*, or terms all ending in *-ology* are sometimes listed together (29:33). This arrangement is uncommon and is generally preferred only by linguists for studying word development. Semantic arrangements, words grouped by meanings, are seen in thesauruses (31:273). The advantages of a thesaurus are obvious to its users. However, they require extensive alphabetic indices to refer the reader to the various categories associated with each term. This reference schema takes time to formulate and adds bulk to an already voluminous book. Lastly, the drafter could choose no organized arrangement at all and just haphazardly list the

entries. This arrangement obviously falls short of the expected standard expected of a scholarly product. It is only hopeful that such lack of organization is not carried over into the tone of the dictionary.

Tone is the manner in which the meaning of the words are expressed. Fictitious meanings, jocular in nature, are not applicable to this study and thus will not be discussed. Meanings that reflect an objective tone are based on recorded facts of usage. The idea is to tell the reader what the word is, its purpose, or how it works. Including opinions or judgements about the subject matter is not appropriate. The book *Technical Writing*, by John M. Lannon states that "personal comments and interpretations should come only after the data (facts) and only at the specific request of the reader (user)" (30:90). More than not, however, opinions do find their way into the meaning of words. When this happens the tone of the meaning becomes perceptive. The definition becomes instructive and establishes or implies certain norms or standards (31:274). A simplistic example would be to define a chair as a piece of furniture consisting of a seat, legs and back, which is not safe to stand on. This definition is not incorrect, especially if it is part of a regulation concerning safety issues. Malkiel says that "it is up to the analyst to extract useful information from lists of 'dos' and 'don'ts', provided they are not entirely arbitrary" (31:274).

**2.2.3 Presentation.** The last criteria, presentation, takes the broad perspective (discussed above) and narrows it down to specific preferences. Malkiel says that to achieve simplifications the following areas must be addressed: 1) definition, 2) exemplification, 3) graphic illustration, and 4) special features (31:260). These four areas determine the fullness of the definitions. Definitions can be in sentence or fragment format. The drafter may choose to coin model sentences of his own or cite a segment of the referenced documentation. In other instances, examples, graphic illustrations, and usage information might be needed to provide useful definitions. For example, when defining "Board of Contract Appeals" it is helpful to provide the formal titles of some of the more important boards. Likewise, providing an il-

illustration of how "offsets" is defined in relation to defective pricing paints a clearer picture for the reader. Finally, it must be determined if special symbols, abbreviations, pronunciation, and grammatical remarks are worthy to be included in forming the dictionary.

These three criteria: range, perspective, and presentation are not separate and distinct from each other. For instance, if the range of a dictionary is confined to a special subject then the length of the definition will probably be long and restricted to present usage; while a dictionary for children might contain illustrations and fragment or simplistic definitions. Being able to recognize the similarities and differences between dictionaries is the advantage and value of Malkiel's outline for classifying dictionaries.

### *2.3 Definition Development*

Just like there are different ways to develop dictionaries, there are different ways to develop definitions. Some of the more notable ways are as follows: 1) logical or real; 2) lexical; and 3) canonical. The remainder of this chapter is devoted to these three ways of developing definitions.

*2.3.1 Logical or Real.* Logical definitions were first developed by early philosophers such as Plato and Aristotle. They did not concentrate on defining words but the occurrences and instances that derived the words. Because their studies attempted to analyze things in the real world the resultant definitions were sometimes called "real" (29:120). Philosophic descriptions of definitions are insightful but they are not always possible or practical. Trying to document and define matters in this way requires a great deal of knowledge about science, philosophy, and semantics. Therefore developing this type of a definition is left to the philosophers.

*2.3.2 Lexical.* Aristotle's efforts did not stop there. He also developed the traditional rules of lexical definitions. Lexical meaning, as defined by Gustaf Stern

in his book *Meaning and Change of Meaning*, is the mental content attached to an isolated word or phrase (40:68). As presented in Capt Cannaday's thesis, this mental connection is represented by the form Word + Class + Difference. The word is first defined by the class of things to which it belongs and then distinguished from all other things within that class. In his book, *Metaphysics*, Aristotle divided the world of experiences into categories of "classes." He continued to point out that distinctive features are the essence through which an item is to be known (5:4). In his book, *The Definition of Definition*, Ralph Borsodi interprets this to mean that "for one word there is one meaning and one meaning for one word" (10:34). Therefore, when the definition of a word is read it should bring to mind that word alone.

There are those who argue with this type of definition. Stern argues that people never attempt to fix their minds upon some isolated concept, but part of a context (40:68). And through a series of experimental studies on the use of words, William Labov determined that it is difficult if not impossible to separate an essential attribute (a quality that is not inherent but vital to understand the function of an item) from an object (28:58). While, Landau identifies that most dictionaries do not define entries this way and even if they attempt to they fail to exclude all things in the class (29:120). Still Borsodi praises this method. He says that "nothing he has discovered while exploring definition has proved more helpful to him in establishing word-relations, eliminating confusing synonyms, and making meanings singular and specific" (10:34). Clearly, the Aristotelian definition is technically superior but not always approachable.

**2.3.3 Canonical.** A more practiced approach to forming definitions is presented by Uriel Weinreich's paper titled "Lexicographic Definition in Descriptive Semantics." Based on her analysis of lexicographic definition, a canonical (authoritative) form by which most definitions are structured was developed. This form is

shown and explained as follows:

$X$	denotes if $c_1$ and $c_2$ and ... $c_n$ ;	for example, $d_1$ or $d_2$ or ... $d_n$
$X'$	denotes if $c'_1$ and $c'_2$ and ... $c'_n$ ;	for example, $d'_1$ or $d'_2$ or ... $d'_n$
term	descriptive part	ostensive part
<hr/> <div style="text-align: center;">definition</div>		

Let  $X$  be the term, and let  $X'$ ,  $X''$ , etc., be synonyms of  $X$  (i.e., terms similar, but not necessarily identical, in meaning); let  $c_1$ ,  $c_2$ , etc., be conditions which must be fulfilled if  $X$  is to denote; and let  $d_1$ ,  $d_2$ , etc., be sample denotata (ostensive part). (44:31)

This form emphasizes the following believes: 1) that a definition is not necessarily a perfect representation of a meaning; 2) the terms of a language are, on the whole, complementary; and 3) a semantic description should aim at definitions which delimit the meaning of a term from that of terms similar meaning (44:30). Obviously, this method of definition relaxes Aristotle's rules of defining. It only tries to limit, not isolate, the class in which the term belongs. Plus, it allows for examples as part of the definition. Without a doubt, this form of definition development portrays the reality that perfection is impossible. Weinreich, early on in his paper, identified that there was no one correct procedure for developing definitions. However, he concludes, "that there are stable ways of obtaining descriptions" (44:41). Among those ways presented above there is Weinreich's practical approach.

## 2.4 Summary

Developing a dictionary is quite an undertaking. Each dictionary project is unique and requires its own set of specifications. Like writing any specification questions such as: Who is going to use this?; What is its purpose?; What are the size

limitations?; and What materials should be used to make it? need to be answered. As presented in this chapter, these questions can be easily answered by determining the range, perspective, and presentation of the proposed dictionary. However, one of the most difficult steps to accomplish is establishing the word list to include in the dictionary. But once this is resolved the sources for definitions can be identified. Then, when developing the definitions, many of the questions listed above must be answered, but this time in relation to definition development. At this point, the direct relationship between dictionary and definition development cannot be ignored. As previously mentioned, limiting the scope of the dictionary to a certain field of study will influence the tone and length of the definition. The definition, more than likely, will be slanted toward the viewpoint of that field. Since specific rules and regulations affect the usage of the word they are usually included in the definition. Including this type of descriptive information makes the definition long.

However, no matter if the definition is long or short there is no one correct form. But as Weinreich stressed, the drafter does have several options. Of the three presented (logical or real, lexical, or canonical) the lexical organizations is preferred. It leaves no question in the readers mind concerning what word is being defined; word-meaning associations is exact. However, identifying the word's "class" and distinguishing it from all other things is difficult. Therefore, the value of examples and illustrations cannot be forgotten when building useful definitions.

Clearly, the development of dictionaries and definitions depends on the purpose and objectives of the finished product. Presented here were some of the fundamental options. In the end, however, the dictionary and definitions should be something the reader will be able to use and understand. The next chapter will present the methodology used to arrive at the literature-based definitions.

### *III. Methodology*

#### *3.1 Selection of Terms*

The actual candidate contracting terms were chosen primarily from two sources. The first source was LCDR Ryan's thesis. The second source was the *Desktop Guide to Basic Contracting Terms*, published by NCMA. Both source lists were developed by administering informal interviews with contracting personnel. Together these two sources provided a variety of contracting terms that covers the entire procurement spectrum. If there were words not on the source lists but related to a selected word then they were also defined. For example, the term "allocation" was selected from LCDR Ryan's list. This term has a specific meaning in relation to the budgetary process. Therefore, it was logical and necessary to define the other related terms (i.e., appropriate, apportionment, obligate, etc.). The selection was further restricted to words associated with the postaward phase (that phase which occurs after contract award) of the acquisition cycle. This reduction in scope resulted from LCDR Ryan's survey respondents commenting that more terms in the area of contract administration needed to be definitively defined (37:85). In the past each researcher has defined anywhere between twenty-five and thirty terms. This amount seemed to be manageable in relation to the time constraint associated with graduate programs. This research effort, however, was reduced to twenty terms. Many of the terms required extensive research due to their varied uses. As a result, subdefinitions were developed in order to ensure comprehensiveness and usefulness. This extended effort took time and as a result only twenty terms were researched. The selected terms are as follows:

Administrative Contracting Officer (ACO)	Allocation
Allotment	Apportionment
Appropriation	Audit
Board of Contract Appeals	Certification
Commitment	Constructive Change
Cure Notice	Dispute
General and Administrative (G&A) Expense	Nonrecurring Costs
Novation Agreement	Obligation
Offsets	Privity of Contract
Recurring Costs	Show Cause Notice

### 3.2 Research Data

The research literature used in determining the synthesized definition(s) was limited to sources that dealt with or were associated with acquisition. *The Federal Acquisition Regulation* (FAR) was utilized to identify how the term is presently defined or used in the contracting field. Dictionaries that were published specifically for use in a certain area of interest (e.g., *Black's Law Dictionary*, *Dictionary of Administration and Management*, *Dictionary of Cost Estimating Terms and Phrases*, *A Glossary of Terms Used in the Federal Budget Process*) were valid sources. They provided the usage of words from the view of a particular discipline. Glossaries and indices from published books and documents provide definitions that apply to that particular function being presented. Professional journals, textbooks, professional books, periodicals, and law cases were also utilized. These sources were reviewed to determine the context in which a particular term is used. The purpose is to look for descriptions of the terms, not necessarily a formal definition. A large array of research literature is needed in order to accumulate a variety of data for comparative analysis. These sources were also selected because they closely reflect the actual resources



used by lexicographers (people who write and compile dictionaries). As depicted in the *Oxford English Dictionary* and the *Middle English Dictionary* lexicographers use large databases containing research abstracts, quotations from appropriate texts and glossaries, periodical texts and legal reports (34:x) (32:3). By comparing and contrasting the data collected on each term, five observations were made: 1) the similarities and differences compared to the FAR definition, as well as among the data of individual terms; 2) how the term was most commonly used; 3) the term's alternative usages; 4) the most common label for the term; and 5) alternative labels (synonyms). Once this was accomplished a comprehensive literature-based definition(s) for each term was developed. This was accomplished in two steps. First, each definition begins with an Aristotelian definition (Word + Class + Difference), or a close approximation thereof. Then, where appropriate, extentional (ostensive) information is added as recommended by Weinreich (See Chapter II for specifics).

### 3.3 Survey Instrument

A survey was administered in order to validate each synthesized (literature-based) definition(s). A survey approach was selected for the following reasons: 1) face to face interviews are too costly; 2) telephone interviews would not allow enough time for the respondents to study the proposed definitions and give good feedback; and 3) surveys were successfully used in the two previous definition thesis efforts. A multiple questionnaire technique such as the Delphi Method would prove useful in this research. However, there was not enough time to implement this demanding procedure. There is also the question of adequately compensating the respondents, who should be treated as consultants, for their time. Specifically, the survey included an objective and a subjective portion. The objective portion consisted of a Likert scale which allowed the respondent to rate the adequacy/acceptance of each definition. The subjective portion consisted of an area for written comments. This two part approach was taken because both LCDR Ryan's and Capt Cannaday's conclusions

commented on the difficulty in determining when the definition should be amended in response to the survey's comments. Incorporating a Likert scale helped alleviate this problem. For example, if 50% or more of the respondents agreed with the definition (term rating of 4 or 5), then the comments provided by those who *disagreed* with the description (term rating 1, 2, or 3) were incorporated only when: 1) the same comments were made by those who agreed, or 2) the recommended change was supported by the literature. The Likert scale provided the objective data needed to distinctly separate those who agreed with the definition from those who disagreed.

Another problem addressed was the low survey response-rate (14%) reported by the last group of thesis students. Therefore, to ensure a high survey return, a method termed the Total Design Method (TDM) developed by Don A. Dillman was utilized. Dillman says that "the TDM is as much a carefully prepared set of sequential events as specific principles of design" (22:20). The key factors of this method are as follows: 1) a simple and quality survey; 2) a known and informed survey group; and 3) a complete follow-up sequence of reminder letters and replacement questionnaires. These design principles greatly influenced the total survey process.

Following Dillman's advice on quality and simplicity, a number of features were built into the survey. The cover letter was informative and to the point. It convinced the individual that a problem existed and that help was needed to find a solution. All other needed information and instructions were provided on the title page. Specifically, the front cover of the product consisted of the following: a title, a catchy graphic illustration, needed directions, and the researcher's name and address. The cover page was attractive, neat, and brief. A cluttered page of words with complicated instructions discourages the respondent from completing the questionnaire. Catching the respondent's attention with an organized and unique cover page, on the other hand, entices the respondent to continue to the next page. The survey itself flowed in a vertical fashion. It avoided having the respondent move back and forth across the page or between pages. All the needed information

to answer a question or complete an observation was provided on one page. This enabled the respondent to move quickly and accurately through the survey. This arrangement also allowed plenty of space for constructive comments.

To ensure the survey was capturing what it was intended to measure, a pretest was performed. Various faculty members (one from each of the primary disciplines associated with contracting) at the Institute were asked to take the survey and make comments on how to improve its organization, appeal, and ease of completion. They also reviewed the developed definitions relating to their area of expertise. Their comments proved valuable in identifying minor format flaws, open-ended questions, and awkward sentence structure. Over all, Dillman's simplistic design features help produce a professional (quality) product.

Lastly, Dillman instructs that the initial distribution of surveys be followed by a series of reminder letters and replacement questionnaires. These reminder letters emphasize the study's importance and the value of each individual's contribution to the study results. Again, this type of emotional appeal increases the response rate. Dillman's time line for sending the reminder letters is based on 10-week response period. Since time was of the essence, the response period was reduced to five weeks. In either case, a week after the initial package was sent, a postcard was mailed which reminded the surveyees to respond as soon as possible and thanked those who had already acted expeditiously. This researcher chose to send a pink 8 × 10 inch card to attract attention. At the beginning of the third week, a letter and replacement survey was sent to 50% of the non-respondents. Dillman's plan calls for a replacement survey for every non-respondent. However, due to the limited funds and resources, this requirement was reduced. For the same reasons, a final certified letter and replacement survey, sent again to only non-respondents, was not used. As demonstrated, Dillman's total design method is flexible. However, by fully implementing these procedures, Dillman has proven that the average response rate will be around seventy-five percent, and about seventy-one percent if only followed

in part (22:21). Appendix A shows a sample of the survey instrument and a copy of all the letters utilized for this study.

### 3.4 Survey Group

No matter how great the survey instrument is, the target group must be interested and qualified in completing the survey. Otherwise, the response rate will be low. Therefore, Dillman suggests carefully selecting the survey group. For these reasons along with those stated below, 130 out of 687 NCMA Fellows were randomly selected (address labels drawn out of a box) and asked to participate in the study. The maximum sample size with a 95% confidence interval figured to be about 195 participants. However, since a high response rate was anticipated, a sample size of 130 was determined to be a reasonable representative sample of the population.

The NCMA Fellows were chosen as the survey group for the following four reasons: 1) they are a representative body from government, industry, academia, and professional education ; 2) they are diversely but highly educated; 3) they are considered experts in their field of interest; and 4) they are familiar with this ongoing research. Accordingly, the NCMA Fellows have all the requirements needed to ensure that the synthesized definitions are comprehensive and adequately defined. Plus, as a professional organization they are supportive of the objectives of this research. Floyd J. Fowler, Jr., in his book, *Survey Research Methods*, summarizes why the use of a survey and the chosen survey group are appropriate:

If one is collecting data from a population that is highly literate and that, on the average, is likely to be highly interested in the research, mail procedures become more attractive. (24:63)

Figures 3.1 and 3.2 are graphical representations of the respondents' area of expertise and years of experience in their respective field.

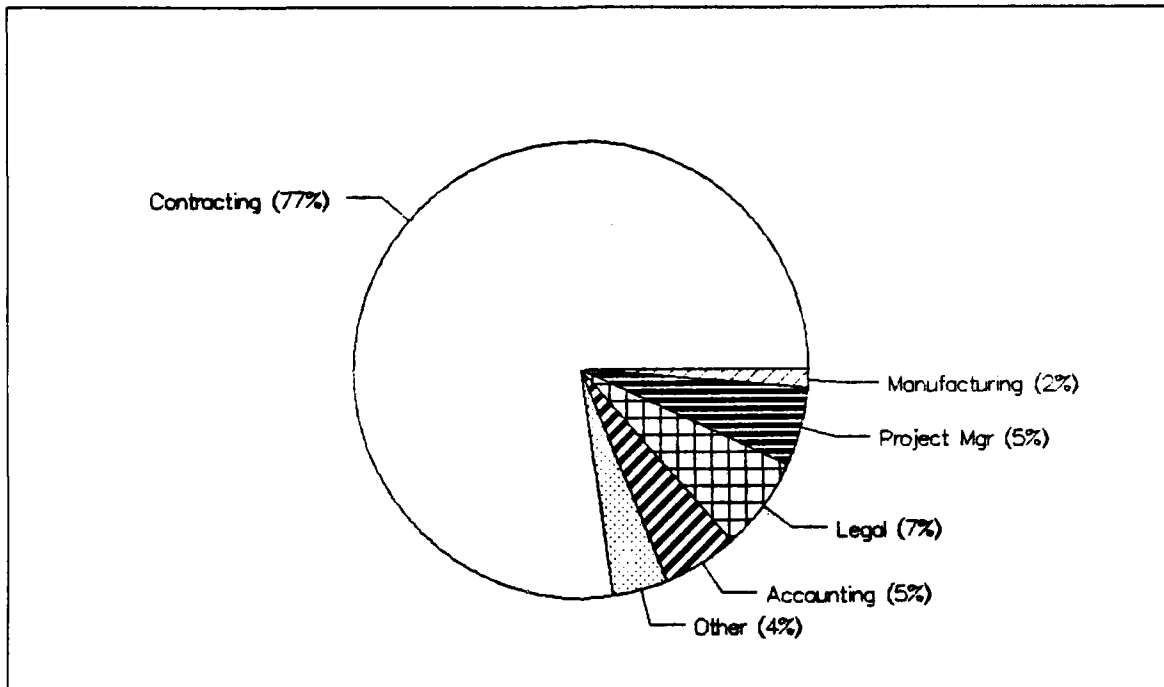


Figure 3.1. Areas of Expertise

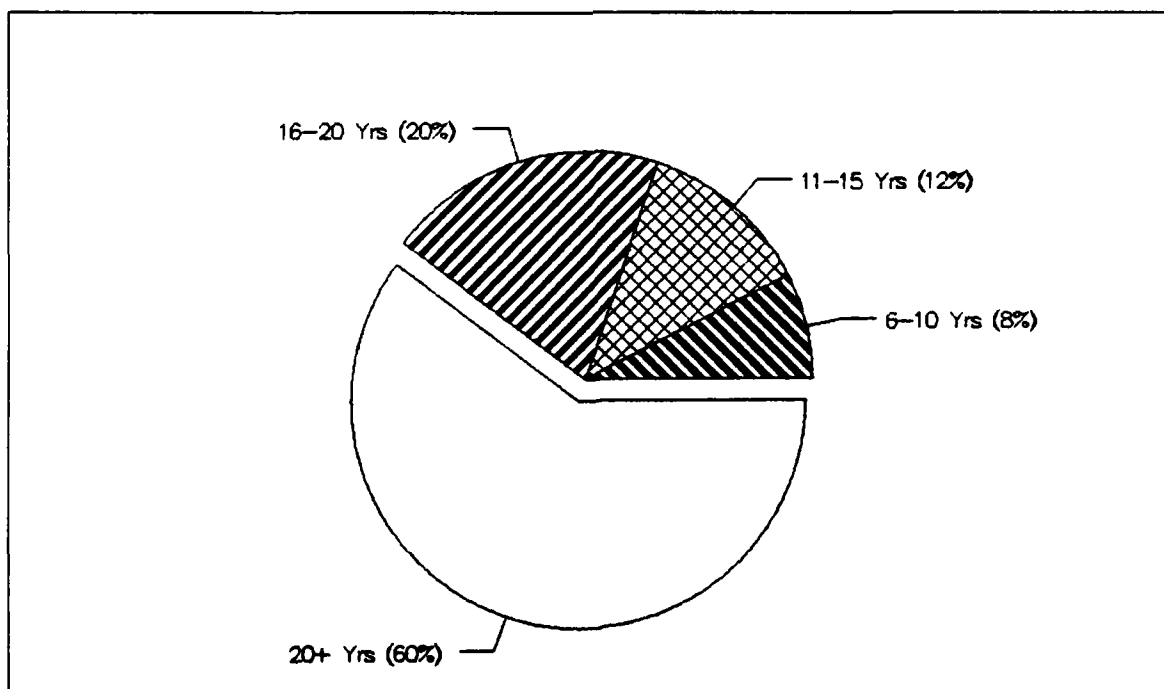


Figure 3.2. Years of Experience in Area of Expertise

### 3.5 Data Analysis

Respondents evaluated each definition using a five point Likert scale. These responses were analyzed using frequencies (in the form of a bar chart) along with an arithmetic mean (a measure of central tendency) for each term as annotated in Chapter V. Without a doubt, the rating results in the form of a bar chart provided a clear visual picture of how well or poorly each definition rated. The written comments were used for two purposes. First, they were used to identify what specific parts of the definition were unacceptable. Second, the provided suggestions were considered and incorporated into the definition if there was a significant amount of literature in support of the recommended change. Specifically, the ratings provided the objective data needed to validate the acceptance or rejection of the literature-based definition. The comments were then separated based on the term's rating: agreed (ratings 4 or 5) and disagreed (ratings 1, 2, or 3). If 50% or more of the respondents agreed with the definition then the comments provided by those who *disagreed* with the description were incorporated only when: 1) similar comments were made by those who agreed, or 2) the recommended change was supported by the literature. The comments provided by those who agreed were included when: 1) the same general comment was repeated throughout the responses, and 2) the recommended change was supported by the literature. It was planned that definitions having a lower than fifty percent acceptance level (those definitions that were unacceptable) would be adjusted based on the comments; however, this procedure was not required since there were no such definitions in this study. In addition, sub-issues which the respondents felt needed attention were also recommended for further study. For example, the respondents agreed with the definition for offsets but the descriptions failed to address how offsets are used in dealing with international procurements. Clearly, if the definitions are to be comprehensive, all usages should be thoroughly studied. The data analysis as outlined above provides this assurance. It assures the synthesized definitions are

changed only if needed and determines if further study is necessary to arrive at a consensus.

### 3.6 *Final Product Form*

The finalized definitions are presented in dictionary form. The form of a dictionary was chosen for several reasons. First, as stated by Sidney I. Landau in his book, *Dictionaries*, "if you call a reference book a dictionary the work suggests authority, scholarship, and precision" (29:5). One of the goals of this research was to achieve authoritative agreement on the terms definition(s). Therefore, it is only logical to call the resultant product a dictionary. Second, a dictionary is a book that lists words in some order and describes their meaning. This product differs from the common usage dictionary in that it does not include information about grammar, pronunciation, and etymology. However, this study does offer a list of meanings and synonyms large enough to furnish a starting point for understanding the selected terms. Therefore, the entries were subdivided to include the various usages in which the word is used as illustrated in most dictionaries. Third, the main reason why dictionaries are developed coincides with this research effort. Noah Webster published *An American Dictionary of the English Language* because of the following:

A great number of words in western language required to be defined in a phraseology accommodated to the condition and institutions of the people in these states, and the people in England must look to an American Dictionary for a correct understanding of such terms. (43:preface)

Similarly, a great number of words in the acquisition arena required to be defined in a language common to the disciples in that arena. People in the acquisition field can now look to this study for a correct understanding and usage of the selected postaward contracting terms.

