

**COMPARISON OF
GOVERNMENT-OWNED CONTRACTOR-OPERATED (GOCO) FACILITIES
AND
MANAGEMENT AND OPERATING (M&O) CONTRACTORS¹**

DEFINITION

GOCO: (Government-Owned, Contractor Operated) facility is a manufacturing plant that is owned by the Government and operated under contract by a non-government, private firm. Source: Department of Defense Joint Publication (JP) 1-02.

M&O: (Management and operating contract) means an agreement under which the Government contracts for the operation, maintenance, or support, on its behalf, of a Government-owned or-controlled research, development, special production, or testing establishment wholly or principally devoted to one or more major programs of the contracting Federal agency. Source: FAR 17.601

COMPARISONS

<u>GOCO</u>	<u>M&O</u>	<u>Reference</u>	<u>Functions</u>
X	X	FAR 16.101 FAR 16.300	1. <i>Type of U.S. Government Contract</i> a. Fixed price b. Cost reimbursable
X	X X	CICA (PL 98-369) FAR 17.604 FAR 17.601/17.604	2. <i>Relationship with Sponsoring Federal Agency</i> a. Organizationally separate from contracting federal agency operations b. Fully integrated with contracting federal agency operations c. Performs major function or program of contracting federal agency.
X	X X X X X X	FAR 17.601 Atomic Energy Act Stevenson-Wydler Tech. Act FAR 17.601 FAR 35.017 FAR 35.005/35.006	3. <i>Normal Type of Work</i> a. Performs routine production (All categories minus nuclear related) b. Conducts Research and Development (R&D) c. Performs Special Production (Nuclear) d. Performs Special Production (non-Nuclear technology invention or application) e. Operates a Testing Establishment f. Operates a Federally Funded Research and Development Center (FFRDC) g. Does work on Level of Effort (LOE) status

¹ Information updated October 6, 2005. For further information, contact Mr. David W. Bradford, Oak Ridge National Laboratory, at (865) 574-9798 or bradforddw@ornl.gov

X	X	FAR 35.005/35.006	h.	Designs firmly established so that risks are reduced.
X	X	FAR 35.005.35.006	I.	Uses production tooling, equipment, and processes that are developed and proven.
			4.	<i>Organizational Conflicts of Interest (OCI)</i>
	X	FAR 35.001/35.017	a.	Has special access to Government and supplier data, employees, and facilities beyond that which is common in a normal contractual relationship.
X			b.	Has operations that are commingled with commercial operations
X			c.	Can compete in the U.S. private, commercial sector.
	X	FAR 35.017/17.504(e)	d.	Accept cost-reimbursable work from other federal agencies through federal sponsor
	X	FAR 35.017	e.	Has Special OCI restrictions on communicating with parent company
			5.	<i>Contractor Changeover after New Contract Award</i>
X			a.	Wholesale replacement of personnel; may hire some previous contractor personnel
	X	FAR 17.604(d)	b.	Retain en masse the trained scientific and technical staff; may replace senior management
			6.	<i>Use by Federal Agencies (Sample only)</i>
X			a.	Department of Defense (DOD)
	X		b.	Department of Energy (DOE)
X			c.	Internal Revenue Service (IRS)
X			d.	General Services Agency (GSA)
X	X		e.	National Aeronautics and Space Administration (NASA)

REFERENCE

This March 2005 edition is a complete reissue of the FAR. It includes all Federal Acquisition Circulars through 2001-27

Subpart 17.6 -- Management and Operating Contracts

17.600 -- Scope of Subpart.

This subpart prescribes policies and procedures for management and operating contracts for the Department of Energy and any other agency having requisite statutory authority.

17.601 -- Definition.

“Management and operating contract” means an agreement under which the Government contracts for the operation, maintenance, or support, on its behalf, of a Government-owned or-controlled research, development, special production, or testing establishment wholly or principally devoted to one or more major programs of the contracting Federal agency.

17.602 -- Policy.

