



# Federal Aviation Administration

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## Memorandum

Date: June 27, 2024

To: Nathan Tash, Deputy Assistant Administrator for Acquisition and Business Services, FAA Acquisition Executive, (ACQ-1)

From: Dave Rickard, Deputy Assistant Administrator for Financial Services, Chief Financial Officer, (ABA-1)

Subject: INTERIM Acquisition Management System (AMS) Policy and Guidance to Implement the Simplified Chief Financial Officer (CFO) Review and Approval Process for Ceiling Increases

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### Purpose

This memorandum (memo) is to establish an interim Acquisition Management System (AMS) guidance in order to implement a simplified Chief Financial Officer (CFO) Approval process for any individual modification or combination of modifications to an existing contract, lease, order, or agreement that increases the base value (i.e., total ceiling or total estimated potential value (TEPV) previously approved by the CFO) by 15 percent or \$15 million or more (whichever is lower).

### Background

AMS T3.2.1.4.A1d mandates that any increase to the ceiling of an existing contract, order, or agreement valued by 15% or \$15 million (whichever is less) above the originally CFO-approved TEPV requires CFO approval. Currently, there is no distinction within AMS between the documentation and approval requirements for new or follow-on procurements and the requirements for modifications to increase existing TEPVs/ceilings.

### AFI-500 Analysis

An evaluation of the CFO approval process for authorizing increases to the TEPV or ceiling of existing contracts, task or delivery orders, and agreements was conducted by reviewing AMS T3.2.1.4.A1d, interviewing stakeholders, and analyzing the AFI-500 comment resolution matrices. The goal was to determine if requiring signatures from multiple parties, including the Head of Line of Business or Staff Office, Procurement Attorney, Contracting Officer (for Support Service Contracts), and Chief Information Officer, was necessary. This assessment was based on the observation that most contract modifications requesting a TEPV/ceiling increase do not alter the scope but simply provide additional ceiling.

1) **Signature Approval Process:** The criteria for the signatory process to be considered value-add were that the output from multiple review cycles provided utility to the program office, the signatory, and/or the CFO rather than just being a procedural step. Upon further review of the current signature approval process, the findings are as follows:

- **Unoptimized Signature Approval Process:**

- The involvement of multiple signatories can lead to significant delays, as each additional layer of approval adds time to the overall process. This can be particularly problematic for urgent matters requiring swift action, making the process cumbersome and inefficient.

- **Resource Strain:**

- The redundancy of having multiple signatories review and approve documents that do not significantly benefit from such scrutiny can strain resources.
- This requirement can divert attention from other critical tasks, particularly when modifications within the scope are straightforward.

**Recommendation:** To ensure accountability and maintenance of appropriate level of ABA oversight, it is recommended that AMS be updated with limiting signatories for actions that fall under T3.2.1.4.A.1.d by requiring signatures only from the sponsoring Agency Heads of Line of Business or Staff Office heads and the CFO.

2) **Documentation Requirements:** AMS Guidance T3.2.1.4.A.1.j currently requires the same set of documents for both CFO approval of modifications to increase the TEPV/ceilings and new/follow-on procurements. These include:

- Signed CFO approval form and completed checklist (*completed in the Chief Financial Officer Package Submission Tool (CPST)*)
- Business case
- Statement of Work (SOW)
- Independent Government Cost Estimate (IGCE)
- Section/Schedule B
- Single Source Justification, if applicable

The original CFO package currently includes an approved business case that justifies the contract's existence and scope. Modifications to only increase the TEPV typically involve changes within this initial justified scope, making an additional business case redundant. Additionally, this requirement for an updated business case is resource-intensive and can divert resources from other critical tasks.

**Recommendation:** To enhance efficiency and effectiveness, it is recommended to change T3.2.1.4.A.1.d to simplify the documentation requirements for modifications that require CFO review and approval. The following documents are determined to be essential documents for modifications to increase the TEPV/ceiling:

- CFO approval form and completed checklist (*completed in CPST*)
- Justification Memorandum
- Statement of Work (SOW)
- Independent Government Cost Estimate (IGCE)
- Section/Schedule B

- Copy of approved Single Source Justification, *if applicable*

## **Conclusion**

Simplifying the approval process by focusing on essential documentation required for decisions and reducing the number of required signatories will enhance efficiency and effectiveness, while still ensuring the necessary oversight is conducted. Implementing the recommended change will allow for more timely and effective contract modifications.

Based on the foregoing recommendations, if approved, the interim changes to AMS Guidance T3.2.1.4.A1d are revised to read as follows:

### **T3.2.1.4 - Chief Financial Officer Requirements**

#### **A Chief Financial Officer Approvals and Other Requirements**

##### **1 Authorization for Procurement Request**

[...]

d. CFO approval is required on all modification actions (except as noted in paragraph e., below) to existing contracts, orders, or agreements where the following applies:

(1) Any individual modification or combination of modifications to an existing contract of less than \$15 million, which increases the total value to \$15 million or more;

(2) Any individual modification or combination of modifications previously not approved by the CFO to a contract with a value greater than \$15 million or that increases the base value (the total ceiling or value previously approved by the CFO by the lesser of either 15 percent or \$15 million or more.

If your contract action applies to d(1) or d(2), the sponsoring Agency Heads of Line of Business or Staff Office Heads and the CFO signature are required and the following documents:

- Signed CFO approval form and completed checklist (*completed in CPST*)
- Justification Memorandum
- Statement of Work (SOW)
- Independent Government Cost Estimate (IGCE)
- Section/Schedule B
- Copy of approved Single Source Justification, *if applicable*

**Effective Date:** The interim changes would be effective upon the date of FAA Acquisition Executive signature and would remain in effect until expressly rescinded or until permanent implementation to the AMS.

**Contact for Questions:** Please submit questions regarding implementation of this AMS Policy and Guidance to mailbox 9-AFN-ACQ-EM@faa.gov. AAP will respond directly to the question and provide updates to Frequently Asked Questions (FAQs) via AAP Policy Alerts.

Approved by:

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Nathan Tash, ACQ-1

Deputy Assistant Administrator for Acquisition and Business Services, FAA Acquisition Executive