## *IV. Literature-Based Definitions*

### *4.1 Overview*

This chapter presents in detail the literature used and the analysis performed to develop the initial (literature-based) definitions for this research study. The research focuses on twenty terms associated with contract administration activities. As discussed in the previous chapter, the words were selected from two primary sources: 1) LCDR Ryan's thesis and 2) NCMA's *Desktop Guide to Basic Contracting Terms*. The selected words fall into three general categories: 1) general contract administration, 2) budgetary and funding, and 3) pricing. The terms are listed below in accordance with their associated classification:

#### *General Contract Administration Terms*

Administrative Contracting Officer

Audit

Board of Contract Appeals

Certification

Constructive Change

Cure Notice

Dispute

Novation Agreement

Privity of Contract

Show Cause Notice



### *Budgetary and Funding Terms*

Appropriation  
Apportionment  
Allocation  
Allotment  
Commitment  
Obligation

### *Pricing Terms*

General and Administrative (G&A) Expense  
Nonrecurring Costs  
Offsets  
Recurring Cost

The following developed definitions include not only the specific contract administration usage but also those related to other fields and activities (such as engineering, finance, accounting, etc.). Since contract specialists deal with several different disciplines they need to know and understand all usages (meanings) of the terms. This was accomplished by referencing various literature.

#### *4.2 Referenced Literature*

In order to develop the literature-based definitions, government contracting and other related literature was evaluated for each individual term. The initial definition, where possible, was taken from the *Federal Acquisition Regulation* (FAR). This was determined to be a good starting point because the FAR is the single authoritative procurement regulation for all Federal contracting activities. In some cases the FAR concerns itself with specific definitions of words. In other cases, the definition must be determined from the context in which the word is used. In ei-

ther case, the information provided sets the stage for the comparative analysis. In addition to the FAR, several other sources were consulted. In order to supplement the FAR for government unique applications, Donald P. Arnavas and William J. Ruberry's *Government Contract Guidebook*, *DOD Glossary of Acquisition Management Acronyms & Terms*, Milven Rishe's *Government Contract Costs*, Stanley E. Collender's *Guide to the Federal Budget*, W.H. Riemer *Handbook of Government Contract Administration*, the *Armed Services Pricing Manual* (ASPM), and AFIT's Government Contract Law course and case book were consulted. *Black's Law Dictionary* and Bryan A. Garner's *Dictionary of Modern Legal Usage* were consulted to ascertain legal implications and usages of each word. Sources such as; *The Dictionary of Purchasing Terms*, published by the National Institute of Governmental Purchasing (NIGP), Inc.; *Dictionary of Cost Estimating Terms and Phrases*, printed by the National Estimating Society (NES); Ivan S. Banki's *Dictionary of Administrative Management*; and the special printing of *Acquisition Alerts for Program Managers*, were utilized to attain their respective usage of each word. Any other sources referenced were usually unique to the term. Thus, they will be discussed under the appropriate term.

#### 4.3 Definition Development

A specific process was used to develop the definition for each term. As suggested earlier, the FAR was used as a starting point and other sources to supplement it. The sources were then compared and contrasted in terms of: 1) similarities and differences (of definitions and contexts); 2) most common usages; 3) alternative uses; and 4) most common labels and synonyms. The following sections provide a summary of the comparative analysis. First, the general contract administration terms will be discussed. This will be followed by the budgetary and pricing terms.

The statement, "this term is not formally defined in the FAR," as used throughout this chapter, means the FAR does not list this term under a heading titled "Definitions" or proceeds the term with the words, "this term is defined as . . ."

*4.3.1 General Contract Administration Terms.* Ten of the terms fall into this category. The first, Administrative Contracting Officer (ACO), refers to a type of contracting officer that specializes in contract administration matters. The other terms deal with contract administration matters directly or are indirectly associated with the Administrative Contracting Officer.

*4.3.1.1 Administrative Contracting Officer.* This term is formally defined in the FAR in the same context as the term "contracting officer." In fact, the FAR refers to this term as a contracting officer who is administering contracts (23:Subpart 2.1). Fortunately, a better understanding of who is and what an ACO does is explained in length in FAR Part 42, Contract Administration. This section indicates that an ACO is the individual responsible for certain functions required to supervise contract performance. Specifically, this section defines 61 functions performed by the Contract Administration Office (CAO) and 8 functions delegated at the discretion of the CO to the ACO. The FAR's approach is authoritative and provides the needed detail to understand the complexities of the ACO's function. However, to include this list in a definition would be lengthy and cumbersome. Therefore, the developed definition groups these duties into general categories, as outlined in the ASPM and *Government Contract Cost* (16:B-3) (36:25-7, GL-3).

NCMA's *Desktop Guide to Basic Contracting Terms* limits the ACO's functions to postaward duties (18:16). This is not always true. ACO's participate in preaward surveys and assist on preaward audits. The government literature also addresses the duty location of an ACO. It specifies that an ACO is "usually located at a separate facility from where the contract is made" (18:6) (15:2). Again this is not always the situation, especially in base contracting. To accommodate these

comments a supplemental explanation was provided after the main definition. All sources do agree; however, that the ACO must have "authority" to carry out the prescribed functions. Therefore, the subject of authorization was addressed in the definition.

Overall, the literature is not contradictory in how the term "Administrative Contracting Officer" is defined. The sources vary as to the adjectives used to describe who an ACO is and what an ACO does. However, the adjectives used are all similar in meaning and communicate the same basic idea: that an ACO is any person who is authorized to perform certain functions in order to ensure overall administration of a contract. The most common label for this term is "Administrative Contracting Officer", however, a common synonym is "Contract Administrative Officer" (19:32).

Based on the above comparative analysis the following literature-based definition was synthesized:

Any person who, either by virtue of position or by appointment in accordance with prescribed regulations is authorized (responsible) to carry out assigned and delegated administrative functions and make determinations and findings, with respect to:

- implementing a contract;
- monitoring contractor performance on a contract;
- ensuring contractor compliance with the terms of a contract; and
- securing satisfactory completion of a contract.

Government: When the cognizant ACO is located at an installation other than the one making the contract, he/she is specifically responsible for those functions which are: 1) normally assigned to that office and; 2) formally delegated by the Contracting officer, as prescribed in FAR 42.302.

Synonym: Contract Administrative Officer

*4.3.1.2 Audit.* This term is not formally defined in the FAR. However, the term is repeatedly used throughout the FAR. For instance, in FAR Part 15,

Contracting by Negotiation, it talks about auditing contractor's proposals in order to negotiate a fair and reasonable price. FAR Part 30, Cost Accounting Standards, says that contractor's records will be audited to ensure cost or pricing data are current, complete, and accurate. While FAR Part 42, Contract Administration, assigns the contract administrator the duty of auditing the contractor's cost accounting system. Therefore, only if the data provided is considered collectively can a comprehensive definition be developed. This is exactly what the referenced literature accomplishes.

The literature classifies an audit as a "systematic process" and distinguishes it from all other processes by listing exactly how an audit is carried out and what it determines. For example, Arnavas, Rishe, and the ASPM conclude that an audit is performed to examine one or more of the following areas: 1) transactions; 2) accounting procedures; 3) financial and administrative reports; 4) fairness of facts; and/or 5) regulations and procedures (6:5-31,5-32,GL-2) (36:GL-3) (16:B-1). Obviously, the list covers all the areas where the term is used in the FAR. Therefore, the synthesized definition provides a comparable list.

The sources differ slightly with respect to identifying the audit process as an analysis, appraisal, examination, verification, or inspection which involves testing, physical inspection, or just confirmation (7:91) (9:120) (36:GL-3). As a result, the developed definition includes as many of these identifiers without being wordy.

Clearly, this term is used to describe a specific process which is used to examine and verify an organization's or individual's business operations. The description is broad enough to describe all audits, such as; contract audits, cost accounting audits, and preaward audits. Each of these terms has their own meaning and could be included as subdefinitions under this term. However, this definition should not be confused with these specific usages because it encompasses them all. Lastly, the most common label for this term is "audit" and there are no synonyms.

Based on the above comparative analysis the following literature-based definition was synthesized:

The systematic examination, analysis, and appraisal of an organization's records and documents, and the securing of other evidence (i.e., through testing, physical inspection, confirmation or otherwise) to determine one of more of the following:

- propriety or legality of transactions;
- adequacy and effectiveness of budgeting, accounting, financial and related policies and procedures;
- compliance with applicable statutes, regulations, policies, and prescribed procedures;
- reliability, accuracy and completeness of financial and administrative records and reports and the fairness of the facts they present; and
- the extent to which funds and other resources are properly protected and effectively used.

*4.3.1.3 Board of Contract Appeals.* This term is not formally defined in the FAR. However, an informal definition of this term is found under FAR Part 30, Protest, Disputes, and Appeals. The FAR states that a contractor who is not satisfied with a CO's decision on a claim may appeal to the Board of Contract Appeals. The FAR pinpoints the fact that if a contractor is unhappy with the resolution of a dispute there is an avenue of recourse. Like the FAR, all the sources agree that the Board's basic functions is to hear cases referred to it and to examine the possibility that the original decision should be reversed. This responsibility is what distinguishes it from other "boards." Therefore, this information is vital to the definition.

The literature also emphasizes that this "Board" is just that: a board, a committee, an authorized representative body, a judicial-type administrative body, or a chief forum and *not* an appointed judicial forum of the U.S. Court System. This classification is made clear in the synthesized definition. Another distinguishing factor

is that there is not just one board of appeals. The literature addresses this situation by making general statements like, "a permanent board within an organization" and "boards established by the various government procuring agencies" (6:GL-3) (7:119). To help the reader understand that each executive agency has their own board, supplemental explanatory information which lists some of the board titles is included at the end of the description.

Obviously, this word provides a title to a committee that has one specific function: to hear appeals. However, the word appeal is not included in the description since it is part of the entry word. Instead, as provided by Banki, descriptive words like "asking for a change of a previous decision" were utilized in place of the word "appeal" (7:59,119). The most common label for this term is "Board of Contract Appeals" and there are no synonyms.

Based on the above comparative analysis the following literature-based definition was synthesized:

A designated administrative tribunal within an executive agency (e.g., Department of Defense, Department of Agriculture, Department of Interior) which is authorized to hear, examine, and act on formal written requests asking for a change of a contracting officer's decision concerning a dispute relating to a contract entered into by that agency. Some of the formal titles of the boards are as follows:

- Armed Services Board of Contract Appeals (ASBCA)
- General Services Administration Board of Contract Appeals (GSBCA)
- Department of Interior Board of Contract Appeals (IBCA)

*4.3.1.4 Certification.* This term is not formally defined in the FAR. When the word "certification" is mentioned in the FAR it is usually in connection with a specific requirement such as: certificate of compliance, certificate of competency, certificate of current cost or pricing data, and certified claims. These terms

themselves have specific meanings which go beyond the general usage of the term "certification". However, comparing the literature, these certifications have the following in common: 1) they are in writing; 2) they are signed; 3) they acknowledge that some requirement has been met; and 4) they are relied on as truth (7:164) (9:206) (21:5) (36:4-34). These commonalities are descriptive features which are included in the definition. However, *Black's Law Dictionary* stress that even though a certification is evidence of truth, the individual who signed the certificate is not necessarily sworn to its facts (9:206). This is important when considering certificates are presented as evidence of truth in a court of law. Therefore, this distinguishing factor was included in the definition.

In summary, this term is used to label an acknowledgement in writing that a certain piece of data, information, etc., is accurate and thus can be used as evidence of truth. The most common label for this term is "certification" and no synonyms were identified.

Based on the above comparative analysis the following literature-based definition was synthesized:

The formal act of acknowledging in writing and guaranteeing by signature, but not necessarily sworn to, that:

- some act has or has not been performed;
- some event occurred; or
- some legal formality has been complied with,

which is by law made evidence of the truth of the facts stated, for all or for certain purposes.

**4.3.1.5 Constructive Change.** This term is not formally defined in the FAR. The term "constructive change" is listed in the glossary of the FAR under the title "modifications". However, in the body of the cross-referenced section the term



itself never appears. The FAR makes no clear distinction between what a "constructive change" is in relation to a "contract change." The FAR just addresses what each party subject to the contract should do when a contract change seems inappropriate or unjust (meaning, not in writing or signed by the CO). The FAR provides minimal useful information. However, other referenced material was informative.

All of the sources agree that the term describes what results when a contract is changed by consequences of the parties' interpretations instead of that which was intended or actually agreed to by the parties. Specifically, *Black's Law Dictionary* and the NES identify that a constructive change has the same effect as a written change order (9:283-284) (19:31). *Government Contract Accounting* says "that it has the effect of requiring the contractor to perform additional work" (8:GL-5). Riemer mentions "that it arises from actions, or failure to act by the government . . . ." (35:624). *Black's Law Dictionary* continues to point out that a constructive change is viewed as a legal change by operation of law as to avoid an injustice (9:284). All of these sources identify a different but vital piece of information which constitutes a constructive change. Therefore, the definition combines this information into a single comprehensive definition.

The analysis concludes that this word labels a contract change that was manifested by interpreting conduct, or the lack of conduct, as permission to proceed, rather than abiding by the actual agreement between the parties. The most common label for this term is "constructive change" and synonymous in meaning is "change by implication" (2:10-8).

Based on the above comparative analysis the following literature-based definition was synthesized:

An alteration in a contract which:

- usually arises from the actions or inactions (e.g., defective specifications, nondisclosure of vital information, arbitrary increases in quantity) of authorized procuring employees;
- requires the contractor to perform additional work; and
- is of such a nature that it has the same effect as a written change order (operation of law).

Synonym: Change by implication

*4.3.1.6 Cure Notice.* This term is not formally defined in the FAR. However, the meaning of the word can be determined from the context in which it is used: a delinquency notice. Specifically, the FAR utilizes the term in reference to contract termination procedures. The FAR directs that a cure notice is issued to a contractor when the subject contract is going to be terminated for default before the contract delivery date. All remaining sources agree with the FAR in the following instances: 1) the notice has to be in writing; 2) the notice serves as legal notice that proposed termination action will take place unless the contract deficiencies stated within the letter are corrected; and 3) the notice is issued prior to contract termination (2:18-3) (6:15-8) (23:Subpart 49.402,49.607) (25:163,380) (35:536). Continuing, the referenced material identifies that the cure notice must specify the contractor's exact failures which are delaying the performance of the contract. The information listed above is vital in understanding the purpose of and when a cure notice is used; thus, was included in the definition.

Any other reference to this term was hard to find in other than source material that addressed government contracting termination procedures. Therefore, the definition contains regulatory information like that stated by the FAR and Arnavas. Specifically, they identify a cure notice should be issued any time termination is considered and there are at least 10 days until final contract delivery. It is probably safe to say that the only usage of this term is in government contracting when a

contractor is going to be terminated for default. No other labels and synonyms were identified for this term.

Based on the above comparative analysis the following literature-based definition was synthesized:

A written delinquency notice sent to a person or contractor when

- a contract is to be terminated for default, and
- there are at least 10 days until the final delivery date,

and which

- specifies in detail the recipient's failures that are endangering the performance and progress of the contract, and
- provides the person or contractor a time period, at least 10 days, to correct the deficiency.

*4.3.1.7 Dispute.* The FAR does not formally define this term. However, the meaning of the term "dispute" is somewhat understandable from the language in the Disputes Clause, Far 52.233-1. This clause refers to a dispute as a "claim" arising under or relating to the contract (23:Subpart 52.233-1). The FAR continues to use this term in relation to claims and appeals. As a result, it is inferred that an unsettled or unfavorable resolution of a claim can be appealed, which then makes the claim a dispute. This dispersed information, read in whole, is a good starting point in describing this word. The other sources provide some useful information as well.

Arnavas, Rishe, and the ASPM list specific instances when a dispute might occur. They conclude that a dispute can occur because a contractor disagrees with a disallowance, a more-or-less satisfactory resolution was not reached or, a claim arising under or relating to a contract was not mutually settled (6:17-2) (36:28-2) (16:10-4). These illustrations are useful but they are too lengthy and cumbersome to include in the definition. Fortunately, *Black's Law Dictionary* and Garner grouped

many of these examples into one category. This approach is favorable because it shortens the narrative while losing no meaningful information. It also identifies the term's classification title: A conflict. These reasons also identify the distinguishing characteristics of a dispute. Again, using the provided verbiage would make the description lengthy. Therefore, only the important identifiers are listed in the definition: claims, rights, or an assertion of a right. Most of the literature also emphasizes that this disagreement causes one of the parties to bring legal action against the other (6:17-2) (9:424) (23:Subpart 49.109-7) (16:10-4). This legal action distinguishes the difference between a regular disagreement and a dispute.

Clearly, the literature is not contradictory in how the term "dispute" is defined. The literature uses this term to describe a disagreement which is of such a degree that legal action is necessary in order to resolve the controversy. There were no other labels for this term. However, the terms "conflict" and "controversy" are synonyms (9:424) (25:193).

Based on the above comparative analysis the following literature-based definition was synthesized:

A conflict of claims or rights, or an assertion of a right, claim, or demand on one side which 1) is met by contrary claims or allegations on the other side and 2) cannot be resolved through informal discussions and negotiations.

Synonyms: Conflict, Controversy

*4.3.1.8 Novation Agreement.* The FAR formally defines the term "novation agreement" under FAR Part 42, Contract Administration. Specifically, the FAR classifies this term as a legal instrument which is executed by the contractor, the successor of interest, and the government. It transfers all obligations and related assets under a contract from the original contractor to the successor. The FAR continues to identify that the law prohibits transfer of *government* contracts except

when "the third party's interest in the contract arises out of the transfer of 1) all the contractor's assets or 2) the entire portion of the assets involved in performing the contract" (23:Subpart 42.1204). This regulatory data was added to the definition as supplementary information since it adds clarification but is not necessary to express the basic meaning of the term. On the other hand, the primary description does identify the parties involved and that a transfer of obligation takes place. This identification is warranted since, like the FAR, all the sources agree that a novation substitutes a new party and discharges the original party from some obligation by agreement of all the parties involved. *Black's Law Dictionary* and Garner emphasize that "obligations are transferred with the same terms as the original contract" (9:959) (25:22). This data is included in the description of the term in order to stress the fact that contract requirements do not change under of novation agreement.

In summary, this term is used to communicate one basic principle. A novation agreement is a transaction which results in transferring contract obligations from one party to another. The most common label for this term is "novation agreement" and the phrase "restatement of contracts" is synonymous in meaning.

Based on the above comparative analysis the following literature-based definition was synthesized:

A legal instrument executed by (a) a contractor (transferor), (b) the successor in interest (transferee), and (c) the party who issued the contract which, substitutes a new contract, debt, or obligation with the same terms as the existing one to the transferee and discharges the transferor. A mutual agreement between all parties involved which usually occurs when a third party (transferee) assumes all the contractor's (transferor) assets or the entire portion of the assets involved in performing a contract or obligation.

Synonym: Restatement of Contracts

**4.3.1.9 Privity of Contract.** This term is not formally defined in the FAR. Looking to other sources it is evident that "privity" is defined as a relation-

ship which exists between two parties. Privity is usually referenced in relation to contracting, or that relationship that exists between two contracting parties. In these instances the description is more appropriately labeled "privity of contract" (2:15-8) (6:GL-14) (9:1079) . The legal sources clearly state that the relationship between the parties involved must be legal. The other sources allude to this legality issue by identifying that the subject relationship is the result of entering into a contract of mutual interest. In either case, the developed definition mentions that the relationship is legal in nature.

Continuing, some of the literature defines this term in a negative sense, that is, by telling what it is *not*, rather than what it is. For example the following sources, *Government Contract Guidebook*, *Government Contract Law* and *Contract Management: Post Award*, state "there is no privity of contract between the government and subcontractors" (6:21-2) (2:15-8) (38:192). Obviously, this direct relationship in reference to enforcing contractual rights against a party is important. The literature also points out that to support a legal claim on behalf of or against another person this direct relationship must exist. Therefore, these two distinguishing features are included in the definition.

In conclusion this term is used to describe the interest of one party with another and how their relationship gives them certain legal rights. There are no other labels or synonyms for this term.

Based on the above comparative analysis the literature-based definition was synthesized:

A direct legal connection or relationship that exists between two contracting parties which allows one party to 1) enforce contractual rights against and 2) seek remedy directly from the other person with whom this relation exists.

4.3.1.10 *Show Cause Notice*. This term is not formally defined in the FAR. However, the meaning of the word can be extracted from the context in which it is used: a delinquency notice. Specifically, the FAR utilizes this term in reference to contract termination procedures. The FAR directs that a show cause notice should be used when the contractor has less than 10 days until required delivery and there is a possibility of contract termination. However, Riemer's definition points out that a show cause can be issued any time prior to issuance of a default notice (35:535). Therefore, the less than 10 day requirement is specific in nature and will not be included in the definition. But, the other referenced material does agree with the FAR in the following instances: 1) the notice has to be in writing; 2) the notice is issued prior to contract termination or any proposed final action; and 3) the contractor being terminated should have the chance to explain why the proposed action should not take place. These commonalities distinguish this notice from other delinquency notices and therefore are included in the definition.

Any reference to the term was hard to find in other than source material that addressed government contracting termination procedures. In fact, the literature that is tailored to government contracting specifically defines this word in reference to contract termination procedures (6:15-8) (35:535). This detail is made clear in the synthesized definition. In contrast, the general legal definition of the term is not so specific and is labeled as a "show cause order" (9:1237). A show cause order is used in other instances than when terminating a contract. Therefore, this term is not considered a synonym.

Clearly, the most common usage of the term is used in government contracting when there is the possibility of terminating a government contract. There are no alternative usages of this specific term. Closely related terms are labeled differently and have broader meanings.

Based on the above comparative analysis the literature-based definition was synthesized:

A written delinquency notice sent to a person or contractor when there is the possibility of terminating a contract for default and which gives the person or contractor the opportunity to present in writing any facts bearing on why such action should not be taken.

*4.3.2 Budgetary and Funding Terms.* Six of the terms fall into this classification. Payment of a contract is primarily a postaward function. Therefore, these terms were selected because they describe the steps of the Federal budget process and track how funds are received for contract obligation. Some of the terms are used to describe other activities, as will be discussed later. But, these terms as used in the budget process all have the same general meaning. They all relate to setting aside a sum of money for a specific purpose. However, the terms differ by identifying at what level the approval process is at. For example, the authorization to spend money on a specific DOD activity starts with Congress and flows down through each of the following levels: 1) DOD; 2) service headquarters; 3) major commands; 4) bases; and 5) program offices. Therefore, each term specifically identifies what takes place at each budgetary level. Appropriately, the literature differentiates between these terms.

Some of these terms are mentioned in FAR Subpart 32.7, Contract Funding. However, in this section the terms are used as if the reader already knows the meaning of the words. As a result, the specific meaning of the words cannot be determined by the context in which they are used. However, all of the referenced sources agree that the terms are used to describe various parts of the budget process. Remember, in order to develop an Aristotelian definition enough differentiation must be made to separate each term from others in the same class. Therefore, legalistic information and specific budgetary language is needed to establish the difference between these terms. As a result, literature tailored specifically toward the Federal budget



process such as; *A Glossary of Terms Used in the Federal Budget Process* (hereafter referred to as DOD's glossary of terms), *The Federal Budget and Financial System: A Management Perspective*, and *The Guide to the Federal Budget*, were heavily relied upon. However, to help the reader clearly understand the definition parenthetical examples are provided. For example, when the literature uses budgetary words to define the entry budget term a word substitute or further explanation is provided and the replaced term is put in parentheses.

These terms are presented in order of their use in the budget process. Their additional usages are also discussed in order to provide a comprehensive evaluation of these terms.

*4.3.2.1 Appropriation.* In reference to the budget process, the sources define this term as the following: 1) an act of Congress; 2) legally assigning sums of money; 3) allowing agencies to incur obligations; and 4) permitting the Treasury to make payments (1:42) (7:62) (9:93) (13:177) (33:193). These agreed upon distinguishing factors are utilized in developing the definition. But, in the spirit of brevity, the thirteen appropriation categories, outlined by DOD's glossary of terms were excluded. Listing these categories provides no further understanding of the meaning of the word, but just identifies the areas where money is spent. However, Collender's statement that an appropriation "usually follows the passage of an authorization" is useful descriptive information (13:177). It clearly identifies this term's position in the budget process. NIGP's definition also adds understanding and useful information. It recognizes that the money which is set aside for programs are public funds (21:2). This is significantly different compared to nongovernmental agencies which are supported by private investments (stocks). Therefore, this distinction is stated in the synthesized definition.

Summarizing, this term labels what takes place after Congress has authorized a program to begin or continue. It provides the budget authority which allows agencies

to purchase requirements and the Treasury to make payments. The most common label for this term is "appropriation" and no synonyms were identified.