(a) Heads of agencies, with requisite statutory authority, may determine in writing to authorize contracting officers to enter into or renew any management and operating contract in accordance with the agency’s statutory authority, or the Competition in Contracting Act of 1984, and the agency’s regulations governing such contracts. This authority shall not be delegated. Every contract so authorized shall show its authorization upon its face.

(b) Agencies may authorize management and operating contracts only in a manner consistent with the guidance of this subpart and only if they are consistent with the situations described in [17.604](#).

(c) Within 2 years of the effective date of this regulation, agencies shall review their current contractual arrangements in the light of the guidance of this subpart, in order to --

(1) Identify, modify as necessary, and authorize management and operating contracts; and

(2) Modify as necessary or terminate contracts not so identified and authorized, except that any contract with less than 4 years remaining as of the effective date of this regulation need not be terminated, nor need it be identified, modified, or authorized unless it is renewed or its terms are substantially renegotiated.

17.603 -- Limitations.

(a) Management and operating contracts shall not be authorized for --

- (1) Functions involving the direction, supervision, or control of Government personnel, except for supervision incidental to training;
- (2) Functions involving the exercise of police or regulatory powers in the name of the Government, other than guard or plant protection services;
- (3) Functions of determining basic Government policies;
- (4) Day-to-day staff or management functions of the agency or of any of its elements; or
- (5) Functions that can more properly be accomplished in accordance with [Subpart 45.3](#), Providing Government Property to Contractors.

(b) Since issuance of an authorization under [17.602\(a\)](#) is deemed sufficient proof of compliance with paragraph (a) immediately above, nothing in paragraph (a) immediately above shall affect the validity or legality of such an authorization.

(c) For use of project labor agreements see [36.202\(d\)](#).

17.604 -- Identifying Management and Operating Contracts.

A management and operating contract is characterized both by its purpose (see [17.601](#)) and by the special relationship it creates between Government and contractor. The following criteria can generally be applied in identifying management and operating contracts:

(a) Government-owned or-controlled facilities must be utilized; for instance, --

- (1) In the interest of national defense or mobilization readiness;
- (2) To perform the agency's mission adequately; or
- (3) Because private enterprise is unable or unwilling to use its own facilities for the work.

(b) Because of the nature of the work, or because it is to be performed in Government facilities, the Government must maintain a special, close relationship with the contractor and the contractor's personnel in various important areas (*e.g.*, safety, security, cost control, site conditions).

- (c) The conduct of the work is wholly or at least substantially separate from the contractor's other business, if any.
- (d) The work is closely related to the agency's mission and is of a long-term or continuing nature, and there is a need --
 - (1) To ensure its continuity; and
 - (2) For special protection covering the orderly transition of personnel and work in the event of a change in contractors.

17.605 -- Award, Renewal, and Extension.

- (a) Effective work performance under management and operating contracts usually involves high levels of expertise and continuity of operations and personnel. Because of program requirements and the unusual (sometimes unique) nature of the work performed under management and operating contracts, the Government is often limited in its ability to effect competition or to replace a contractor. Therefore contracting officers should take extraordinary steps before award to assure themselves that the prospective contractor's technical and managerial capacity are sufficient, that organizational conflicts of interest are adequately covered, and that the contract will grant the Government broad and continuing rights to involve itself, if necessary, in technical and managerial decision-making concerning performance.
- (b) The contracting officer shall review each management and operating contract, following agency procedures, at appropriate intervals and at least once every 5 years. The review should determine whether meaningful improvement in performance or cost might reasonably be achieved. Any extension or renewal of an operating and management contract must be authorized at a level within the agency no lower than the level at which the original contract was authorized in accordance with [17.602\(a\)](#).
- (c) Replacement of an incumbent contractor is usually based largely upon expectation of meaningful improvement in performance or cost. Therefore, when reviewing contractor performance, contracting officers should consider --
 - (1) The incumbent contractor's overall performance, including, specifically, technical, administrative, and cost performance;
 - (2) The potential impact of a change in contractors on program needs, including safety, national defense, and mobilization considerations; and
 - (3) Whether it is likely that qualified offerors will compete for the contract.