Based on the above comparative analysis the following literature-based definition was synthesized:

An act of Congress which permits Federal agencies to expend designated amounts of public funds (incur obligations) and to make payments out of the Treasury for specified purposes. An appropriation is the most common means of providing budget authority and usually follows the passage of an authorization.

*4.3.2.2 Apportionment.* Funds are apportioned once Congress has authorized appropriations. The literature refers to this action as making amounts of funds available to be spent by various functions. The budgetary sources, as well as the NES and DOD's glossary of terms, formally state that it is the Office of Management and Budget (OMB) who is responsible for distributing the funds. They also identify that these funds can be divided into budget activities, programs, projects, time periods, or a combination thereof (1:35) (13:177) (15:4) (33:188) (19:16). These distinguishing features are included in the synthesized definition. The Central/Systems Contracting course book offers the DOD perspective and identifies the receiving party of these funds as the services (Air Force, Army, and Navy) (45:6-10). However, there are many other executive agencies. Therefore, the developed definition just addresses the recipient of the funds as "executive agencies."

Basically, this term labels that action which is performed by the OMB. It signifies that point in the budget process when funds are assigned (divided-up) into appropriate amounts and time periods. However, this term has an additional usage. *Black's Law Dictionary* refers this term in relation to contract payments (9:91). When there are distinct parts of a contract performed in succession, payments are usually made in proportion to the work performed. Since, this definition is unique to contracting it will be included as a subdefinition.

Based on the above comparative analysis the following literature-based definition was synthesized:

**Funding:** An authorized administrative action, performed by the Office of Management and Budget (OMB), which divides a specified amount of public funds (appropriations) into budgeted activities, programs, projects, time periods (usually quarters), or combinations thereof and makes them available, at the start of each fiscal year, to the appropriate agencies for subsequent outlays (obligations).

**Contracts:** An allowance, payment, or consideration which, in case of a severable contract, partially performed, is in proportion to the degree the contract was carried out.

*4.3.2.3 Allocation.* The next step in the budget process continues to distribute funds. The authorization to spend money is now at the agency level (DOD). As all the sources state the act of allocation delegates this authorization down to the operation level (1:33) (15:3) (19:15) (33:186) (45:6-10). The NES and Central/Systems course book specifically identify the operation level as major commands. This detailed reference is helpful in following where the funds are distributed to. Therefore, this explanatory information is included in the definition. Again, the end result of the budget process is to obligate money. However, to add clarification and direct the reader to the next step in the budget process reference to "allotments" is made at the end of the definition. This approach was selected since some of the literature claims that the primary goals of this action is not to make obligations but allotments (15:3) (33:243).

Several other usages of this term need to be identified. Many of the sources define this term in relation to it's financial usage. They say this term describes the distribution of costs among cost objectives. Some of the literature adds more information and discusses when a cost is deemed "allocable" (16:B-1) (35:809). A cost cannot be allocated unless it is allocable. This is important to remember when pricing a proposal, but not necessary to include in the definition of "allocation."

We are not interested in when we can allocate but what allocation is. Explanatory information like listing what cost objectives are and identifying that both direct and indirect costs are involved help define what this term is. Therefore this type of information is included in the definition.

In addition, the NES provides an engineering definition which is useful to the contract specialist when reading a statement of work or specification. It refers to allocating total program requirements down to constituent systems (19:15). Banki also defines this term in relation to distributing administrative duties to the appropriate level of responsibility (7:39). In order to comprehensively define this term, these additional usages are included as subdefinitions together with the activity (discipline) to which they apply.

Most of the sources define this term in relation to the budget process. Therefore this definition will be stated first, followed by the other usages of the term. The most common label for this term is "allocation"; however, a generic synonym is the word "distribution."

Based on the above comparative analysis the following literature-based definition was synthesized:

**Funding:** An authorization by a Department of Defense component (e.g., HQ USAF) or appropriate agency which transfers a prescribed amount of money, not to exceed the congressional appropriation amount apportioned by the Office of Management & Budget (OMB), to the next subordinate operating agencies or major commands for the purpose of providing those subordinate units with the authority to obligate (make allotments).

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

**Engineering:** The act of apportioning a total program requirement (e.g., volume, weight, reliability, or maintainability) down to constituent systems and subsystems levels. Each constituent system, subsystem, etc.,

is assigned that portion of the requirement which is appropriate to its hardware level and state-of-the-art.

**Administration:** An administrative assignment or a distribution of resources, revenues, facilities, operations, activities or related areas of responsibility both within an organization or from one organization to another.

**Synonym:** Distribution

*4.3.2.4 Allotment.* Again, this term continues the passage of authority for agencies to spend money. The authorization now rests with the operating agencies (major commands) and is passed to the operating divisions (bases), or individuals (1:33) (15:3) (33:114,187) (45:6-10,6-11). This is what distinguishes this term from others in the same class. However, one further clarification was warranted. Banki comments that the authorization to spend money is usually for the purpose of carrying out the fiscal year's activities. This establishes the requirement that no more money than that authorized and apportioned can be incurred by the operating agencies.

In Brief, this term identifies that act of assigning appropriate amounts of funds to operating divisions for carrying out assigned programs. No other labels or synonyms were identified for this term.

Based on the above comparative analysis the following literature-based definition was synthesized:

An authorization by the head of an operating agency or major command (e.g., AFSC, AFLC) which assigns a prescribed amount of money, not to exceed the amount previously transferred to its account (allocated), to an operating division, base, or individual for the purpose of carrying out authorized fiscal year activities (making commitments and incurring obligations).

*4.3.2.5 Commitment.* The referenced sources suggest that this action does not transfer budgetary authority but reserves funds for specific purposes. DOD's

glossary of terms indicates the reservation of funds is based upon: 1) firm procurement directives; 2) orders; 3) requisitions; 4) certified purchase requests; and 5) budgetary authorizations (15:12). These descriptive examples help the reader understand what influences the demand for money. Therefore, they are included in the developed definition. One other piece of information was added to the description. The Central/Systems course book mentions that once funds are committed no further authorization is needed in order to incur obligations (45:6-11). This information is important because it certifies the availability of funds and allows the contract specialist to award contracts.

Two other usages of this term were identified. One usage relates to an action which leads to a contract. When the government advertises in the Commerce Business Daily or sends out Requests for Proposals they are *committing* themselves to executing a contract. In turn, when a contractor makes an offer he is *committing* himself to a contract. The other usage is related to funding but in the area of accounting. The NES identified that committing funds is the basis of accounting (19:28). Since the contract specialist needs to understand how the contractor's accounting systems works this definition proves useful. Both of these additional usages of the term are included as subdefinitions because they add understanding to the meaning of this term.

Clearly, this term has many usages. However, its primary usage is in reference to the Federal budget process. It is that action which places funds in the proper accounts (reserves them) in order to fulfill firm requirements. However, actions such as documenting accounts and carrying out contracting promises fall under the meaning of this term. Therefore, the synthesized definition covers all of these usages.

Based on the above comparative analysis the following literature-based definition was synthesized:

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

Contracting: Actions such as: 1) making an offer or submitting a proposal to a customer; or 2) accepting an offer from a customer, which leads to the execution of a contractual instrument or purchase order.

Accounting (Funds): The method of accounting for the available balance of an appropriation, fund, or contract authorization whereby funds designated for a specific program activity (costs) are recorded in the accounts as reductions of the available balance.

*4.3.2.6 Obligation.* This is the last step of the budget process. Most of the referenced sources identifying this term as that action resulting when liabilities are incurred and require future payment (1:68) (7:644) (13:183) (33:211,241-242) (45:6-10). To explain how liabilities form, the developed definition provides a list of examples which were gathered from the sources. For instance, the literature says that "orders placed, contracts awarded, services received, . . ." are all liabilities (obligations) which will require future payment (15:51) (33:241-242). This type of information helps differentiate this term from the other budgetary terms. In addition, the Central/Systems course book indicates once funds are obligated they can not be deobligated (removed from the contract) without mutual agreement between the contracting parties. This is useful information to a buyer when making changes to a contract and issuing contract modifications. Therefore, a separate statement referencing this issue is provided in the developed definition.

A general definition for the term obligation was also developed to cover all the usages of the term. The legal sources referred to an obligation as a moral duty which requires one to follow a certain course of action (9:968) (25:385). The funding literature defines it as when one is bound to make payment on a contract; while the general contract sources say that is what occurs when a promise or legal requirement is entered into. As discussed earlier, most of the literature defines this term in relation

to funding or the budget process. However, to combine all the usages, an integrated definition was developed.

Based on the above comparative analysis the following literature-based definition was synthesized:

An act which results when one is bound to the observance or performance of a duty, contract, promise or any other social, moral or legal requirement and, therefore, requires one to follow a certain course of action.

Funding: A liability resulting from an order, a contract award, a service received, and similar transactions for bona fide needs existing during a given period which require payment of money during the same or future period and that comply with applicable laws, regulations, and budgeting authorizations. Obligated funds cannot be released for another purpose without the contractor's concurrence and modification of existing contract.

*4.3.3 Pricing Terms.* Four of the terms fall into this category. These terms were grouped into this category because they usually appear in audits prepared and monitored by the ACO or CAO for pricing support. Therefore they are terms that relate to pricing. The first term, General and Administrative Expenses, is almost always addressed in audits. While the rest of the terms are not specifically addressed in every contract audit.

*4.3.3.1 General and Administrative (G&A) Expenses.* This term is not formally defined in the FAR. However, the FAR does mention and discuss this term under FAR Part 30, Cost Accounting Standards and FAR Part 31, Contract Cost Principles and Procedures. As a result, a crude meaning of the word can be determined from the context in which it is used. Basically, the FAR says that G&A expenses represent the cost of the management and administration of the business unit as a whole. Likewise, most referenced sources categorize G&A expenses as costs incurred or allocated to a business unit for the general management and administra-



tion of the unit as a whole (15:32) (19:71) (36:GL-12). Therefore, it is unanimous that these descriptive features be included in the definition.

Still, the literature differs to the degree of listing and specifically identifying what cost elements are considered G&A expenses. One source, Government Contract Accounting generalizes and says, "they are costs that add little or no value to the product" (8:5-28). Other sources say they are financial, management, administrative, legal, accounting and other general expenses related to the overall business (7:366) (15:32) (19:71) (36:GL-12). The ASPM actually lists most or all the possible expenses that fit into each of the categories mentioned above. In order to make the primary definition as short, but accurate as possible, the specific G&A expenses are listed in a separate paragraph. The synthesized definition just categorizes G&A costs as management, financial, or other expenses. This verbiage is sufficient when followed by examples for further clarification.

NES's definition provides some useful information. It identifies why these costs are assigned to a G&A account. It explains that when expenses can not be directly assigned to engineering, manufacturing, or material overheads they are lumped into a G&A overhead account (19:71). This explanation is included in the definition because it is useful and adds further clarification to the meaning of the term.

In summary, the term "G&A Expenses" evolved to group together and describe those legitimate costs that are incurred due to the expense of running a business on a day to day basis. To recoup these business costs contractors distribute the appropriate proportion of G&A expense to their contracts. The most common label for this construct is "G&A Expenses." Another term synonymous in meaning is "General Overhead Expenses/Account."

Based on the above comparative analysis the following synthesized definition was synthesized:

Any indirect management, financial, or other expense which:

- is not directly assignable to a program's overhead area for engineering, manufacturing, material, etc.; but,
- is routinely incurred by or allotted to a business unit; and
- is for the general management and administration of the business as a whole.

These expenses include: 1) company's general and executive office's labor, overtime, sick leave, holidays, and vacations; 2) the cost of staff services such as legal, accounting, auditing, and public relations; 3) the cost of supplies such as maintenance, public utilities, stationary, and postage; 4) financial costs such as insurance, travel, and training; and 5) other similar and general expenses related to the business unit as a whole.

Synonym: General Overhead Expense/Account

*4.3.3.2 Nonrecurring Costs.* The FAR formally defines this term under FAR Part 17, Multiyear Contracting. It states that nonrecurring cost means (as used in the subpart) "those costs which are generally incurred on a one time basis and include such cost as . . ." (23:Subpart 17.2). The term is also used in other sections of the FAR. For example, when the FAR addresses contract change order procedures the subject of nonrecurring costs is mentioned. The term in this instance is classified as "engineering cost of obsolete or reperformed work" (23:Subpart 43.203). Obviously, nonrecurring costs should not be limited to just one program phase. However, the rest of the literature does indicate that nonrecurring costs have an irregular or infrequent occurrence during the program period. Some sources go as far to say that nonrecurring costs usually occur only once in the life cycle of a program. This characteristic clearly distinguishes nonrecurring costs from other type costs. This information, therefore, was included in the definition.

The sources continue to differ. They differ in how many specific direct cost elements they choose to list in order to make their definition understandable. These examples, collectively, provide further insight into the use of this word. Therefore, they are utilized in forming the definition as supplementary information.

By comparison, no other source, other than the FAR, gives the impression that nonrecurring costs are more important when dealing with multiyear contracting than when analyzing a cost/price proposal, contract modification/change order, or preparing a economic analysis and program evaluation. The average buyer will probably never even deal with a multiyear contract. Therefore, it was decided to identify nonrecurring costs as initial capital or other unique costs, as did the NES and AF Reg 173-15 (Economic Analysis and Program Evaluation for Resource Management) (19:100) (14:8).

Even though the term is associated with a variety of subjects, the way in which the term is used throughout the literature is consistent. This term is used to describe those cost elements that are charged to a program, product, or service only once. While not the most common label, the term "Nonrepetitive Costs" is a synonym for this subject matter (15:50).

Based on the above comparative analysis the following literature-based definition was synthesized:

Initial capital or other unique costs which generally occur only once in the life cycle of a program, product, system, or service in order to initiate an activity or bring it back to operating condition. This general heading includes costs associated with equipment relocation, plant rearrangement, special tooling and test equipment, design and development drawings and data, system and subsystem test activities, configuration audits, production planning, prototypes, rework, and specialized work force training.

Synonym: Nonrepetitive Costs

**4.3.3.3 Offsets.** This term is not defined in the FAR. Turning to other sources it was found that this term has to do with balancing overstatements and understatements of cost (3:10-12) (4:912) (9:979) (36:4-40). It was also evident that the terms "offsets" and "setoffs" are used interchangeably (2:15-6) (9:1230) (25:499). Continuing the analysis, inconsistencies were found in how to determine

offsets. Most of the government sources limit the offset to an amount that is less than or equal to the original claim (cost). For example, the government legitimately claims that a contract owes consideration valued at \$100 (overstatement). However, in his defense the contractor claims that he forgot to include the price of delivery, \$110 (understatement) for the required item. In this situation the final offset amount is \$0 because the difference of \$10 is in excess of the original claim.

This type of situation is common in defective pricing cases. Court of Claims case *Cutler-Hammer, Inc. vs. The United States* found that "offsets should be allowed to the extent of overstatements only . . ." (3:10-12). This procedure was adopted in order to eliminate the possibility of a contractor "buying in." In contrast, *Black Law's Dictionary* states that offsets can exceed the original claim. In either case, the literature does clearly establish that an offset is something that balances or cancels something out.

As already mentioned the government uses this term in relation to defective pricing claims. The government also uses this term another way. For example, the government withholds money payable to a contractor under a contract, in order to satisfy contractor's debts which arise independently of that contract. This procedure is referred to as an "administrative offset" (2:20-6). In order to address these specific government usages separate examples are provided as subparts to the definition.

In conclusion, this term is used to label the amount of cost that result from balancing overstatements against understatements. Specifically, the government uses the term in relation to claims and counterclaims dealing with defective pricing issues and collecting debts. The label "offsets" is the most common labels while "setoffs" and "counterclaim" are considered synonyms.

Based on the above comparative analysis the literature-based definition was synthesized:

A cost balancing action which allows a claim filed by the plaintiff against the defendant to be cancelled or lessened by a counterclaim filed by the defendant.

Defective pricing: That amount which results when overstatements of cost that arise under a defective pricing case are reduced by allowable understatements (cost proposal errors that are favorable to the contractor) to the extent of the overstatement, thus eliminating the possibility of an increase in the contract price.

Administrative Offset: A procedure to collect a debt owed to the Government by withholding money payable to a contractor under a contract, in order to satisfy the contractor's debt which arose independently of that contract.

Synonyms: Counterclaim, Set-offs

4.3.3.4 *Recurring Costs*. The FAR formally defines this term under FAR Part 17, Multiyear Contracting. It states that recurring costs means (as used in that subpart) "production costs that vary with the quantity produced" (23:Subpart 17.1). This term is used in another section of the FAR as well. For example, when the FAR addresses contract change order procedures the subject of recurring costs is mentioned. In this section the costs are not just limited to production but are identified as "costs of recurring work" (23:Subpart 43.203). Obviously, recurring costs include not just costs that deal with production but include investment, maintenance, and delivery costs. Therefore, all of these costs are grouped together, as provided in AFR 175-13, into a category called "cost required to operate and maintain an operation" (14:8).

The one fact most of the sources do agree with is that recurring costs are repeated regularly during the program period (7:775) (15:65). In addition, like the FAR, some of the sources point out that these cost will vary with the quantity of product being produced (14:8) (19:124). This type of information is what distinguishes recurring costs from other cost types. Therefore, similar statements as those cited above are included in the description. The sources do have the differences though. They differ in how many specific direct cost elements they choose to list

in order to make their definition understandable. These examples, collectively, provide further insight into the use of this word. Therefore, they are utilized in the developing the definition as supplementary information.

Even though the term is associated with a variety of subjects, the way in which the term is used throughout the literature is consistent. The term is used to describe those cost elements that repeatedly charged during the life of a program, product, or service. These type of costs are most commonly referred to as "recurring costs". However, synonymous in meaning is the term "operating expenses" (7:775).

Based on the above comparative analysis the following literature-based definition was synthesized:

Annual costs that are required to operate and maintain an operation and which: 1) vary directly with the quantity being produced, and 2) occur repeatedly during the life cycle of a program, system, product, or service. This heading includes costs associated with labor, material, assembly, manufacturing, sustaining engineering and planning, sustaining tooling, and acceptance testing of production items.

Synonym: Operating Expenses

#### *4.4 Summary*

Developing definitions is an arduous and tedious task. It is difficult to find that balance between brevity and comprehensiveness. In addition, specialized dictionaries place high value on precision. As a result, the definitions are usually difficult and lengthy. Plus, using difficult words in the definition provides a more exact meaning than simpler words. But then the definition becomes useless to the layman. The researchers struggled with these problems in an effort to develop comprehensive and useful definitions. However, as mentioned by Landau, "the first draft of a definition is almost always too long - and should be " (29:137). Continuing, Landau stresses that citation files can be flawed and limited by the availability of certain written materials (29:164). Therefore, suggestions on how to condense the description and

ensure no critical information had been overlooked was gathered from experienced professionals in the contracting field. The next chapter presents the survey results and final proposed definitions.

## *V. Survey Results*

### *5.1 Overview*

This chapter presents the survey results and provides a discussion of the remarks provided by the respondents. Using the methodology described in Chapter III, the survey results are divided into two parts. First, the definition ratings are represented in the form of a bar chart. The bar chart provides a descriptive picture on the disparity of the terms' ratings. The rating scale ranged from 1, strongly disagree, to 5, strongly agree. A mean rating for each term was also calculated in order to adequately determine if the majority of the respondents agreed with the developed definition. Next, the provided comments were reviewed to determine those specific parts of the definitions which were unacceptable and if the recommended changes were warranted. The objective was to only include changes that enhanced each term's precise meaning. It is important to emphasize that each individual has his or her own view or favorite meaning of any particular term. The purpose of this study was to develop comprehensive and useful definitions by synthesizing the various meanings and usages from a variety of literature. Therefore, comments that: 1) dealt with an individual's preference for a particular definition (e.g., FAR, DCAA, GOA, Black's Law, etc.); 2) were unsupported by the literature; and 3) were opposed to the selected structure (Word + Class + Differences), were given less consideration in the reevaluation of each term. Primary emphasis was placed on improving the understanding and readability of the terms. Therefore, suggestions which narrowed down the "class" of the term or shortened the narrative by combining ideas or deleting unnecessary verbiage were highly considered (especially when several of the respondents provided the same recommendation). Reaching a consensus on the definition involved some judgement. All changes, however, were based upon the literature review of each term. The discussion of each term is limited to those areas which encompassed the majority of the respondents concerns.



## *5.2 Evaluation of Terms*

Out of 130 surveys distributed, 78 responses were returned, resulting in a 60% response rate. However, some of the surveys were not completed because the respondent either did not support the study, felt he/she was unqualified to make a valuable contribution, or had been retired from the field too long to contribute adequately. Plus, three surveys were not returned in time to be incorporated into the results. Therefore, only 70 (54%) of the responses were used in calculating the results. Of these 70 responses, not every individual rated and commented on all terms. As a result, the bar chart and average rating figured for each term are based on the number of responses for that term alone. These results are organized in a specific format.

First, in order to compare the changes resulting from the survey, each term is presented along with the definition as it appeared in the survey. Next, the term's rating results, verbally and in the form of a bar chart, are presented. Then, an examination of the relevant issues and the rational for revising the definition are discussed. Finally, the proposed definition is presented. Each term is discussed in the same order as outlined in Chapter IV.

Throughout these results, stating that the respondents agreed with the definition means they somewhat agreed or strongly agreed. While, stating that the respondents disagreed with the definition means they strongly disagreed, somewhat disagreed or were undecided. Plus, the words agree, adequate, acceptable, and satisfied are used interchangeably throughout this chapter.

### *5.2.1 General Contracting Terms.*

#### *5.2.1.1 Administrative Contracting Officer.*

Any person who, either by virtue of position or by appointment in accordance with prescribed regulations is authorized (responsible) to carry out assigned and delegated administrative functions and make determinations and findings, with respect to:

- implementing a contract;
- monitoring contractor performance on a contract;
- ensuring contractor compliance with the terms of a contract; and
- securing satisfactory completion of a contract.

Government: When the cognizant ACO is located at an installation other than the one making the contract, he/she is specifically responsible for those functions which are: 1) normally assigned to that office and; 2) formally delegated by the Contracting officer, as prescribed in FAR 42.302.

Synonym: Contract Administrative Officer

The mean rating for this term was 4.19, indicating the majority of the people somewhat agreed with the literature-based definition. Six individuals disagreed with the description because of the following inadequacies: 1) referencing that an ACO has a warrant is necessary; 2) listing of functions by categories is confusing; and 3) referencing just the FAR is limiting. People who agreed with the definition also made the same comments. Plus, they recommended that the word "implementing" be replaced with "administrating" to reemphasize that the primary function of an ACO is to administer the contract. Many respondents also disagreed with the statement that a person can be an ACO "by virtue of position."

Since the majority of the respondents were in favor of the definition, its basic meaning was not changed. However, in light of the comments there were minor alterations. The requirement that an ACO administers the contract was made clearer by replacing the duty of "implementing" a contract with "administering" a contract.

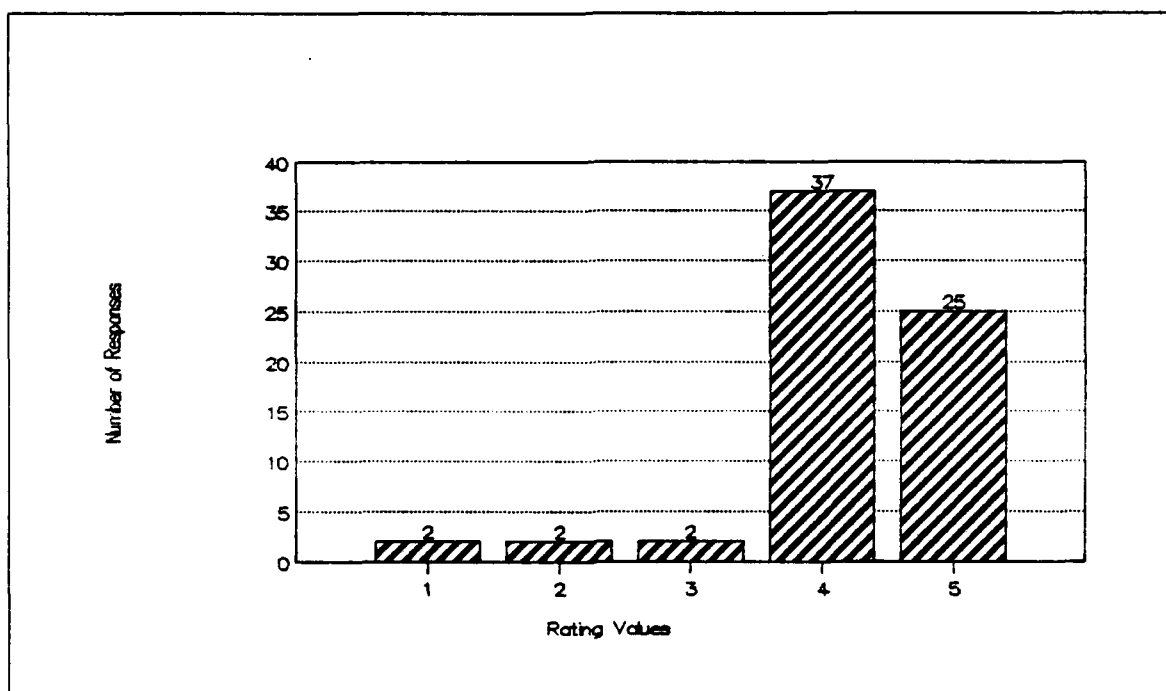


Figure 5.1. Administrative Contracting Officer Survey Results

The fact that an ACO has a warrant is mentioned in a parenthetical phrase. In addition, some specific duties are mentioned which supplement the categories already listed. However, the duties of an ACO remain categorized. As already mentioned, to include all the ACO's duties in the definition makes the description overly lengthy and cumbersome. Clearly, categorizing the ACO's functions is effective and efficient, but identifying some of the ACO's more important duties is useful. Finally, the regulation requirements are expanded to include a variety of agency guidelines, not just the FAR. All these changes help clarify the term's meaning.

Comments concerning the synonyms referenced in the survey were all negative. There were several suggestions but no consensus was reached. Therefore, it was determined just to list other related contracting officer types, like Procuring or Principle Contracting Officer (PCO) and Terminating Contracting Officer (TCO). With these changes, the final proposed definition is as follows:

### *Administrative Contracting Officer (ACO)*

Any person appointed in accordance with prescribed regulations who is authorized and responsible (has a warrant) to carry out assigned and delegated administrative functions, with respect to:

- administrating a contract;
- monitoring contractor performance on a contract;
- ensuring contractor compliance with the terms and conditions of a contract; and
- securing satisfactory completion of a contract.

Some of the ACO's specific duties include, but are not limited to: participating in preaward reviews, determining whether the contractor's costs are in compliance with Cost Accounting Standards, preparing findings of fact under the Disputes Clause, and issuing progress payments.

Government: When the cognizant ACO is located at an installation other than the one making the contract, he/she is specifically responsible for those functions which are: 1) normally performed at that office; and 2) formally delegated by the Contracting officer, as prescribed in agency regulations (e.g., FAR, DFARS, and OFPP). Otherwise, the CO performs the administrative duties.

Other Related Terms: Contracting Officer (CO), Procuring/Principal Contracting Officer (PCO), Terminating Contracting Officer (TCO), Corporate Administrative Contracting Officer (CACO)

### *5.2.1.2 Audit.*

The systematic examination, analysis, and appraisal of an organization's records and documents, and the securing of other evidence (i.e., through testing, physical inspection, confirmation or otherwise) to determine one of more of the following:

- propriety or legality of transactions;
- adequacy and effectiveness of budgeting, accounting, financial and related policies and procedures;
- compliance with applicable statutes, regulations, policies, and prescribed procedures;

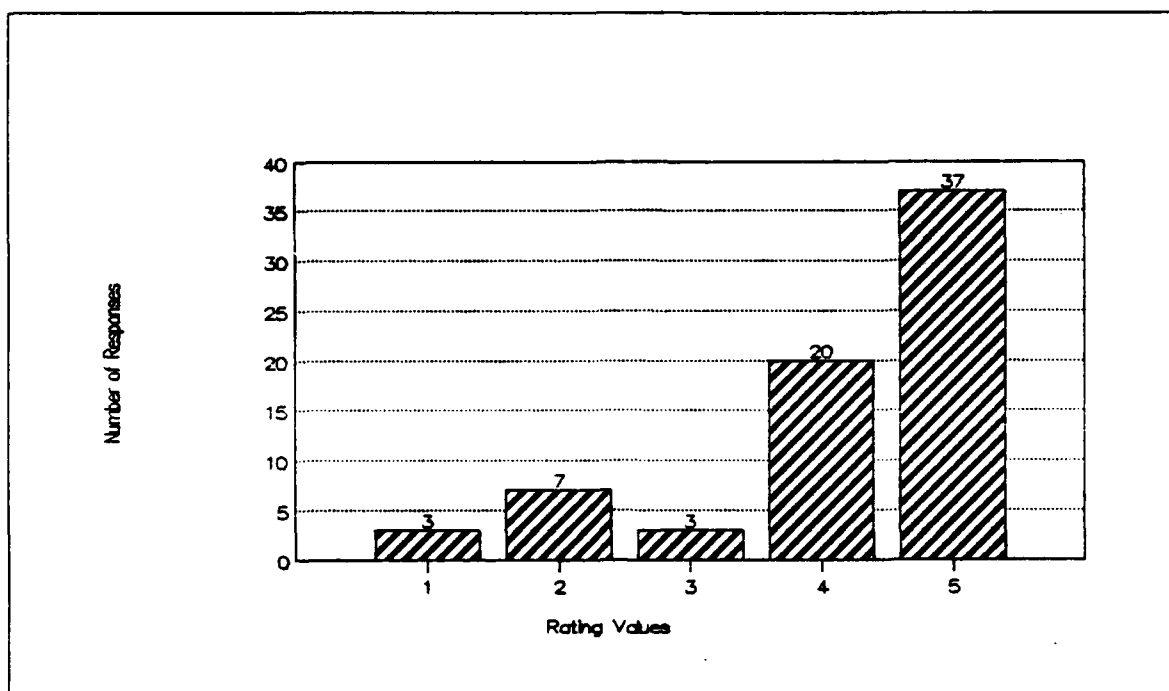


Figure 5.2. Audit Survey Results

- reliability, accuracy and completeness of financial and administrative records and reports and the fairness of the facts they present; and
- the extent to which funds and other resources are properly protected and effectively used.

On a scale of 1 to 5, the mean for this term measured 4.16. Twelve people out of 70 apparently had some minor disagreements with the definition as written. The majority of their concerns dealt with the broad nature of this definition. Some of the respondents wanted to see evidence denoting the differences between proposal audits, contract audits, price audits, etc. Each of these specific types of audits can be considered a subset to this definition. The survey definition, as previously discussed, reflects a generic meaning of the term within the general contexts in which it is used. Therefore, in this respect the description remains unchanged.

The final definition narrative was changed; however, to incorporate the recommendation of an unsatisfied respondent. One respondent pointed out that an audit

presents findings and makes recommendations but does not have the authority to make legal determinations. However, the literature clearly states that an audit has "determination purposes, especially in the legality of transactions" (6:GL-2) (16:B-1) (36:GL-3) (15:5). But, these sources also say that an audit makes recommendations concerning various issues. Therefore, the definition is modified to say, "determine and make recommendations . . . ." Other changes made were for the purposes of improving the readability of the definition.

The survey did not include a synonym for this term. The responses listed several suggestions. The most repeated ones were "review" and "examination." Since these terms are common and not unique to contracting, they do not help the user understand more about audits. With the changes described above, the final definition is given as follows:

#### *Audit*

The systematic examination, analysis, and evaluation of an organization's records, documents and operations, and the securing of other evidence (i.e., through testing, physical inspection, confirmation or otherwise) to determine and make recommendations regarding to one of more of the following:

- propriety or legality of transactions;
- adequacy and effectiveness of budgeting, accounting, financial and related policies and procedures;
- compliance with applicable statutes, regulations, policies, specifications, and prescribed procedures;
- reliability, accuracy, traceability, and completeness of financial and administrative records and reports and the fairness of the facts they present; and
- the extent to which funds and other resources are properly protected and effectively used.

### 5.2.1.3 Board of Contract Appeals.

A designated administrative tribunal within an executive agency (e.g., Department of Defense, Department of Agriculture, Department of Interior) which is authorized to hear, examine, and act on formal written requests asking for a change of a contracting officer's decision concerning a dispute relating to a contract entered into by that agency. Some of the formal titles of the boards are as follows:

- Armed Services Board of Contract Appeals (ASBCA)
- General Services Administration Board of Contract Appeals (GSBCA)
- Department of Interior Board of Contract Appeals (IBCA)

This term had one of the highest means, 4.33. However, there were two primary reasons why some of the individuals rated the literature-based definition as inadequate. First, they felt the definition was too restrictive. For instance, the GSBCA can hear bid protest awards; meaning, disagreements can occur *before* the parties have entered into a contract. Therefore, the definition was corrected to encompass all disputes relating to a contract "made", instead of "entered into", by the agency. Second, some respondents wanted the word "appeal" in the description. They felt this word spelled out the boards exact function. When drafting a definition, however, the description should not include the word which is being defined. But, since one objective of this study is to make understandable definitions, the word "appeal" was added in parenthetical form after the phrase which described that process.

In addition to the two discrepancies discussed previously, two minor changes were made. First, there was a split decision on the subject of listing or not listing the boards titles. One individual commented that identifying the agencies in the description and also listing the board's titles was redundant. As a result, the parenthetical example was eliminated and all agencies' boards (instead of just a few) were listed. The second recommended change was concerned with emphasizing that these

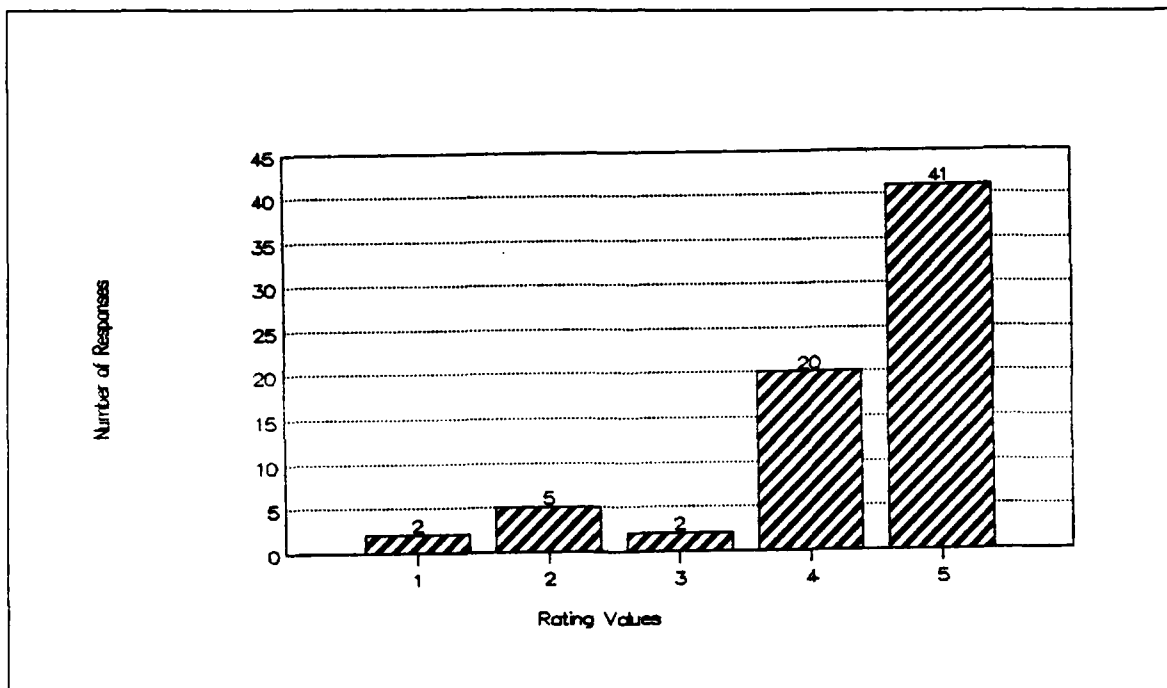


Figure 5.3. Board of Contract Appeals Survey Results

boards here appeals dealing with contract disputes. To accomplish this the formal title of the Disputes Act was substituted in for the word "dispute".

A few respondents offered some suggestions for synonyms. The research disagrees that an "Administrative Law Board" is a synonym. A law board usually deals with judicial issues (questions of law). These boards deal with non-judicial issues (questions of fact). Therefore, it was decided to use another recommended synonym. "Agency Board". The final d proposed efnition is as follows:

#### *Board of Contract Appeals*

A designated administrative tribunal within an executive agency which is authorized to hear, examine, and decide on written requests asking for a change (an appeal) of a Contracting Officer's decision, pursuant to the Contract Disputes Act of 1978, and relates to a contract made by that agency. The formal titles of the boards are as follows:

- Armed Services Board of Contract Appeals (ASBCA)
- Corps of Engineers Board of Contract Appeals (ENG BCA)



- Department of Agriculture Board of Contract Appeals (AGBCA)
- Department of Housing and Urban Development Board of Contract Appeals (HUD BCA)
- Department of Interior Board of Contract Appeals (IBCA)
- Department of Labor Board of Contract Appeals (LBCA)
- Department of Transportation Board of Contract Appeals (DOT BCA)
- Department of Energy Board of Contract Appeals (EBCA)
- General Services Administrative Board of Contract Appeals (GS-BCA)
- National Aeronautics and Space Administration Board of Contract Appeals (NASA BCA)
- Postal Services Board of Contract Appeals (PSBCA)
- Veterans Administration Board of Contract Appeals (VABCA)

Synonyms: Agency Board

#### *5.2.1.4 Certification.*

The formal act of acknowledging in writing and guaranteeing by signature, but not necessarily sworn to, that:

- some act has or has not been performed;
- some event occurred; or
- some legal formality has been complied with,

which is by law made evidence of the truth of the facts stated, for all or for certain purposes.

Even though this term had a high rating (mean of 4.13) the comments provided by those dissatisfied with the definition were worthy of consideration. There were three major complaints, which were consistent among all the respondents. First, they felt the descriptive word "guaranteeing" was incorrectly used in this sentence. Apparently, the usage of this word means "assurance of quality." Therefore, a few

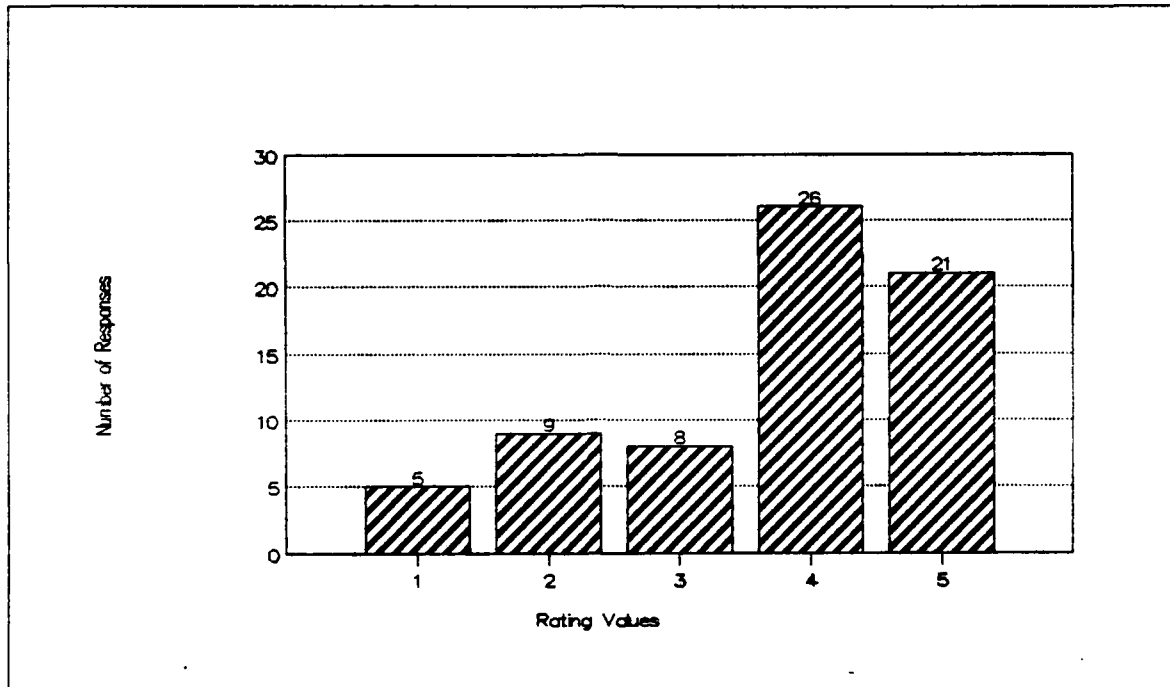


Figure 5.4. Certification Survey Results

respondents suggested replacing “guaranteeing” with “certifying.” The term “certifying” correctly portrays the intended meaning of “attesting as to being true.” However, using a form of the entry word in the description is unfavorable. Therefore, another suggested substitute, “affirming”, was used.

The second suggested change was incorporated in order to make the list of certificate actions logically consistent and complete. The words “has or has not,” or equivalent language, was added to all the listed situations. This distinction was identified in the first reference but was not carried through all the listed situations. Obviously, a certification can cover events which have or have not occurred. This oversight is minor but will be changed to instill consistency. To make the list complete, a fourth item was added. The list of situations excluded the subject of conditions which exists and do not exist in relation to the subject matter.

The final change was due to a misinterpretation of the literature. One respondent identified that the requirements stated in the last two lines of the defini-

tion pertain to public officials only. Other respondents were uncomfortable with the statement or thought they made the definition confusing. In light of these comments, the literature was reviewed. It was determined that "not swearing to a certification" and using them "by law as evidence of the truth" were in reference to a certification made by a public officer. As a result, these specific requirements were dropped from the definition. However, other detailing information was added in its place.

It is still important to stress that a certification is evidence of the truth. As pointed out by the respondents, this can be accomplished by stating that the drafter of the certification does so "to the best of his knowledge and belief." To further stress this point, the False Statements Act is addressed in a separate sentence after the primary definition. Adding this information emphasizes the government's view point and reminds the contract specialist the importance of certifications.

Several respondents listed synonyms for this term. The most suggested were "attestation" and "assertion". The word assertion is not appropriate because such statements bear no support or proof of truth. Attestation is the better synonym of the two, but is not frequently used in the contracting literature. Therefore, no synonyms are listed for this term. Incorporating the three modifications discussed above the proposed definition is as follows:

#### *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.

Certifications, provided to the government, subject the signer to criminal/civil sanctions of the False Statements Act.

#### 5.2.1.5 *Constructive Change.*

An alteration in a contract which:

- usually arises from the actions or inactions (e.g., defective specifications, nondisclosure of vital information, arbitrary increases in quantity) of authorized procuring employees;
- requires the contractor to perform additional work; and
- is of such a nature that it has the same effect as a written change order (operation of law).

Synonym: Change by implication

This term had the lowest recorded mean at 3.63. Oddly enough, the negative comments from those who disagreed with the definition mirrored the positive comments from those who agreed. Combining all the comments, there were four suggested improvements. First, it was suggested that the classification of the term be changed from "an alteration in a contract" to "an implied change to a contract." In order to avoid using part of the entry word in the classification description, the original classification will remain unchanged. However, it will be properly reworded as follows: "an alteration *to* a contract."

The second recommendation was to identify that a constructive change can arise from actions or inactions of any government employee not just "authorized procuring employees." This was the largest concern of those who disagreed with the survey definition. The researcher agrees, as does the literature, that such contract alterations can result from conduct by the government and/or its authorized employees (6:GL-6) (8:GL-5). Therefore, the description was changed to include all government employees.

The third major concern was the limiting accusation that a contractual change usually requires the contractor to perform additional work. The respondents repeatedly reminded the researcher that not only additional work, but less or different

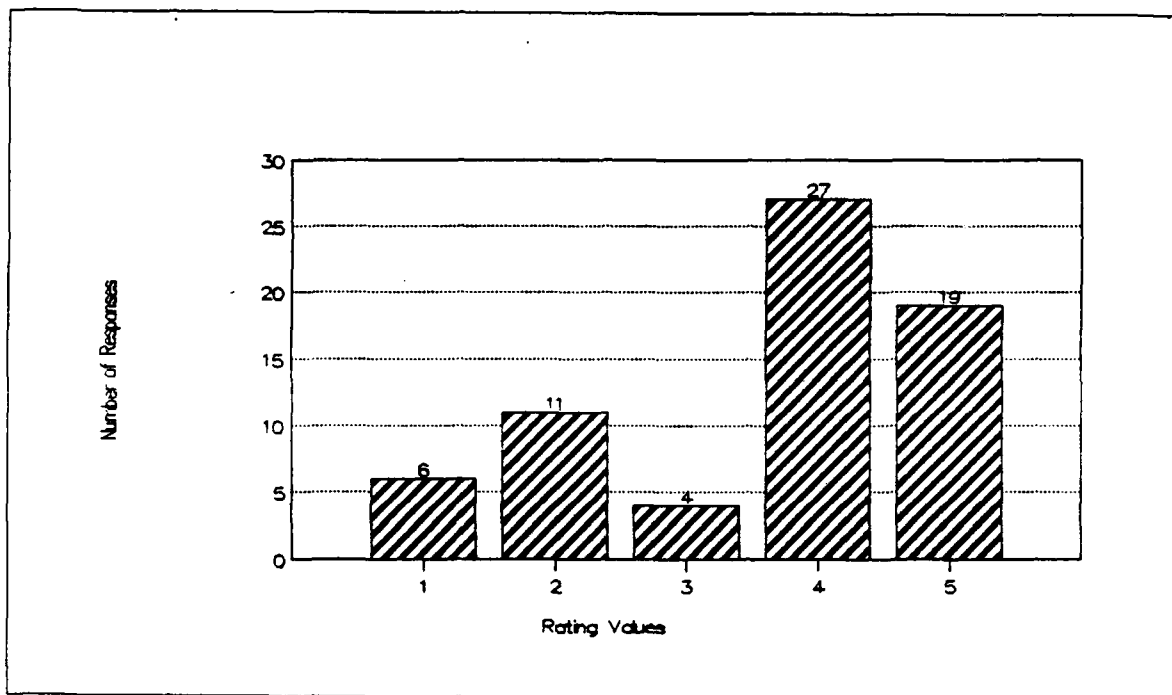


Figure 5.5. Constructive Change Survey Results

work qualifies as a change. Lastly, they felt that a change in work can change the performance and delivery schedules which (more than likely) require equitable adjustments. The literature agrees with the respondents findings. Clearly, all the comments provided greatly enhanced the meaning of this term.

Very few comments were received which concerned the appropriateness of the synonym: Change by implication. One individual suggested adding " Unauthorized change" to the synonym list. This phrase is descriptive and is used liberally within the contracting community. Therefore, two synonyms will be listed for this term. The definition modified appropriately is shown below:

#### *Constructive Change*

An alteration to a contract which:

- usually arises from Government actions or inactions (e.g., defective specifications, nondisclosure of vital information, increases in quantity);

- requires the contractor to perform additional, less, or different work, which usually changes the scheduled performance or delivery; and
- is of such nature that it has the same effect as a written change order (operation of law) for which an equitable adjustment is sought.

Synonyms: Change by Implication, Unauthorized Change

#### 5.2.1.6 *Cure Notice.*

A written delinquency notice sent to a person or contractor when

- a contract is to be terminated for default, and
- there are at least 10 days until the final delivery date,

and which

- specifies in detail the recipient's failures that are endangering the performance and progress of the contract, and
- provides the person or contractor a time period, at least 10 days, to correct the deficiency.

Eighty percent (mean 4.0) of the survey participants agreed with the definition as written. The 20% who disagreed commented about those statements which instructed when a cure notice is to be sent to a contractor. The first statement says the notice is sent when a contractor *is to be* terminated for default. The apparent problem is this statement makes the termination inevitable. In reality, this notice is issued in hopes that the contractor will cure the problems so termination is not necessary. The intended objective was to emphasize that a decision to terminate has to be made before issuing the notice. If the contractor fails to respond to the notice, the contract must be terminated. However, such legal and ethical issues require detailed attention which goes beyond the scope of this definition. Therefore, the first statement is revised to indicate that a notice is sent when *there is a possibility* of termination for default.

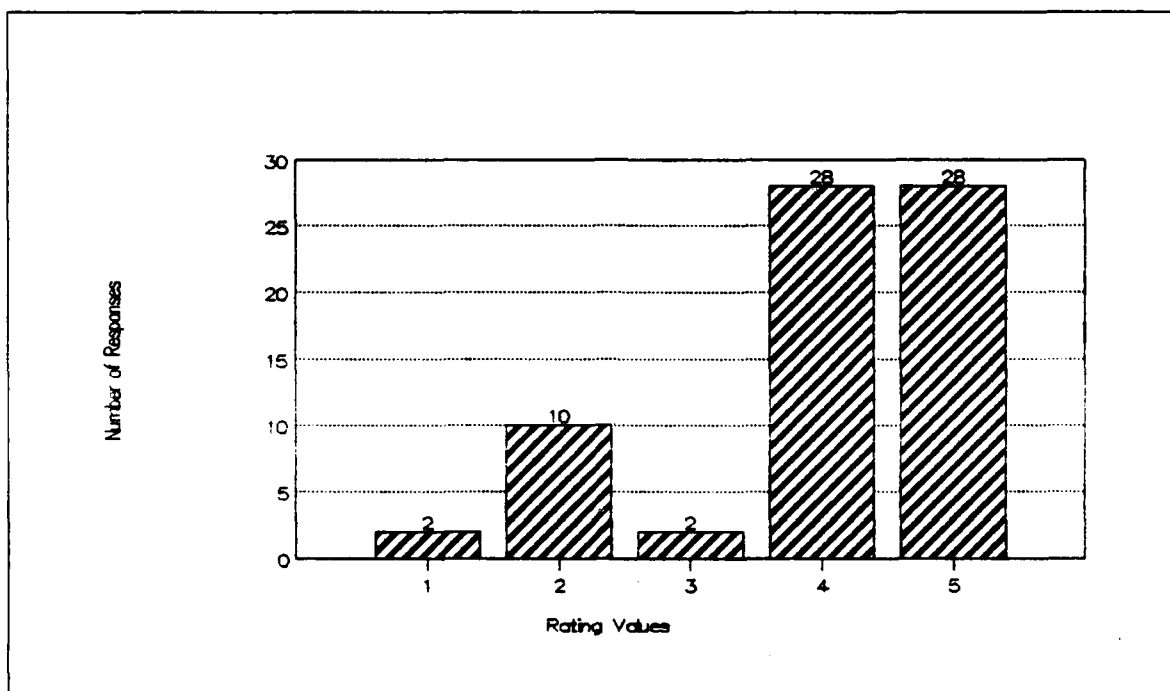


Figure 5.6. Cure Notice Survey Results

Changes will be made to the second statement but it will not be deleted as suggested. The time requirement provided in this statement distinguishes this notice from all other termination notices. The FAR specifically instructs that "if the time remaining in the contract delivery schedule is not sufficient to permit a realistic 'cure' period of 10 days or more, the 'cure notice' should not be issued " (23:Subpart 49.607). As a result, the meaning of the sentence will be modified to be more consistent with the language provided in the FAR.

Finally, one person commented that this notice is required by the Default Clause if a contract is to be terminated for default. This requirement should not be overlooked. Anything that is mandatory needs to be emphasized. Therefore, considering the seriousness of this notice, the definition was expanded to include this fact. Other minor modifications made were to improve the readability of the definition.

Some of the suggested synonyms for this term were as follows: demand for assurances, get well notice, correction of a delinquency or potential delinquency, show cause notice, and ten day letter. These suggested synonyms, except for get well notice, show cause notice, and ten day letter, are just short crude statements which describe a cure notice. The terminology "Get Well Notice" is slang but a legitimate synonym. The synonym "Ten Day Letter" is vague and not supported by the literature. A "Show Cause Notice" is specific in meaning but related to this term. It is probably more appropriate to say, "see also: Show Cause Notice." Therefore, for purposes of simplicity "Show Cause Notice" and "Get Well Notice" will be listed as other related terms. The new proposed definition is as follows:

#### *Cure Notice*

A written delinquency notice, required by the Default Clause, to be sent to a contractor when

- there is the possibility of terminating for default, and
- there are at least 10 days remaining in the contract delivery schedule,

and which

- specifies in detail the contractors failures that are endangering the performance and/or progress of the contract, and
- provides the contractor a time period of at least 10 days, to correct the deficiencies.

Other Related Terms: Show Cause Notice, Get Well Notice

#### *5.2.1.7 Dispute.*

A conflict of claims or rights, or an assertion of a right, claim, or demand on one side which 1) is met by contrary claims or allegations on the other side and 2) cannot be resolved through informal discussions and negotiations.

Synonyms: Conflict, Controversy



The relative positive response on this term ( mean 4.10) is misleading. Analysis of the suggested changes to this definition revealed a conflict between the general meaning of this term and the more specific usage in the government. For instance, one of the differences between government contracts and private contracts is the Dispute Clause. This clause implements the statutory dispute resolution mechanism created by the Contract Disputes Act of 1978. In the field of private contracts there is no such provision. Disputes arise under all types of contracts, government and private contracts alike; however, they are not resolved in the same manner. Therefore, discussing the options for settlement contributes clarification to the basic meaning of this term. As a result, the label was changed to "Contract Dispute" and the description clearly identifies that a dispute is contractual in nature and must be legally resolved. The survey definition just alluded to the fact that a neutral third party would have to resolve the subject disagreement. In contract disputes it is this legal action which distinguishes it from a regular disagreement. To help government employees, the appropriate legal forums are identified in parentheses.

Some suggestions offered ideas which helped reduce the repetitive verbiage in the description. Instead of referring to the parties involved as "one side and the other sides" they are now called "contracting parties."

The incorporated changes might seem drastic; however, the new definition says the same thing just in a better way. The modified definition is easier to understand. As a result, it is easier to comprehend the peculiarities of contracting disputes.

A few respondents felt that a dispute was beyond a controversy or conflict. One respondent eloquently identified that a dispute is a contractually defined term and no synonyms are technically correct. In light of that insight, the synonyms were removed from the description. Following is the new and improved proposed definition:

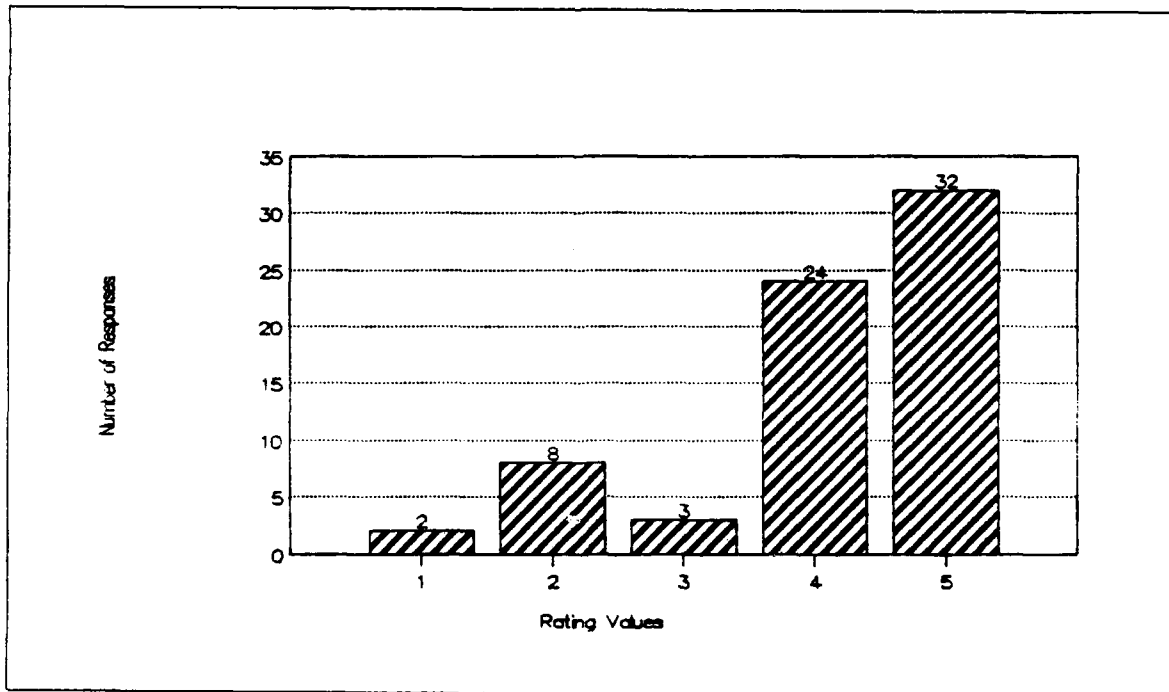


Figure 5.7. Dispute Survey Results

### *Contract Dispute*

A conflict of claims and/or contractual disagreements concerning the legal rights and obligations of contracting parties, which if not resolved through discussions and negotiations, must be referred to a neutral forum for resolution (e.g., appropriate Board of Contract Appeals or U.S. Claims Court).

#### *5.2.1.8 Novation Agreement.*

A legal instrument executed by (a) a contractor (transferor), (b) the successor in interest (transferee), and (c) the party who issued the contract which, substitutes a new contract, debt, or obligation with the same terms as the existing one to the transferee and discharges the transferor. A mutual agreement between all parties involved which usually occurs when a third party (transferee) assumes all the contractor's (transferor) assets or the entire portion of the assets involved in performing a contract or obligation.

Synonym: Restatement of Contracts

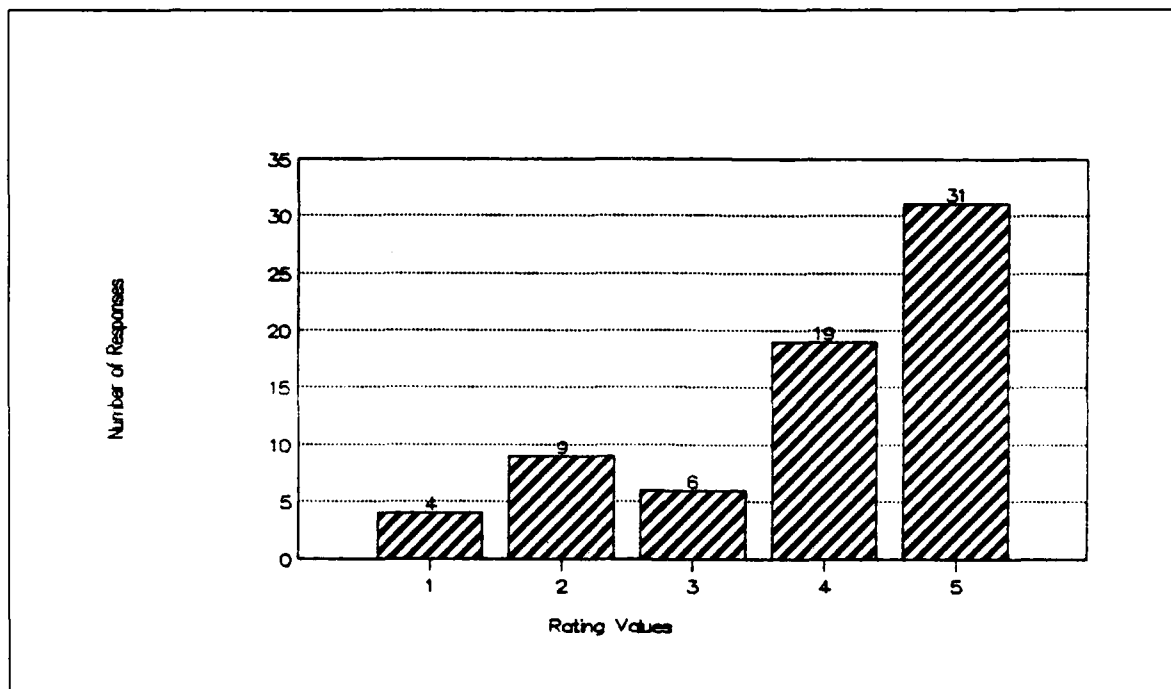


Figure 5.8. Novation Agreement Survey Results

The 19 negative ratings given on this definition reduced the mean rating to 3.93. These individuals disagreed with the definition for the following reasons: 1) the description was too long, which made it hard to follow; 2) a new contract is not substituted and the transferor is not discharged; 3) the description does not address the change in name aspect; and 4) the requirement of transferring assets is not correct.

Those who positively responded to this definition also suggested that the description be shortened. Therefore, the definition no longer identifies the parties involved in the agreement in an a), b), c) format. The parenthetical information was also eliminated since the respondents felt it was hampering and not helping the clarity of the definition. As for the substitution of a new contract and discharging the transferor, the respondents were partially correct. The researcher was under the assumption that a "restatement of contracts" was the same thing as a novation agreement. After reviewing the comments and doing some further research, it was

realized that a restatement of contracts is a categorization of common law principles by private organizations. Therefore, the following requirements: 1) that the same terms be in the transferred contract; and 2) the transferor be discharged, are not applicable to novation agreements. The terminology that a new contract is substituted for the old one is not wrong, but it is unfamiliar to most people. Therefore, the definition will just generally state that the successor assumes all obligations under the transferred contract.

Many people have the idea that a novation agreement deals with legally recognizing a change in a contractor's name. "A change of name agreement" and a "novation agreement" are entirely two different and separate concepts. A change of name agreement does not change the original contractual rights or obligation of the parties whereby a novation agreement does. This is exactly why explanatory information was added to the definition. The information provided in the second sentence of the definition explicitly states when the government can recognize a third party as the successor to a government contract. This recognition deals with transferring the contractor's assets. Therefore, this distinguishing information will not be removed from the definition as incorrectly recommended by the respondents. However, a clarification will be made that this explanatory description is specific to government contracts.

For reasons already discussed the synonym "Restatement of Contracts" was deleted from the definition. There were several suggested synonyms but no consensus was reached. Therefore, no synonyms will accompany this term. The following description is the final proposed 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 interest arises out of the transfer of 1) all the contractor's assets, or 2) the entire portion of the assets involved in performing a contract.

#### 5.2.1.9 *Privity of Contract.*

A direct legal connection or relationship that exists between two contracting parties which allows one party to 1) enforce contractual rights against and 2) seek remedy directly from the other person with whom this relation exists.

This term had a strong mean at 4.39. The only major concern was that the definition limited the relationship between two parties. Obviously, more parties can be involved as long as they are *directly* associated with the contract. To accommodate for this concern, all references which limited the relationship to "two" parties were removed from the definition. A few other minor and helpful suggestions were also incorporated into the definition. Identifying that the subject relationship is contractual was clarified after the word legal. In addition, it was made clear that the relationship is a two way street by addressing that "either" party can enforce the contracts and seek remedies.

A few respondents wanted to cut the definition short. They felt that the distinguishing information (enforcing contractual rights and seeking remedies) provided in the definition was unnecessary. The researcher disagreed as did the majority of the respondents. This information explains to the reader why privity of contract is important. It informs the parties of their legal rights.

One synonym was recommended by a few of the respondents: Contractual standing/relationship. While the literature does not directly use this phrase it is indirectly alluded to throughout the referenced text material. As a result, the recommended phrase was included as a synonym. The final proposed definition is as follows:

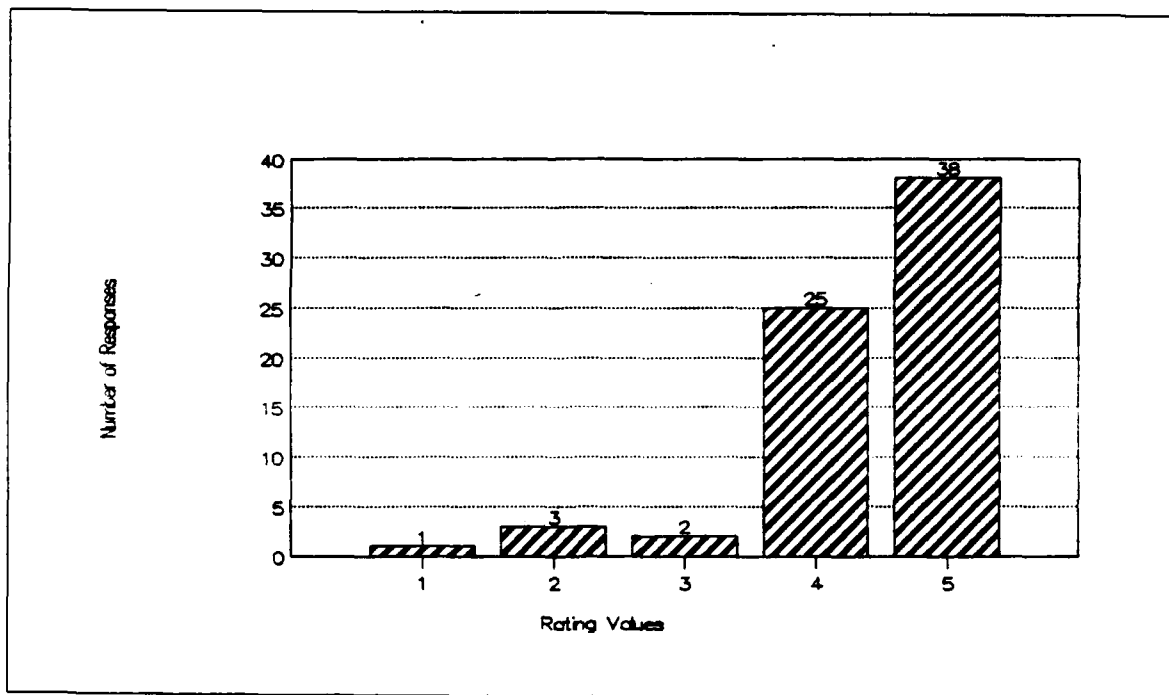


Figure 5.9. Privity of Contract Survey Results

#### *Privity of Contract*

The direct legal (contractual) connection or relationship that exists between parties which allows either party to 1) enforce contractual rights against, and 2) seek remedy directly from the other party with whom this relation exists.

Synonym: Contractual Standing/Relationship

#### *5.2.1.10 Show Cause Notice.*

A written delinquency notice sent to a person or contractor when there is the possibility of terminating a contract for default and which gives the person or contractor the opportunity to present in writing any facts bearing on why such action should not be taken.

The comments received on this term were few in number. This is not surprising since 93% of the respondents somewhat agreed or strongly agreed with the survey definition (resulting in a mean rating of 4.36). The two individuals who strongly

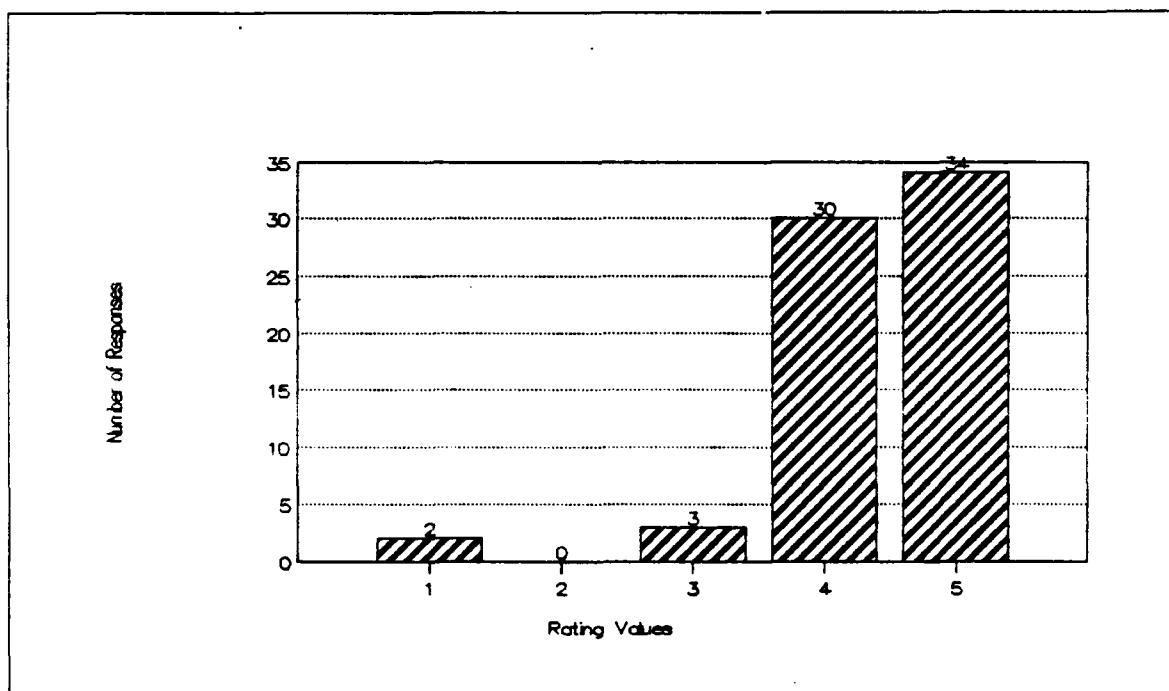


Figure 5.10. Show Cause Notice Survey Results

disagreed with the definition provided no constructive comments. These individuals preferred to use the FAR clause language verbatim. This type of detail is not necessary to sufficiently and accurately define this term. Therefore, the changes made were recommendations from the favorable majority. Their comments mentioned that a show cause notice is: 1) not mandatory; 2) used when a cure notice is inappropriate; and 3) issued when termination is “anticipated” or “probable” as opposed to “when there is the possibility of termination.” These characteristics emphasize the contrasting features of this notice compared to a cure notice. Obviously, these ideas help present a more concise and meaningful definition.

For reasons stated earlier, “Cure Notice” will be listed as a related term. The respondents suggested no other possible synonyms. Altering the description as recommended, the following definition is proposed:

### *Show Cause Notice*

A written delinquency notice sent to a contractor when terminating a contract for default is anticipated, and which gives the contractor the opportunity (usually 10 days) to present in writing any facts bearing on why such action should not be taken.

This notice is not a contractual requirement and is issued when a Cure Notice is not appropriate.

Related Term: Cure Notice

*5.2.2 Budgetary and Funding Terms.* As explained in Chapter IV, the six terms in this category, as used in the budget process all have the same general meaning. They all relate to setting aside a sum of money for a specific purpose. The funds are appropriated by Congress and then they flow down through a number of subordinate agencies until they are finally obligated. Clearly, these six terms have an order of usage in the budget process. Plus, within DOD there are specific agencies involved at each level. The literature based definitions identify these specific agencies. However, the respondents felt that gearing the definition towards DOD functions (specifically the Air Force) was limiting. Since the definitions are supposed to be useful and comprehensive enough to include and be used by all effected agencies the descriptions were changed appropriately. All changes were based on a reevaluation of the literature. Primary guidance was provided by the U. S. General Accounting Office's *Glossary of Terms Used in The Federal Budget Process*. The basic meaning of each term remained unchanged. Sentences and/or words were either added or deleted to include all agencies and remove any limiting references. In addition, any suggested synonyms were rejected because these terms have very specific meanings which have no appropriate synonyms. However, DOD specifics were not entirely eliminated.

To address the funding process within DOD, a separate statement was added at the end of the primary definition. This two part approach satisfies the respondents and the researcher. The primary definition is generic enough to include all federal



agencies. However, since this dictionary will be used primarily by DOD contracting employees, the second statement will address each step in the budget process from the DOD perspective. Further details concerning each term and their other usages are discussed in the following pages. Each term is discussed in the order they are used in the budget process.

#### *5.2.2.1 Appropriation.*

An act of Congress which permits Federal agencies to expend designated amounts of public funds (incur obligations) and to make payments out of the Treasury for specified purposes. An appropriation is the most common means of providing budget authority and usually follows the passage of an authorization.

This term had one of the highest means, measuring 4.37 on a scale from 1 to 5. As a result, the comments were few in number. Plus, the results received dealt with personal style preferences. For example, one individual wanted to change "Federal Agencies" to "Executive Branch". Another individual objected to the word "usually" when identifying that an appropriation *usually* follows an authorization. In both of these cases, the literature specifically uses the terminology stated in the surveyed definition. In addition, the respondents provided no support for why the desired change was needed or preferred. The suggestions clearly do not contribute to furthering the basic meaning of this term. As a result, none of the submitted comments were of value to warrant a change in the definition. Except for the added statement which addresses the DOD, the surveyed definition is proposed as the final definition as shown below:

#### *Appropriation*

**Budgeting:** An act of Congress which permits Federal agencies to expend designated amounts of public funds (incur obligations) and to make payments out of the Treasury for specified purposes. An appropriation is the

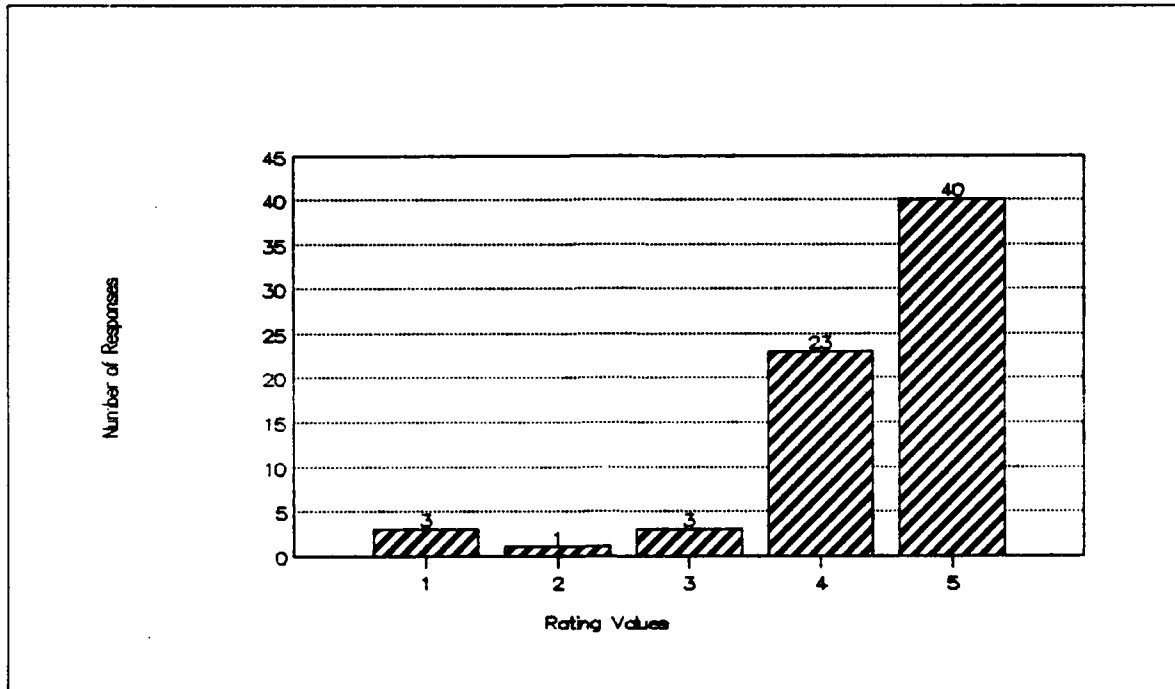


Figure 5.11. Appropriation Survey Results

most common means of providing budget authority and usually follows the passage of an authorization.

Within DOD this action specifies the amount of money available to carry out fiscal year activities and programs.

#### 5.2.2.2 Apportionment.

**Funding:** An authorized administrative action, performed by the Office of Management and Budget (OMB), which divides a specified amount of public funds (appropriations) into budgeted activities, programs, projects, time periods (usually quarters), or combinations thereof and makes them available, at the start of each fiscal year, to the appropriate agencies for subsequent outlays (obligations).

**Contracts:** An allowance, payment, or consideration which, in case of a severable contract, partially performed, is in proportion to the degree the contract was carried out.

Approximately 80% of the respondents somewhat or strongly agreed with this definition as written (mean 4.03). The remaining 10% agreed with the funding

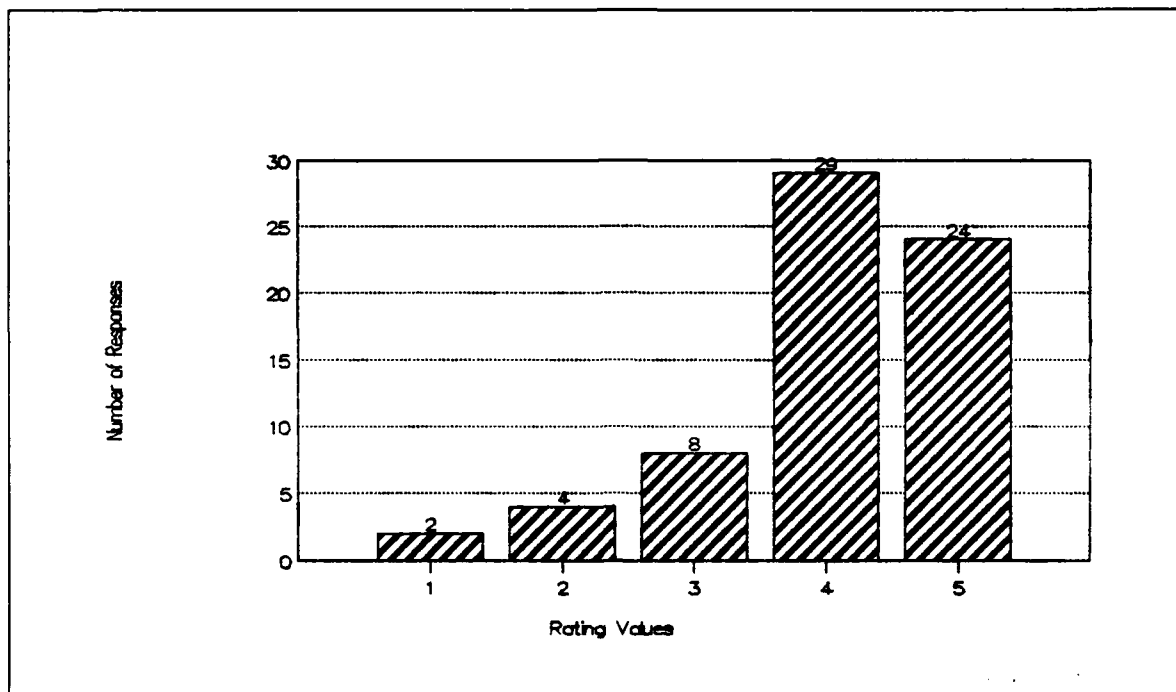


Figure 5.12. Apportionment Survey Results

definition but felt the contracting example was incorrect, too broad, or unnecessary. The contract example is not incorrect but it is misplaced. The provided description refers to making payments in proportion to the amount of work or goods delivered in a contract. A more common or up-to-date expression used to describe this process is "partial payments". Therefore, since the term apportionment is no longer used in this manner, it was appropriately deleted from the description. Dead expressions, as labeled by lexicographers, should be omitted from the text unless the dictionary is tracing the history of the term. The idea of making payments for partial work performed will be left to the drafter who defines partial payments. This definition will strictly deal with the way apportionment is used in the Federal budget process.

A few suggestions were provided concerning the funding definition which helped remove excess verbiage from the description. The lengthy classification designator was condensed from "an authorized administrative action" to "a determination." One respondent identified that the word "authorized" was unnecessary since an ap-

portionment can not take place unless an Authorization Act has been passed. However, limiting the classification to just an "administrative action" was unfavorable to the researcher. Therefore, when reviewing the literature it was seen that some of the authors classified this term as "a determination" (19:16) (15:4).

A few other minor word substitutions were made along with one other significant alteration. The last few lines of the description were deleted. The respondents felt that this verbiage only added to the length of the definition and provided no value to the meaning of the term. This information was provided in the literature-based definition only to make the reader aware that another step in the budget process follows an apportionment. But since each definition should be as simple (but accurate) as possible, as well as stand on its own, the last few lines were deleted. However, some of the information was included in the added DOD statement. Incorporating the changes discussed, the proposed definition is as follows:

#### *Apportionment*

**Budgeting:** A determination made by the office of Management and Budget (OMB), which distributes a specified amount of public funds (appropriations) among budgeted activities, programs, projects, elements of expense, time periods (usually quarter), or combinations thereof.

Within DOD this determination distributes the designated amount of money to the appropriate services prior to the start of the fiscal year.

#### *5.2.2.3 Allocation.*

**Funding:** An authorization by a Department of Defense component (e.g., HQ USAF) or appropriate agency which transfers a prescribed amount of money, not to exceed the congressional appropriation amount apportioned by the Office of Management & Budget (OMB), to the next subordinate operating agencies or major commands for the purpose of providing those subordinate units with the authority to obligate (make allotments).

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

**Engineering:** The act of apportioning a total program requirement (e.g., volume, weight, reliability, or maintainability) down to constituent systems and subsystems levels. Each constituent system, subsystem, etc., is assigned that portion of the requirement which is appropriate to its hardware level and state-of-the-art.

**Administration:** An administrative assignment or a distribution of resources, revenues, facilities, operations, activities or related areas of responsibility both within an organization or from one organization to another.

**Synonym:** Distribution

Considering the amount of comments received, this term's mean rating was relatively favorable, 3.96. A large percentage of people (11 out of 67 or 16.4 %) were undecided about the definition as written. This indecisiveness was probably due to the fact that this term had several subparts. Therefore, if the respondent did not like or did not think one or more of the descriptions were necessary, he/she gave the term a rating of three, which indicated he/she was undecided.

As addressed previously, there were several comments stating that the definition becomes too specific when defining in terms of DOD. This was especially true for this term. As a result, the funding description appears to be completely different. Actually, the only difference is that the agencies involved are not specifically mentioned. Therefore, the description defines allocation in terms of transferring money from one account to another instead of between agencies. The researcher feels that the revised description with the separate example for DOD funding resolves all the respondents' concerns directed towards this description.

The suggested changes directed towards the financial description were few in number. Some of the respondents wanted more details as provided by the FAR or other regulatory guidance. However, identifying what types of indirect cost are

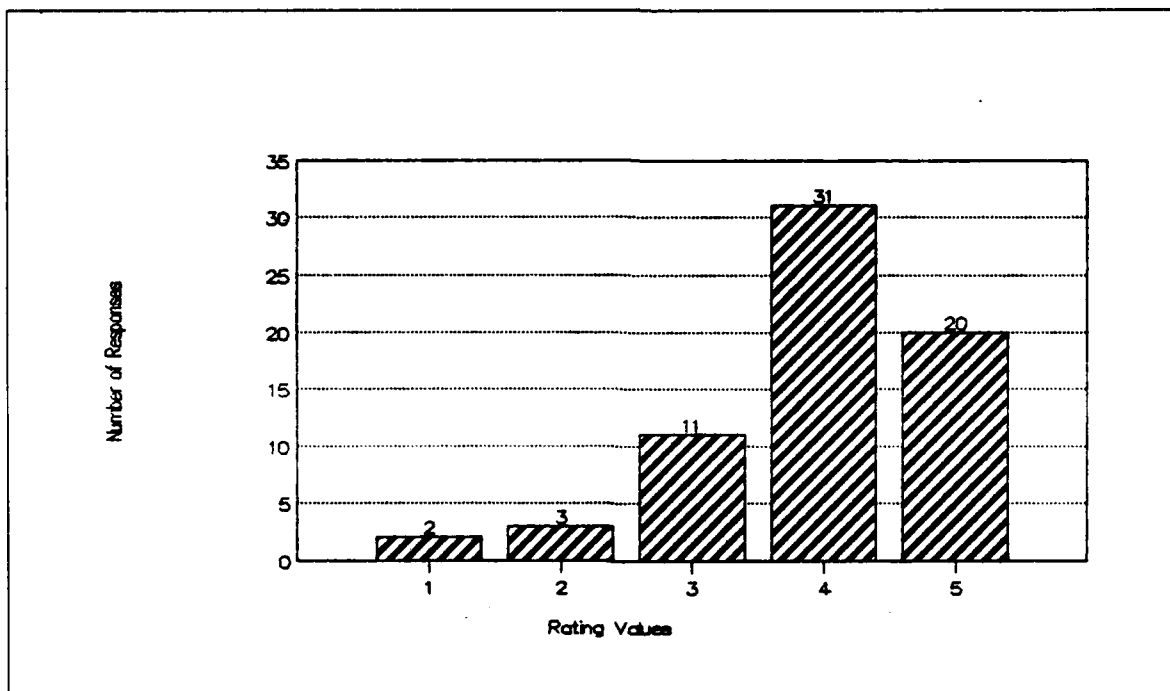


Figure 5.13. Allocation Survey Results

involved and what makes a cost allocable goes beyond the purpose of this description. Such detailed information should be covered under separate descriptions for each of these terms definitions. Therefore, the description remained as written.

It was not the description but the need for the engineering and administrative examples which troubled the respondents. One individual felt that other disciplines should not develop definitions for other functional areas. Most respondents felt that the descriptions were common usages of the term and that they provided no value to the overall definition of this term. The researcher agrees and has no problem with deleting the descriptions. In addition, the literature was heavily weighted towards funding and financial descriptions. Plus, no other definitions in this category are carried out to this extreme. For all these reasons, the engineering and administrative examples were deleted from the definition. The synonym was also dropped. The usage of allocation has no synonym and the word "distribution" is used in the

financial description. Therefore, listing it as a synonym is useless. Incorporating all the changes discussed, the proposed definition is as follows:

#### *Allocation*

**Funding:** An amount of money transferred from one agency, bureau, or account that is set aside in an appropriation account 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 term includes both direct assignment of costs and the reassignment of a share from an indirect pool.

#### *5.2.2.4 Allotment.*

An authorization by the head of an operating agency or major command (e.g., AFSC, AFLC) which assigns a prescribed amount of money, not to exceed the amount previously transferred to its account (allocated), to an operating division, base, or individual for the purpose of carrying out authorized fiscal year activities (making commitments and incurring obligations).

This term placed in the middle of the ratings with a mean of 3.93. Only fourteen constructive comments were received with which to modify this definition. Approximately 13% of the respondents could not decide if they agreed or disagreed with the definition. Without any comments to explain this indecisiveness, it is impossible to correct the deficiencies. The only helpful comment dealt with separating the definition into two sentences. It was felt that the description was too long to easily comprehend. Those who agreed with the definition made the same suggestion. Plus, they suggested removing the parenthetical phrases because they biased the definition towards the Air Force. This idea was warranted as discussed earlier.

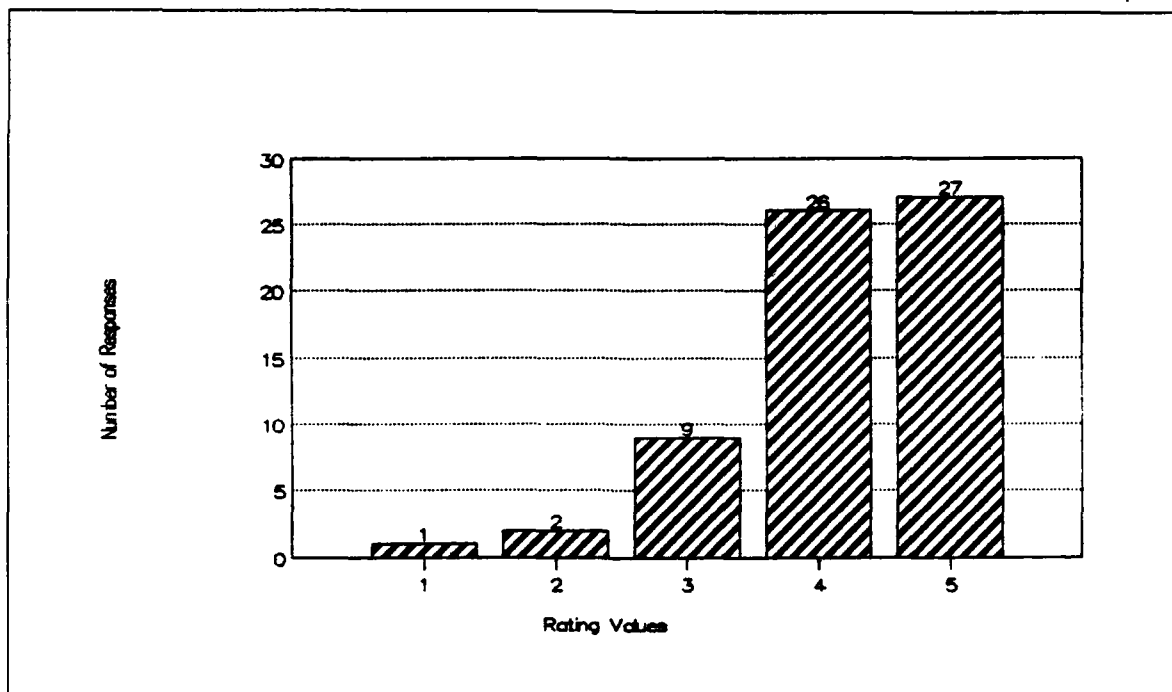


Figure 5.14. Allotment Survey Results

For the purpose of readability, the definition will be divided into two sentences. The primary definition is still structured to follow the format Word+Class+Difference. However, information explaining that agencies can not allot an amount which exceeds that apportioned by the OMB will be addressed in a separate sentence. Plus, reference to “fiscal year activities” will be reduced to just activities. Again, as pointed out by the respondents, a fiscal year time period is specific to the government. Incorporating the changes discussed, the proposed definition is as follows:

#### *Allotment*

**Budgeting:** 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).

Within DOD the agency heads are the MAJCOMS and they assign money to the appropriate operating divisions (wings or bases).



#### 5.2.2.5 Commitment.

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

**Contracting:** Actions such as: 1) making an offer or submitting a proposal to a customer; or 2) accepting an offer from a customer, which leads to the execution of a contractual instrument or purchase order.

**Accounting (Funds):** The method of accounting for the available balance of an appropriation, fund, or contract authorization whereby funds designated for a specific program activity (costs) are recorded in the accounts as reductions of the available balance.

Even though the majority of the respondents agreed with this definition as written (mean 3.7), 20% disagreed and 12% were undecided. Based upon the comments received, the problem is a simple one to solve. The basic problem with the definition concerns the description for the term under the contracting subheading. Many of the respondents do not consider the word "commitment" applicable in making an offer or submitting a proposal to a customer because offers can be withdrawn at any time before acceptance. The researcher agrees that making an offer is part of the contracting process, but falls short of a binding arrangement. Therefore, recognizing the inaccuracy of this description, a modification was made. Instead of providing a separate definition for contracting, a generic definition was developed as recommended and provided by a few individuals.

Those individuals who commented on the accounting usage of the term either said they were unfamiliar with this usage or just didn't agree with the definition. Such comments provided no justification to delete or change the description. As for the funding description, the wording was slightly changed. Commitment implies that the *correct* account and *budget line items* have been identified and cited for each requirement. Therefore, identifying that not just "funds" but "certain funds"

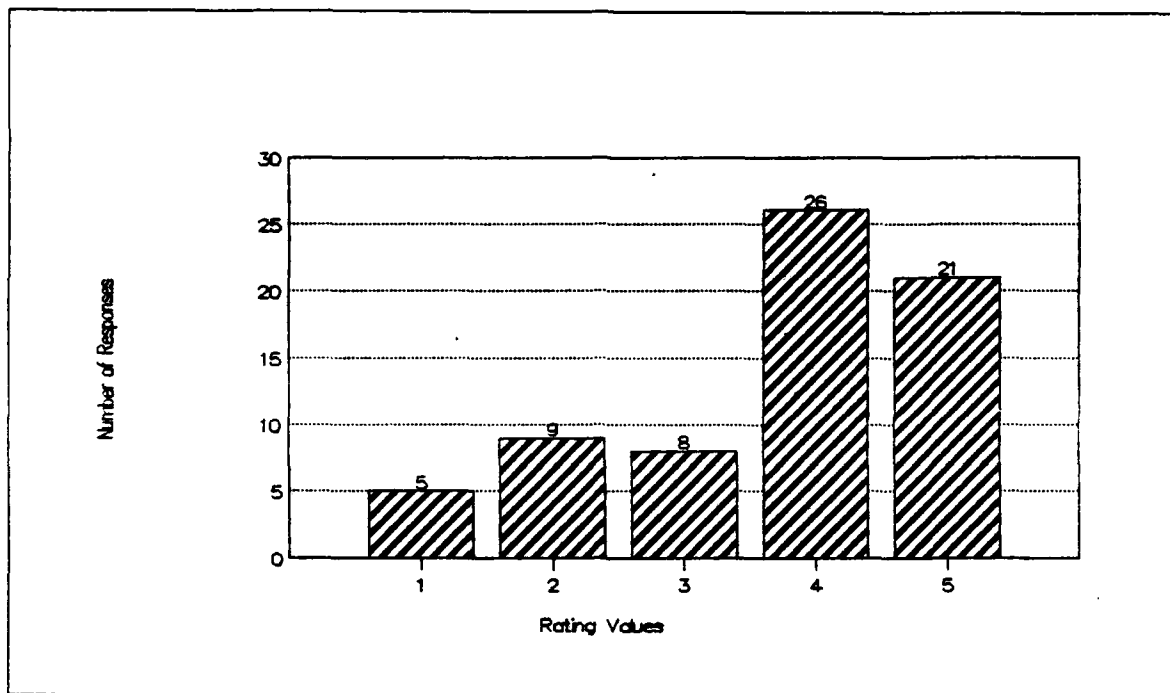


Figure 5.15. Commitment Survey Results

are committed adds content to the definition. In addition, some respondents wanted to shorten the funding description by deleting certain portions. But as indicated in Chapter IV and by an insightful respondent, this term has a very specific usage in the Federal budget process and to eliminate any portion of the narrative could create confusion. Therefore, the proposed definition is given as follows:

#### *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 contract.

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.

#### 5.2.2.6 *Obligation.*

An act which results when one is bound to the observance or performance of a duty, contract, promise or any other social, moral or legal requirement and, therefore, requires one to follow a certain course of action.

Funding: A liability resulting from an order, a contract award, a service received, and similar transactions for bona fide needs existing during a given period which require payment of money during the same or future period and that comply with applicable laws, regulations, and budgeting authorizations. Obligated funds cannot be released for another purpose without the contractor's concurrence and modification of existing contract.

This term had a mean rating of 4.06. Those who disagreed with the primary definition did so because they felt it was too broad to be of value in a contract context. It was pointed out that a social or moral requirement is not necessarily a legal requirement, which "requires" one to act a certain way. The description tends to lump legal obligations and other types of obligations together which is technically and ethically questionable. The 80% who somewhat or strongly agreed with the definition had no complaints about the description. After reviewing the literature, it was determined that the same intended meaning of the term could be presented in a way which would be favorable to all respondents. Therefore, the description was reduced to one simple sentence. Instead of listing how one becomes obligated to do something, the examples were grouped into the general category of "certain actions or forbearance." The wording for this revision was primarily based on information provided in *Black's Law Dictionary*. It is simple and says exactly the same thing the original description said but without using controversial terminology such as social and moral requirements, and/or making promises.

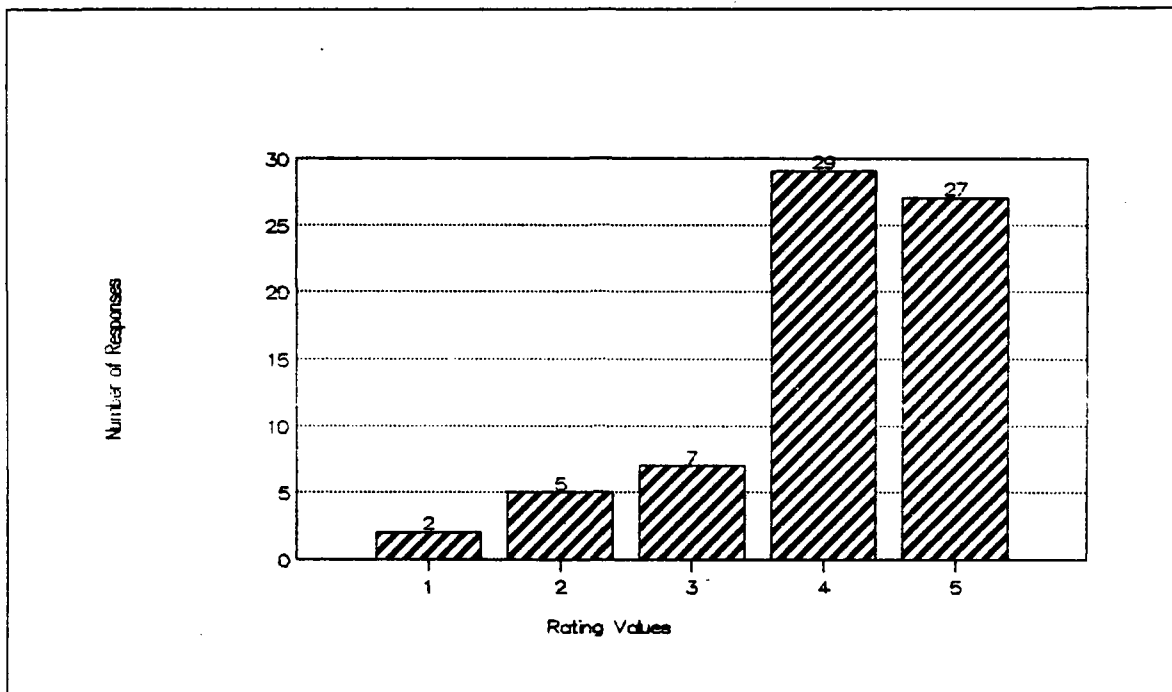


Figure 5.16. Obligation Survey Results

Several unnecessary words were also deleted from the funding description. A few respondents did not care for the classification title “a liability”. The term’s classification is a liability. However, the word itself was unnecessary because the description specifically lists the liabilities.

The researcher also found another area where the description repeats itself. Towards the end of the definition, it states something to the effect that the contracts being paid must comply with the applicable laws and budgetary authorizations. However, just before that the definition states that the contracts are for “bona fide needs”. If they are bona fide needs (authentic and genuine) then they probably already comply with the applicable laws and regulations. To make sure, though, the descriptive word “bona fide” was replaced with “specified.” This substitution makes the description consistent with the other budget definitions. For example, the appropriations description mentions that payments out of the Treasury are for

*specified* purposes. This change clearly eliminates the need for next to the last few lines of this particular description.

The last alteration to the definition was the result of a unanimous comment from those who agreed with the description. The respondents questioned the last sentence of the description. They argued that a contractor's concurrence is not needed when contracts are terminated for default, convenience, and other unilateral determinations which are resolved through the disputes process. Dispute issues when resolved usually call for a contract modification. Therefore, the last sentence will be changed to read "obligated funds cannot be released for another purpose without a modification to or a termination of an existing contract." Modifying the description as stated, the proposed definition for the term "obligation" is written as follows:

#### *Obligation*

A legally enforceable duty for a certain action or forbearance (resistance to an action).

Funding: Orders placed, contracts awarded, services received, and similar transactions for specified needs existing during a given period which require payment of money during the same or future period. Obligated funds can not be released for another purpose without a modification to or termination of an existing contract.

Within DOD funds are obligated when they are put on contract, which occurs when the Contracting Officer signs the contract.

### *5.2.3 Pricing Terms.*

#### *5.2.3.1 General and Administrative (G&A) Expenses.*

Any indirect management, financial, or other expense which:

- is not directly assignable to a program's overhead area for engineering, manufacturing, material, etc.; but,
- is routinely incurred by or allotted to a business unit; and

- is for the general management and administration of the business as a whole.

These expenses include 1) company's general and executive office's labor, overtime, sick leave, holidays, and vacations; 2) the cost of staff services such as legal, accounting, auditing, and public relations; 3) the cost of supplies such as maintenance, public utilities, stationary, and postage; 4) financial costs such as insurance, travel, and training; and 5) other similar and general expenses related to the business unit as a whole.

Synonym: General Overhead Expense/Account

Monitoring G&A expenses is a hot issue in contracting. However, a mean rating for this term on a scale from 1 to 5 was a favorable 4.11. The thirteen people (out of 70) who disagreed with the definition wanted to see the Cost Accounting Standards (CAS) definition or a simple two line definition without examples. The definition items 1), 2), and 3) are facts extracted from CAS and other pertinent literature. Providing more CAS specifics adds no further meaning to this term. Actually, it would just confuse the reader with more legal and technical language which already taints the definition. Plus, the CAS talks more about the *allocation* of G&A costs than about what they are. However, a two line definition would not provide enough detail. But, eliminating the examples was given considerable thought.

Many of the other respondents also mentioned that the listed costs should be allocated to a direct overhead pool. As long as the contractor is consistent in the way costs are allocated, this is true. The provided examples, therefore, are expenses which *may* be included in a G&A pool. Since the majority of the respondents just wanted to emphasize this fact, the examples will remain as supplementary information which *might* be categorized as G&A expenses. In addition, as one individual suggested, a caveat statement which identifies G&A expenses can be limited further by cost principles will be added to the end of the listed examples. This statement will serve as a warning flag that there are other extenuating circumstances which go beyond this definition.

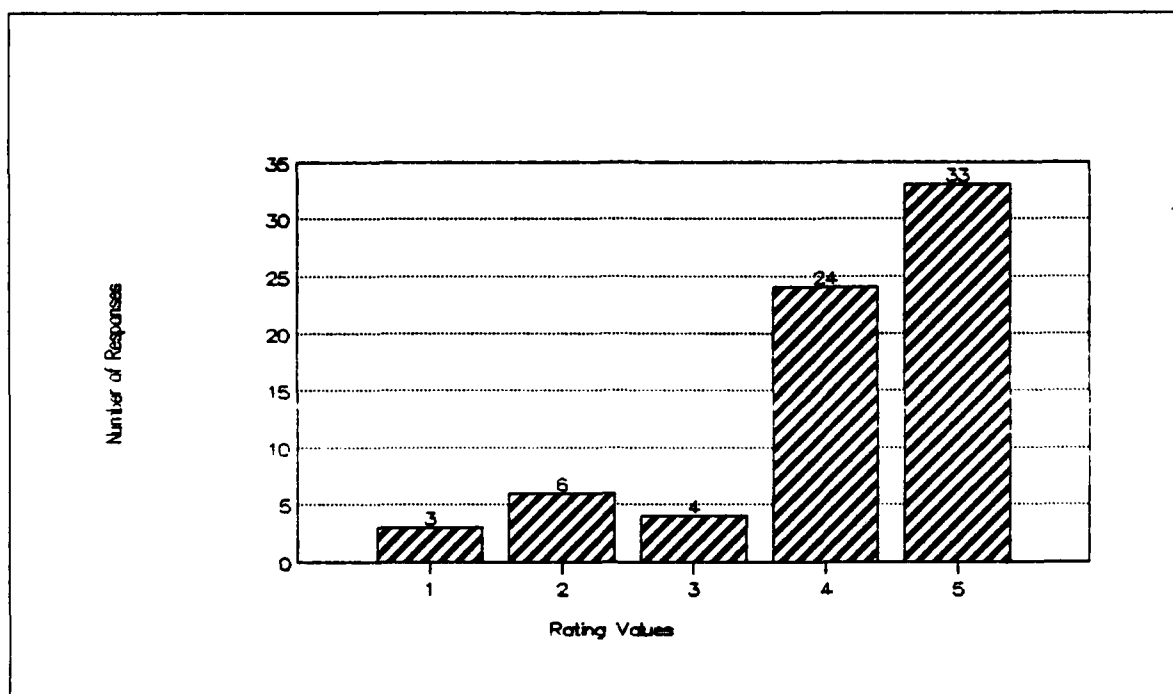


Figure 5.17. General and Administrative Expenses Survey Results

In order to avoid confusing the reader any further, the synonym General Overhead/Expense Account was deleted. Many felt that using the word "overhead" in conjunction with G&A costs was contradictory. In all, the definition changed very little. There were only a few minor word changes for clarification and one added caveat statement for emphasis. The final proposed definition is as follows:

*General and Administrative (G&A) Expenses*

Any indirect management, financial, or other expense which:

- is not assignable to a program's direct overhead charges for engineering, manufacturing, material, etc.; but
- is routinely incurred by or allotted to a business unit; and
- is for the general management and administration of the business as a whole.

These expenses may include: 1) a company's general and executive office's labor, overtime, sick leave, holidays, and vacations; 2) the cost of staff services such as legal, accounting, auditing, and public relations; 3)

the cost of supplies such as maintenance, public utilities, stationary, and postage; 4) financial costs such as insurance, travel, and training; and 5) other similar and general expenses related to the business unit as a whole. G&A expenses can be further limited by required cost principals (e.g., CAS 410 for government contractors).

#### *5.2.3.2 Nonrecurring Costs.*

Initial capital or other unique costs which generally occur only once in the life cycle of a program, product, system, or service in order to initiate an activity or bring it back to operating condition. This general heading includes costs associated with equipment relocation, plant rearrangement, special tooling and test equipment, design and development drawings and data, system and subsystem test activities, configuration audits, production planning, prototypes, rework, and specialized work force training.

Synonym: Nonrepetitive Costs

Those respondents who disagreed with this definition were looking for specific buzz words or examples. One individual wanted to see the buzz word "set-up costs". This term is the same as saying "a cost to initiate an activity" as stated in the definition. Another individual wanted R&D efforts listed as a specific example. The literature does not list R&D as a specific example but alludes to such efforts as preproduction engineering costs. A few favorable respondents also wanted R&D costs mentioned, therefore like the literature, preproduction engineering will be added to the list of nonrecurring costs.

As the mean (4.23) indicated, this definition was otherwise very well accepted. A few minor adjustments, however, were suggested. The introduction to the cost "examples" was felt to be limiting. The respondents recommended that it be changed to read, "This general heading generally includes, but is not limited to, costs associated with . . .", in order to clarify that there are other costs which fall under this description. Also, it was felt that classifying these costs as initial "capital or other



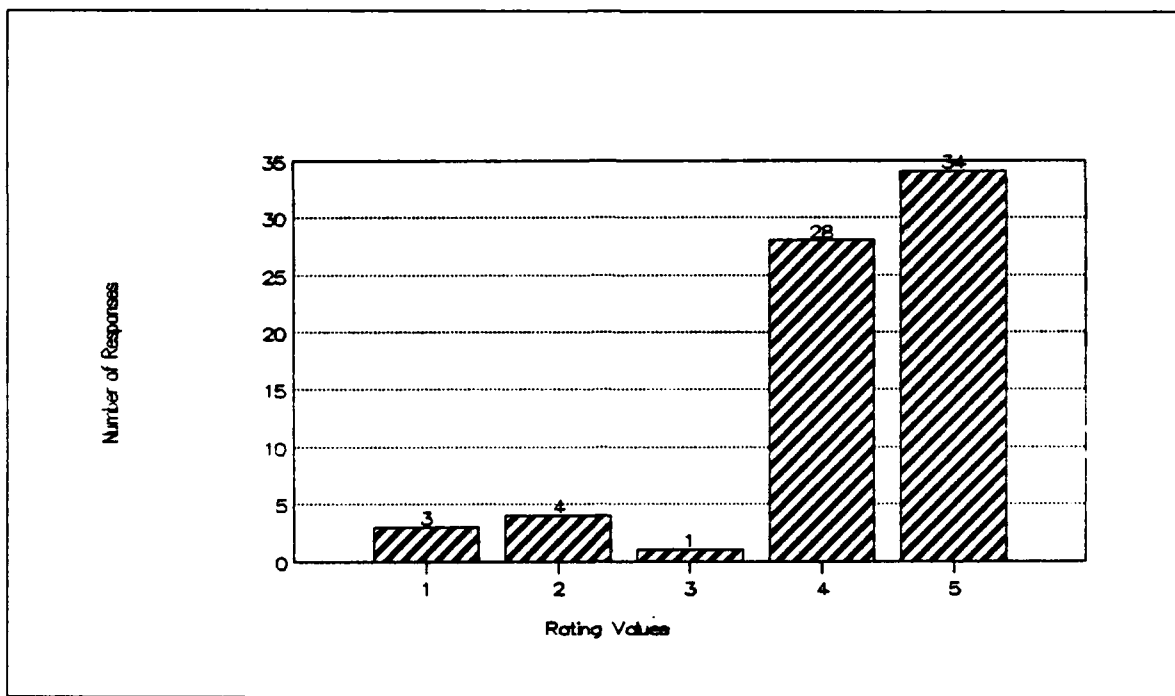


Figure 5.18. Nonrecurring Costs Survey Results

unique costs” was unnecessary. Simply saying they are “costs” and then distinguishing them from other costs is sufficient and just as meaningful. This approach was adopted and the terms classification was changed to just “costs”.

Some useful synonyms were identified by the respondents. Of those suggested, the following were the more popular and fitting terms: Set-Up Costs and Initial Start-Up Costs. These terms are used in the literature and add meaning to the term. In retrospect, these terms will be referenced as synonyms. Including the recommended changes, plus some changes to enhance readability, the proposed definition is as follows:

#### *Nonrecurring Costs*

Costs which generally occur only once in the life cycle of a program, product, system, or service in order to initiate an activity or bring it back to operating condition.

This general heading includes, but is not limited to, costs associated with plant equipment relocation/rearrangement, special tooling and test

equipment, design and development drawings and data, system and sub-system test activities, configuration audits, preproduction engineering, production planning, prototypes, rework, and specialized work force training.

Synonyms: Nonrepetitive Costs, Set-Up Costs, Initial Start-Up Costs

#### 5.2.3.3 *Offsets.*

A cost balancing action which allows a claim filed by the plaintiff against the defendant to be cancelled or lessened by a counterclaim filed by the defendant.

Defective pricing: That amount which results when overstatements of cost that arise under a defective pricing case are reduced by allowable understatements (cost proposal errors that are favorable to the contractor) to the extent of the overstatement, thus eliminating the possibility of an increase in the contract price.

Administrative Offset: A procedure to collect a debt owed to the Government by withholding money payable to a contractor under a contract, in order to satisfy the contractor's debt which arose independently of that contract.

Synonyms: Counterclaim, Set-offs

Approximately 22% of the respondents disagreed with the definition contained in the survey, while 10 % were undecided (mean 3.77). The comments provided addressed all three parts of the definition. First, offsets are not limited to adversarial legal actions. Therefore, the use of the terms plaintiff and defendant were felt to be inappropriate. The only other comment concerning the primary definition dealt with the concept of "allowing" offsets. In reality, offset actions do take place, but as a matter of policy they are generally disallowed. However, as one respondent put it, this definition seems to imply offsets are allowed. Taking heed to such comments, the primary definition was modified without jeopardizing the meaning of the description. Actually, the resultant product is a brief, quality definition which meets all the requirements of an Aristotlian definition.

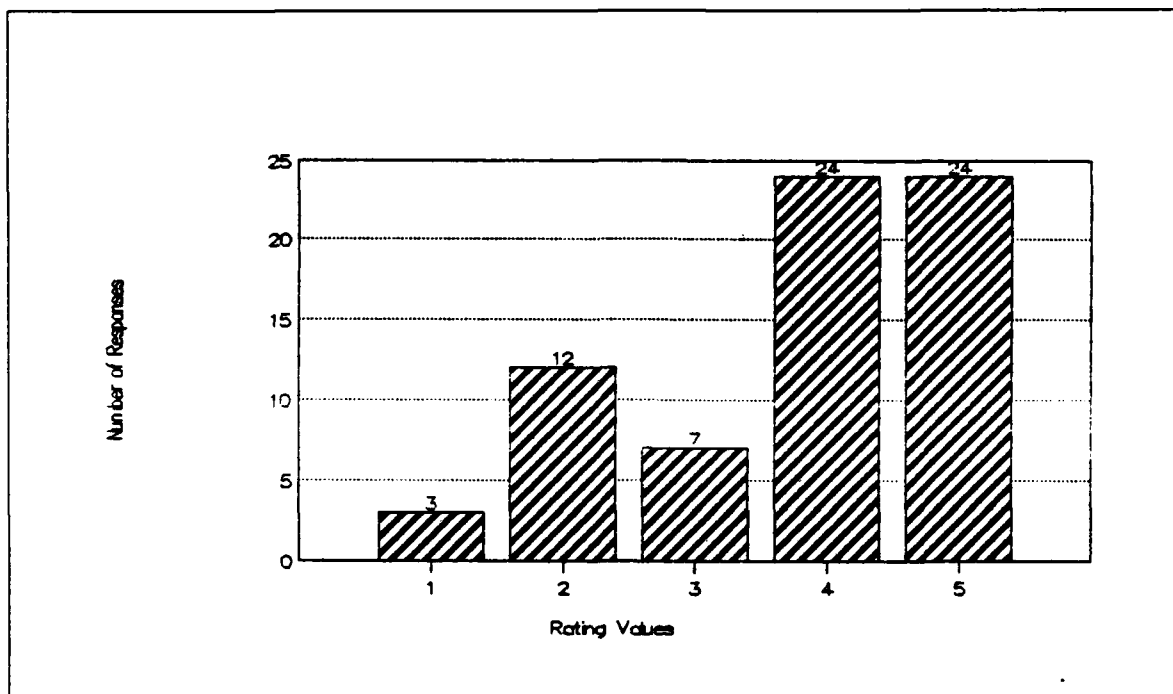


Figure 5.19. Offsets Survey Results

Those comments which addressed the defective pricing description varied considerably. A few wanted to delete the description entirely while others wanted to expand its scope. Those who wanted to delete the description misunderstood its purpose. This defective pricing narrative is an example of how and in what instance the term “offsets” is used. The description is not a definition which tells or describes what defective pricing is. The narrative is a useful tool which informs the reader how an offset is determined in defective pricing. However, defective pricing cases are not limited to just cost proposal errors. Therefore, in light of the recommendation to expand the narrative to include, or rather not exclude, other cost balancing actions, the description was changed. Placing the abbreviation “e.g.” inside the parentheses and adding other examples, along with cost proposals, resolved the issue. The narrative was also switched around, as recommended, to correctly emphasize that the defective pricing offset is the amount of the *allowable* understatement, not the difference between the overstatement and the understatement. This is easily accomplished by starting out the description with “allowable understatements” as the classification.

Finally, the only other change made was at the end of the administrative offset example. Since many of the respondents were not familiar with the administrative offsets, further data was provided. As alluded to by one respondent, there is an act in the United States Code dedicated to administrative offsets. Much of the information provided in this act; however, is too involved to be include in a definition. But, in order to direct the reader to the legal source the formal title of the act was added to the description.

Clearly, there were many comments directed to improve the stated definition. However, by far the most stated comment dealt with how offsets are used in dealing with international procurements. The researcher found only one weak reference on this subject. Due to the lack of literature and insufficient knowledge in this area a separate description was not pursued. Apparently, about 30% of reported offsets are Foreign Military Sales agreements. In addition, more individuals seem to use this term in reference to this area, than those discussed in the definition. Clearly, the usage of offsets in this area needs to be incorporated into the definition in order for it to be comprehensive. Concentrating on updating the survey definition only and leaving international offsets to further study, the proposed definition is as follows:

### *Offsets*

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

Defective pricing: *Allowable* understatments (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 a 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

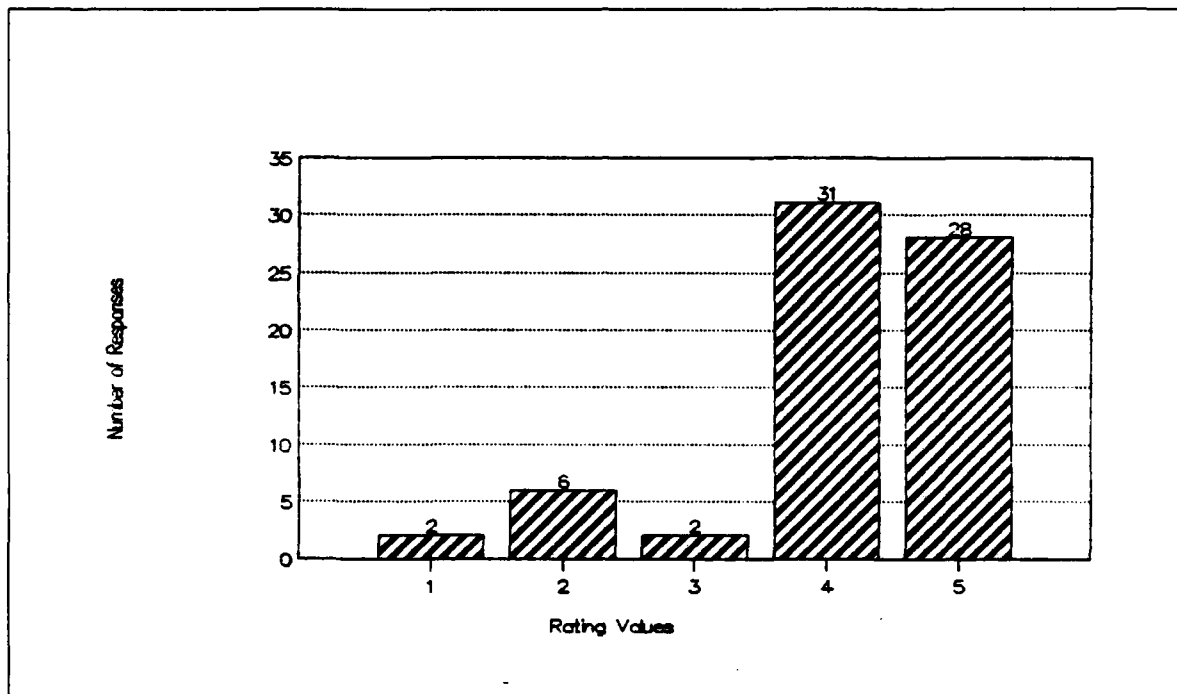


Figure 5.20. Recurring Cost Survey Results

#### 5.2.3.4 *Recurring Cost.*

Annual costs that are required to operate and maintain an operation and which: 1) vary directly with the quantity being produced, and 2) occur repeatedly during the life cycle of a program, system, product, or service. This heading includes costs associated with labor, material, assembly, manufacturing, sustaining engineering and planning, sustaining tooling, and acceptance testing of production items.

Synonym: Operating Expenses

Like nonrecurring costs, this term had a strong acceptance level, 86% (mean 4.16). The main problem involved the term's classification. Almost all comments received mentioned that "Annual" as a classification for cost type was wrong. Recurring costs exist on short term contracts and can occur at any time interval, not just annually. Therefore, the classification was changed to just "costs".

A few disagreed with the definition because it specified that the recurring costs vary directly with quantity. This direct relationship does not always exist. For

example, costs might increase because of a change in quantity but the change in cost, per change in quantity, does not have to be linear (fair and reasonable might suffice). Therefore, the statement is modified to read that costs "vary or occur with the quantity being proposed."

The only other change made was directed at expanding the definition to encompass other costs not mentioned that may apply. This was accomplished by revising the second sentence of the definition to read, "this heading generally includes but is not limited to costs associated with . . ." These small but meaningful changes turned an already good definition into an even better one. The final proposed definition is as follows:

#### *Recurring Costs*

Costs that are required to operate and maintain an operation and which:  
1) vary or occur with the quantity being produced, and 2) occur repeatedly during the life cycle of a program, system, product, or service.

This heading includes, but is not limited to, costs associated with labor, material, services, assembly, manufacturing, sustaining engineering and planning, sustaining tooling, and acceptance testing of production items.

Synonym: Operating Expenses/Costs

### *5.3 Summary*

This chapter has presented an evaluation of the survey results for each term's literature based definition in Chapter IV. The rating results were presented in the form of a bar chart. A mean rating for each term was also calculated in order to adequately determine if the majority of the respondents agreed with the developed definition. See Table 5.1 for a summary of the results. The relevant issues were presented along with justification for needed changes to the terms' descriptions. Finally, the proposed definitions for each term was determined. The next chapter will address the conclusions reached, as a result of the research conducted, and

Table 5.1. Calculated Means for Each Term

Term	Mean	Term	Mean
Administrative Contracting Officer	4.19	Audit	4.16
Board of Contract Appeals	4.33	Certification	4.13
Constructive Change	3.63	Cure Notice	4.00
Dispute	4.10	Novation Agreement	3.93
Privity of Contract	4.39	Show Cause Notice	4.36
Appropriation	4.37	Apportionment	4.03
Allocation	3.96	Allotment	3.93
Commitment	3.7	Obligation	4.06
General and Administrative Expenses	4.11	Nonrecurring Costs	4.23
Offsets	3.77	Recurring Costs	4.16

recommendation for future areas of research which will contribute to the objective of developing a comprehensive and useful dictionary of contracting terms and phrases.

## *VI. Conclusions and Recommendations*

### *6.1 Overview*

This chapter presents the conclusions and recommendations for this study as they relate to the information provided in this report and the research objectives set forth in Chapter I. Specifically, the conclusions below address the need and approach for developing and finalizing selected term meanings into a professional dictionary of contracting terminology. The recommendations range from offering helpful hints to identifying needed further research. Finally, a brief summary of the chapter will be presented.

### *6.2 Conclusions*

This study was undertaken due to the need for a Dictionary of Acquisition and Contracting Terms and Phrases. This need was the direct result of a dual reaction. First, numerous reports concerning Federal procurement reform initiatives have stressed the need for enhancing the acquisition workforce. Second, inherent qualities of the acquisition process demand the contract specialist's continued involvement. Clearly, as procurement has become overwhelmingly complex so has the knowledge and skills required by the contract specialist. One way excellence and communication can flourish is to develop specialized know-how through a body-of-knowledge. However, a body-of-knowledge is worthless if its phraseology is not accommodating to its users. It is from these demands that the need for a dictionary has arisen. This need will continue until all the unique and arbitrary words in the contract management/acquisition arena have been thoroughly researched and their descriptions documented. Even then the terms will need to be reviewed on a regular basis for updating purposes.

Determining the need for a dictionary is one issue but developing it is another one entirely. As presented in Chapter II, dictionary development should not be taken



lightly. A quality product will only result if each of the following areas of dictionary development is thoroughly researched: 1) range, 2) perspective, and 3) presentation. When it has been decided what the dictionary should accomplish, how it should be written, what it should contain, and how it should be arranged and presented, then (and only then) can definitions be developed for each proposed word entry.

Since the purpose or development of this proposed dictionary has never been formally defined, as prescribed in this report, the researcher struggled with definition development. Decisions concerning the definitions' length, tone, time period, and arrangement were never addressed in the previous studies. Therefore, this study presented a few ways to develop definitions, which were as follows: 1) logical or real, 2) lexical, or 3) canonical. However, since the preferred format is dependent upon the dictionary's purpose, which has not been fully defined, the selected definition structure was somewhat arbitrary.

Probably the best form is an Aristotelian definition as first presented in Captain Cannaday's thesis. This type of definition, when read, brings to mind the word being described and that word alone. Isolating cognitive thought is difficult to accomplish but can be very effective when successful. A more realistic approach is the canonical format. It only tries to limit, not isolate, the class in which the term belongs. Plus, it allows for examples as part of the definition. Combining the two forms, striving first for an Aristotelian definition and supplementing it with examples proved to build useful and understandable definitions. However, the descriptions were wordy. Using a Word+Class+Differences definition structure calls for long sentences. Differentiating a word from all the others in that same "class" can get wordy. The resulting descriptions are understandable but have to be read carefully.

Chapter III presented the literature-based definitions that were formed by synthesizing a number of citations. Each term was researched in a variety of literature sources starting with the FAR. Due to the researcher's environment, the referenced sources were limited. However, the sources used were valid and reliable. Some terms

lacked documentation because of their uniqueness to the contracting field. Others were defined by the context in which they were used. Still others had sub-definitions which described their various usages within the differing disciplines. Synthesizing definitions from citations is possible. The problem lies with the number and quality for the citations. Determining if the term has been researched enough to develop a comprehensive and useful definition was a matter of judgement. Time was the controlling factor in this study. Finding quality information was a problem when venturing into new areas of study or controversial issues. Authoritative sources such as the FAR or other Commerce Clearing House Publications, General Accounting Office (GAO) interpretations, and legal sources proved invaluable in these instances.

Subsequent changes were made to the synthesized definitions as a result of comments submitted by the survey respondents. The positive survey response resulted from the following: 1) a thorough research of each term; 2) a meticulous literature analysis; and 3) the selected definition development as already discussed. However, there were two other contributors 4) a knowledgeable survey group; and 5) a quality survey instrument. The survey group were recognized members of a well known professional organization, the NCMA Fellows. This organization, and especially the Fellows, are interested in furthering the professional growth and educational advancement of their members and others in the contracting management field. Specifically, the majority of respondents' area of expertise is in contracting but approximately 23% of the respondents' interest lie in other related areas such as legal, accounting, and project management. Most of the respondents (60%) had 20+ years of experience in their area of expertise while 100% of the respondents had been working in contract management/procurement for at least 6-10 years. Based on the depth and breadth of expertise within the population surveyed, it was decided that the survey results were valid from which conclusions could be drawn.

The conclusions were extracted from a well orchestrated survey. Following Dillman's survey techniques was considered successful even though there was not a

71% response rate. Since Dillman does not expound on what "following his design in part" means, expecting a 71% response rate was unsupported in this study. However, a recorded 60% response rate far exceeded any of the previous results (e.g., 39%, 14%). Follow up letters and redistributing the survey to respondents seems to be key factors. But developing an influential, easy to complete, and pretested survey cannot be left out of the formula for success.

Adding a Likert scale to the survey also proved valuable. It provided objectivity to a highly subjective process. The recorded ratings clearly indicated if the definition was or was not acceptable. The comments, however, could not be ignored. There is always room for improvement. By following the methodology described in Chapter III, the respondents' comments helped refine the descriptions into concise, accurate, and useful definitions. The requirement that the definition be comprehensive (meaning defined according to its use in each discipline) is questionable. The majority of the respondents either felt this was not necessary or the provided description was inaccurate. But, if comprehensiveness means drawing together the unique aspects of the contracting language and providing a consistent and precise meaning which all professions can use, then this was accomplished.

The final proposed definitions will undoubtedly help explain the terminology utilized throughout the body-of-knowledge upon which so many depend to further develop their skills and education in contract management/acquisition. In addition, these descriptions will serve as a foundation from which individuals can work and communicate when dealing with each other and other disciplines. Clearly, such descriptive information would be easily accessible in a Dictionary of Contracting Terms and Phrases.

### *6.3 Recommendations*

Based upon the conclusions set forth in the previous section the finalized proposed definitions (See Appendix B) should be accepted and included in a professional

dictionary of contracting terms and phrases. However, one term does lack depth. The meaning of the term "offsets" as used in international procurement should be researched and added to the description appropriately.

Also, before any other definitions are developed the purpose and classification of this dictionary should be determined in accordance with Malkiel's schema presented in Chapter II of this study. The potential users of this dictionary should be surveyed to determine what they want the dictionary to entail and accomplish. Questions such as should the dictionary include historical data, pertinent law cases, FAR and other regulatory references, alternate usages, examples, and graphical illustrations need to be answered. The answers to these questions ultimately impacts the way the terms are defined.

When developing future definitions, other material than that utilized in this study needs to be referenced. The researcher found it difficult not to bias the definition toward the Government and more specifically the Air Force. Extending beyond the immediate environment is dependent upon the available or selected research material. Therefore, industry should be questioned as to what authoritative sources they turn to when doing purchasing and procurement research. Lawyers who specialize in contract law should be consulted about landmark law cases which have set precedents. GAO standards, DOD directives, and OMB directives are other recommended sources. There are also many law firms and other various agencies that teach purchasing and acquisition related topics. Contacting these people and asking for a copy of their teaching material and suggested reference literature would also prove helpful.

In addition, definition development should not be restricted to a certain format. Following Aristotle's lexical structure is ideal but not favorable to many of the surveyed individuals. Lengthy descriptions are acceptable and useful as long as they are not wordy and hard to follow. Many short sentences were preferred over a few long ones. If a formal Aristotelian definition can be developed in a relatively short, easy

to follow, statement then this approach is preferred. However, it is recommended that complicated and involved descriptions be formed by stating the needed information in short precise statements with no concern to prescribed format. Additional explanatory data and specific context usage is strongly suggested. This additional information helps facilitate further understanding and alleviates ambiguities within the contracting field.

Dillman's Total Design Method should be followed when developing the survey. Not only will the response rate be favorable, but the vertical format makes tabulating results quick and easy. Placing each word on a separate page made it simple to separate the surveys and organize the results according to the term's label. The follow-up letters are especially important if the Fellows remain the targeted survey group. It seems logical to assume that as time progresses, the Fellows will become less interested in responding to such surveys. However, selecting a known survey group with as much knowledge and expertise might be difficult. Plus, maybe the one and only consistent element of the project would be disrupted. Therefore, the power of emotional appeal and persistence is vital if favorable feedback is desired. Also, if resources permit, all (instead of just 50%) of the nonrespondents should be issued a reminder letter along with a replacement survey. This extra effort just might push the response rate up to the predicted 71%.

The reason for and the results of the two part survey have already been discussed in length throughout this study. Therefore, it is appropriate at this time to recommend that a Likert scale be provided along with an area for written comments. The Likert scale provided the much needed objective data. However, the definitions should not be judged by the objective results alone. The provided comments are invaluable. But, before incorporating the comments into the descriptions, the researcher must remember to weigh the proposed suggestions against the referenced literature and other supporting data.

When the descriptions are presented in the survey it is highly suggested that primary sources utilized in developing the definition be cited. The respondents frequently favored or demanded that a definition from a specific source be considered as an adequate meaning for the subject term. If sources are cited, these types of comments might be minimized. Plus, citing the sources would add strength and validity to the literature-based definition. In turn, the respondents might look at the synthesized description in a more favorable light or at least with a more objective frame of mind. Providing a comprehensive list of the referenced sources at the end or beginning of the survey and identifying them by numbers in the text (like a bibliography) might be sufficient.

The last three recommendations have to do with organizing the actual dictionary. Like most dictionaries, the entry words should be listed in alphabetical order. However, related terms should also be grouped together under a common heading. For example, the terms "cure notice" and "show cause notice" should be grouped together under the heading "termination notices." Grouping these terms together enables the reader to easily compare and contrast the two meanings. As a result, their usages are better understood. Grouping all the budget and funding terms under one central heading would also be helpful. Each term as it relates to the funding process as a whole would definitely be more visible if listed consecutively rather than dispersed on separate pages. Words such as these would be listed alphabetically but under the entry label it would read, see *the appropriate heading*.

Fortunate or as unfortunate as it may be, time does not stand still. The acquisition environment is very dynamic. As the nation's economy, budget, technology base, and political influences change so does the phraseology of the acquisition world. Therefore, it is necessary to establish a standing committee to continue to collect revisions to this dictionary and develop an updating process as required in the future. A detachable pre-addressed form which asks for suggested updates or areas of improvement needs to be included in the preface of the dictionary. Finally, it might

be a good idea to get on board with an agency that already has an ongoing dictionary publication. There are many good dictionaries out there. Sharing knowledge, resources, and money to reach similar or the same goals seems logical. Why waste time duplicating efforts when new areas of study need to be explored.

#### *6.4 Summary*

Chapter VI was intended to summarize and bring into focus the conclusions and recommendations derived from this study. This research started with 20 selected terms primarily related to the postaward phase (contract administration) of the acquisition process. The terms were researched, synthesized into literature-based definitions, validated by a group of experts, and revised accordingly. As a result, each term's definition is comprehensive and acceptable in relation to its current usage in the contract management/acquisition field.

## Appendix A. Survey/Questionnaire

### A.1 Survey

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\*\*\*\*\*

#### WHAT'S IN A WORD?

B V P P R J X I B E D E M H Y K M G O L  
H I A J X Q P K N O W L E D G E Y T D Q  
C B X O O C L F E U U U O J I A D N N T  
H F J P R J X A D B W D V N J X C B A X  
L X O Y Q W L O L U U X S Y T W N I P W  
D Q H A G F I A I Y F T I W D L L F I R  
M U N E Y C W U E A K C S C S M O M P Y  
J O C P L R O U M A C J I T M I K S W A  
X R F B W O P M R J U Q C D D G E M E I  
T E U Q G S M T M V M A A I U N W C I M  
D F S N J G N R Q U R D L T I I Y Y H W  
A E B T M O O E R T N V C L Q N Y G U F  
K R R M K K N F N J O I U Q Y A G R R Y  
V E B M R K M O B W T W C S M E G B X A  
N N X E X L C R R L X P Q A D M F B X T  
W C V U X V B S K U P X U R T Q V E K K  
A E Q N J P T N V R B K E F G I S W H N  
Q C F F J U P C U L J T T N M K O H A Y  
M Q J E R H V E I N T R O K J H U N H N  
S V A U N D E R S T A N D I N G Y W F S

Communication  
Understanding

Meaning  
Reference

Knowledge  
Contracts

\*\*\*\*\*  
\*\*\*\*\*



- \*\* The following questionnaire addresses terminology used primarily in the postaward phase of the contracting process.
- \*\* The purpose of this questionnaire is to survey experts in the acquisition and contracting field to gain a consensus on the 20 literature-based definitions listed herein.
- \*\* To complete this questionnaire please do the following:
  - (1) Circle the rating number that corresponds best with your evaluation concerning the adequacy of each definition.
  - (2) Provide written comments which will enhance the overall understanding of the term in the allotted space.
- \*\* PLEASE SUBMIT RESPONSES BY 12 July 1990.
- \*\* Thank You for your time and support.  
Laureli Moyle, Capt, USAF  
AFIT/LSG  
Wright-Patterson AFB, OH 45433

Administrative Contracting Officer (ACO)

Any person who, either by virtue of position or by appointment in accordance with prescribed regulations is authorized (responsible) to carry out assigned and delegated administrative functions and make determinations and findings, with respect to:

- (1) implementing a contract;
- (2) monitoring contractor performance on a contract;
- (3) ensuring contractor compliance with the terms of a contract; and
- (4) securing satisfactory completion of a contract.

Government: When the cognizant ACO is located at an installation other than the one making the contract, he/she is specifically responsible for those functions which are: 1) normally assigned to that office and; 2) formally delegated by the Contracting officer, as prescribed in FAR 42.302.

Synonym: Contract Administrative Officer

THIS DEFINITION IS ADEQUATE?

-----1-----	-----2-----	-----3-----	-----4-----	-----5-----
STRONGLY DISAGREE	SOMEWHAT DISAGREE	UNDECIDED	SOMEWHAT AGREE	STRONGLY AGREE

COMMENTS: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

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

Background Information (Circle Most Appropriate Choice)

1. Where are you presently employed?

- 1 MILITARY SERVICE
- 2 CIVIL SERVICE
- 3 LARGE BUSINESS
- 4 SMALL BUSINESS
- 5 ACADEMIC INSTITUTION
- 6 SELF-EMPLOYED (CONSULTANT)
- 7 OTHER -----

2. What is your current job level?

- 1 PRESIDENT
- 2 DIVISION HEAD (Supervise 100+ people)
- 3 GROUP LEADER (Supervise 10-100 people)
- 4 CONTRACTING OFFICER
- 5 CONTRACT BUYER/MANAGER
- 6 A NON-SUPERVISORY POSITION
- 7 OTHER -----

3. What is the nature of your current job position?

- 1 CONTRACTING/PURCHASING
- 2 MANUFACTURING/PRODUCTION
- 3 ACCOUNTING/PRICING/AUDIT/COST CONTROL
- 4 ENGINEERING
- 5 RESEARCH
- 6 LEGAL
- 7 MANAGER
- 8 OTHER -----

Background Info Cont'd (Circle Most Appropriate Choice)

4. What is your primary area of expertise?

- 1 CONTRACTING/PURCHASING
- 2 MANUFACTURING/PRODUCTION
- 3 ACCOUNTING/PRICING/AUDIT/COST CONTROL
- 4 ENGINEERING
- 5 RESEARCH
- 6 LEGAL
- 7 PROJECT MANAGEMENT
- 8 OTHER\_\_\_\_\_

5. How many years of experience do you have in your area of expertise?

- 1 5 YRS OR LESS
- 2 6-10 YRS
- 3 11-15 YRS
- 4 16-20 YRS
- 5 20+ YRS

6. The majority of your work falls within which of the following acquisition phases?

- 1 PREAWARD
- 2 AWARD
- 3 POSTAWARD

## *A.2 Cover Letter*

Dear NCMA Fellow,

Over the past thirty years there have been numerous reports and studies concerning Federal procurement reform initiatives. Several of the reports reference the fact that contract specialists must be learned in the many disciplines that are associated with the acquisition process. This responsibility requires considerable knowledge about and communication with these varied disciplines. However, communication is continually blocked by confusing and contradictory terminology. One way to break this barrier of communication is by developing a dictionary of terms and phrases for the contracting career field. But, if the dictionary is going to be of any merit the developed definitions must be validated by an authoritative source.

You are being asked to give your expert opinion concerning the thoroughness and accuracy of selected literature based definitions. You were drawn in a random sample of the NCMA Fellows. In order to further develop and validate comprehensive and useful definitions that truly represent the experts of contract management, it is important that each questionnaire be completed and returned.

You may be assured of complete confidentiality. The questionnaire has an identification number for mailing purposes only. This enables us to check your name off of the mailing list when your questionnaire is returned. Your name will not be associated with your response.

It is anticipated that the results of this research, which is a subset of an ongoing project, will aid in developing a dictionary of contracting words and phrases which can be used and understood by all disciplines of acquisition and laymen. You may receive a summary of results by writing "copy of results requested" on the back of the return envelope, and printing your name and address below it. Please do not put this information on the questionnaire itself.

Captain Laureli Moyle will be most happy to answer any questions you might have. Her telephone number is (513) 879-2042.

Thank You for your assistance.

Sincerely,

William C. Pursch, PhD  
Professor of Contracting Management

### *A.3 First Follow-up Letter*

Last week a questionnaire seeking your opinion about adequately defining selective contracting words and phrases was mailed to you. Your name was drawn from a random sample of NCMA Fellows.

If you have already completed and returned it to me please accept my sincere thanks. If not, please do so today. The survey has been sent to only a small, but representative, sample of NCMA Fellows. Therefore, it is extremely important that your input also be included in the study if the results are to accurately represent the opinions of this authoritative body of experts.

If by some chance you did not receive the questionnaire, or it got misplaced, please call me, collect (513) 879-2042, and I will get another one in the mail for you today.

Sincerely,

Laureli Moyle, CAPT, USAF  
AFIT Graduate Student

#### *A.4 Second Follow-up Letter*

Dear NCMA Fellow,

About three weeks ago I wrote to you seeking your opinion about adequately defining selected contracting terminology. As of today, I have not received your completed questionnaire.

I have undertaken this study with the belief that the contracting field needs a dictionary of baseline terminology to support their expanding body of knowledge. Also, I believe experts in the field of acquisition and contract management should be consulted in the formation of the definitions for the development of a dictionary of contracting terms that professionals and laymen will utilize in the future.

I am writing to you again because of the significance each questionnaire has to the usefulness of this study. Your name was drawn through a sampling process in which every Fellow in NCMA had an equal chance of being selected. Thus, in order for the results of this study to be truly representative of the opinions of experts in acquisition and contracting management, it is essential that each person in the sample return their questionnaire. If you have limited time, marking the rating scale associated with each definition would suffice. (However, comments are helpful).

In the event that your questionnaire has been misplaced, a replacement is enclosed. I will gladly answer any questions you might have. My telephone number is (513) 879-2042.

Your cooperation is greatly appreciated.

Cordially,

Laureli Moyle, CAPT, USAF  
AFIT Graduate Student

## Appendix B. *Final Proposed Definitions*

### *Administrative Contracting Officer (ACO)*

Any person appointed in accordance with prescribed regulations who is authorized and responsible (has a warrant) to carry out assigned and delegated administrative functions, with respect to:

- administering a contract;
- monitoring contractor performance on a contract;
- ensuring contractor compliance with the terms and conditions of a contract;  
and
- securing satisfactory completion of a contract.

Some of the ACO's specific duties include, but are not limited to: participating in preaward reviews, determining whether the contractor's costs are in compliance with Cost Accounting Standards, preparing findings of fact under the Disputes Clause, and issuing progress payments.

Government: When the cognizant ACO is located at an installation other than the one making the contract, he/she is specifically responsible for those functions which are: 1) normally performed at that office; and 2) formally delegated by the Contracting officer, as prescribed in agency regulations (e.g., FAR, DFARS, and OFPP). Otherwise, the CO performs the administrative duties.

Other Related Terms: Contracting Officer (CO), Procuring/Principal Contracting Officer (PCO), Terminating Contracting Officer (TCO), Corporate Administrative Contracting Officer (CACO)

### *Allocation*

Funding: An amount of money transferred from one agency, bureau, or account that is set aside in an appropriation account 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 term includes both direct assignment of costs and the reassignment of a share from an indirect pool.



### *Allotment*

**Budgeting:** 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).

Within DOD the agency heads are the MAJCOMS and they assign money to the appropriate operating divisions (wings or bases).

### *Apportionment*

**Budgeting:** A determination made by the office of Management and Budget (OMB), which distributes a specified amount of public funds (appropriations) among budgeted activities, programs, projects, elements of expense, time periods (usually quarter), or combinations thereof.

Within DOD this determination distributes the designated amount of money to the appropriate services prior to the start of the fiscal year.

### *Appropriation*

**Budgeting:** An act of Congress which permits Federal agencies to expend designated amounts of public funds (incur obligations) and to make payments out of the Treasury for specified purposes. An appropriation is the most common means of providing budget authority and usually follows the passage of an authorization.

Within DOD this action specifies the amount of money available to carry out fiscal year activities and programs.

### *Audit*

The systematic examination, analysis, and evaluation of an organization's records, documents and operations, and the securing of other evidence (i.e., through testing, physical inspection, confirmation or otherwise) to determine and make recommendations regarding to one of more of the following:

- propriety or legality of transactions;
- adequacy and effectiveness of budgeting, accounting, financial and related policies and procedures;

- compliance with applicable statutes, regulations, policies, specifications, and prescribed procedures;
- reliability, accuracy, traceability, and completeness of financial and administrative records and reports and the fairness of the facts they present; and
- the extent to which funds and other resources are properly protected and effectively used.

#### *Board of Contract Appeals*

A designated administrative tribunal within an executive agency which is authorized to hear, examine, and decide on written requests asking for a change (an appeal) of a Contracting Officer's decision, pursuant to the Contract Disputes Act of 1978, and relates to a contract made by that agency. The formal titles of the boards are as follows:

- Armed Services Board of Contract Appeals (ASBCA)
- Corps of Engineers Board of Contract Appeals (ENG BCA)
- Department of Agriculture Board of Contract Appeals (AGBCA)
- Department of Housing and Urban Development Board of Contract Appeals (HUD BCA)
- Department of Interior Board of Contract Appeals (IBCA)
- Department of Labor Board of Contract Appeals (LBCA)
- Department of Transportation Board of Contract Appeals (DOT BCA)
- Department of Energy Board of Contract Appeals (EBCA)
- General Services Administrative Board of Contract Appeals (GSBCA)
- National Aeronautics and Space Administration Board of Contract Appeals (NASA BCA)
- Postal Services Board of Contract Appeals (PSBCA)
- Veterans Administration Board of Contract Appeals (VABCA)

Synonym: Agency Board

#### *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.

Certifications, provided to the government, subject the signer to criminal/civil sanctions of the False Statements Act.

### *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 contract.

**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.

### *Constructive Change*

An alteration to a contract which:

- usually arises from Government actions or inactions (e.g., defective specifications, nondisclosure of vital information, increases in quantity);
- requires the contractor to perform additional, less, or different work, which usually changes the scheduled performance or delivery; and
- is of such nature that it has the same effect as a written change order (operation of law) for which an equitable adjustment is sought.

**Synonyms:** Change by Implication, Unauthorized Change

### *Cure Notice*

A written delinquency notice, required by the Default Clause, to be sent to a contractor when

- there is the possibility of terminating for default, and
- there are at least 10 days remaining in the contract delivery schedule,

and which

- specifies in detail the contractors failures that are endangering the performance and/or progress of the contract, and
- provides the contractor a time period of at least 10 days, to correct the deficiencies.

Other Related Terms: Show Cause Notice, Get Well Notice

### *Contract Dispute*

A conflict of claims and/or contractual disagreements concerning the legal rights and obligations of contracting parties, which if not resolved through discussions and negotiations, must be referred to a neutral forum for resolution (e.g., appropriate Board of Contract Appeals or U.S. Claims Court).

### *General and Administrative (G&A) Expenses*

Any indirect management, financial, or other expense which:

- is not assignable to a program's direct overhead charges for engineering, manufacturing, material, etc.; but
- is routinely incurred by or allotted to a business unit; and
- is for the general management and administration of the business as a whole.

These expenses may include: 1) a company's general and executive office's labor, overtime, sick leave, holidays, and vacations; 2) the cost of staff services such as legal, accounting, auditing, and public relations; 3) the cost of supplies such as

maintenance, public utilities, stationary, and postage; 4) financial costs such as insurance, travel, and training; and 5) other similar and general expenses related to the business unit as a whole. G&A expenses can be further limited by required cost principals (e.g., CAS 410 for government contractors).

### *Nonrecurring Costs*

Costs which generally occur only once in the life cycle of a program, product, system, or service in order to initiate an activity or bring it back to operating condition.

This general heading includes, but is not limited to, costs associated with plant equipment relocation/rearrangement, special tooling and test equipment, design and development drawings and data, system and subsystem test activities, configuration audits, preproduction engineering, production planning, prototypes, rework, and specialized work force training.

Synonyms: Nonrepetitive Costs, Set-Up Costs, Initial Start-Up Costs

### *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 interest arises out of the transfer of 1) all the contractor's assets, or 2) the entire portion of the assets involved in performing a contract.

### *Obligation*

A legally enforceable duty for a certain action or forbearance (resistance to an action).

**Funding:** Orders placed, contracts awarded, services received, and similar transactions for specified needs existing during a given period which require payment of money during the same or future period. Obligated funds can not be released for another purpose without a modification to or termination of an existing contract.

Within DOD funds are obligated when they are put on contract, which occurs when the Contracting Officer signs the contract.

### *Offsets*

A cost balancing action whereby a claim may be cancelled or lessened by a counter-claim.

Defective pricing: *Allowable* understatments (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 a 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

### *Privity of Contract*

The direct legal (contractual) connection or relationship that exists between parties which allows either party to 1) enforce contractual rights against, and 2) seek remedy directly from the other party with whom this relation exists.

Synonym: Contractual Standing/Relationship

### *Recurring Costs*

Costs that are required to operate and maintain an operation and which: 1) vary or occur with the quantity being produced, and 2) occur repeatedly during the life cycle of a program, system, product, or service.

This heading includes, but is not limited to, costs associated with labor, material, services, assembly, manufacturing, sustaining engineering and planning, sustaining tooling, and acceptance testing of production items.

Synonym: Operating Expenses/Costs

### *Show Cause Notice*

A written delinquency notice sent to a contractor when terminating a contract for default is anticipated, and which gives the contractor the opportunity (usually 10 days) to present in writing any facts bearing on why such action should not be taken.

This notice is not a contractual requirement and is issued when a Cure Notice is not appropriate.

Related Term: Cure Notice

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## *Vita*

Captain Laureli Mazik Moyle [REDACTED]

graduated from Redlands High School in Redlands, California in 1980 and attended the U.S. Air Force Academy, graduating with a Bachelor of Science in Management in May 1985. Upon graduation, she received a regular commission in the USAF and served her first tour of duty at Wright-Patterson AFB, Ohio. She began as a Research and Development (R&D) Contract Manager in the Directorate of R&D Contracting, Aeronautical Systems Division (AFSC), where she managed detailed cost evaluations and negotiations of R&D programs for seven Air Force Laboratories. She then chose to move out of the pricing division to the Aerospace Medical Division where she was responsible for acquisition management of R&D contracts in support of AFSC Human Systems Division (HSD) and HSD's Armstrong Aerospace Medical Research Laboratory. She later left R&D contracting and joined the Systems Systems Program Office, ASD, where she managed contract actions on the Infrared Maverick annual production quantities and associated requirements until entering the School of Systems and Logistics, Air Force Institute of Technology, in May 1989.

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