OVERVIEW OF ADR FOR ACQUISITION CONTRACTS, COOPERATIVE AGREEMENTS AND GRANTS

Alternative Dispute Resolution (ADR) techniques are firmly established as routine practices for resolving disputes between Federal Agencies and their business partners engaged in contracts, cooperative agreements and grants. ADR is well rooted in applicable agency regulations, as well as the rules of practice of the relevant administrative adjudication forums.

I. Context – Collaborative Negotiation in Federal Contracts, Grants, and Cooperative Agreements

In fiscal year (FY) 2011, the combined federal spending on contracts, grants, and cooperative agreements accounted for the largest proportion (51.1%) of the federal budget. The combined amount spent for these transactions was 1.085 trillion dollars, or 12% of the gross domestic product of the United States.¹

Spending on this scale requires millions of transactions each year. The Federal Government as a whole executed 3,326,377 contract transactions (i.e., awards of contracts, delivery orders, purchase orders, etc.) in FY 2011, and this figure does not include grants or cooperative agreements.² In sharp contrast to the huge volume of transactions, the numbers of formal protests and contract disputes generally do not exceed 5,000 in a given year. This low ratio of formal disputes to transactions may be attributable, at least in part, to the collaborative business negotiations conducted by contracting officers and their counterparts in industry. ADR, as used in the procurement context, is a way to re-establish the familiar collaborative business relationship to parties who find themselves in adjudication before a board, court, or other forum.

¹ See Office of Mgmt. and Budget, Fiscal Year 2013 Historical Tables, Budget of the U.S. Government, Table 1.2 (2012) (showing FY 2011 total spending as a percentage of GDP at 24.1%). The combined spending figure of 1.085 trillion dollars, representing 51.1% of total federal spending in FY 2011, comes from www.USASpending.Gov (last visited on March 16, 2012). By extension, spending for contracts, grants and cooperative agreements accounted for 12% of GDP in FY 2011.

² www.USASpending.Gov (last visited on March 16, 2012), using “Advance Search” with filters for fiscal year 2011 and “contracts.” A similar search for grants and cooperative agreements yields 533,373 grant and cooperative agreement transactions in FY 2011. Id.
II. ADR in Federal Government Contracting

A. ADR Statutes, Regulations, and Clauses

Voluntary ADR for contract disputes and protests rests on a solid foundation of legal authority. Consider the following examples:

- The Contracts Disputes Act (CDA) of 1978, as amended and codified at 41 U.S.C. § 7103(h) (2011), grants express authority to contracting officers to use ADR.
- The Federal Aviation Administration’s (FAA) acquisition statute, found at 49 U.S.C. § 40110(d) (1994) (amended 2011), provides for “the resolution of bid protests and contract disputes related thereto, using consensual alternative dispute resolution techniques to the maximum extent practicable.”
- Federal Acquisition Regulation (FAR):
- FAA’s Acquisition Management System (AMS):
- Many Agency policies establish ADR as a normal, voluntary process for resolution of contract disputes, for example:
  - General Services Administration FAR Supplement, 48 C.F.R. § 533.214.

B. ADR during Contract Formation – Protests

Broadly speaking, in certain circumstances, offerors or potential offerors have the opportunity to “protest” agency contracting procedures and awards. These protests can be informal at the agency level, or more formal at the Government Accountability Office (GAO), the Court of Federal Claims (COFC), or the ODRA (FAA only).

1. Agency Level Protests

Executive Order 12979, Agency Procurement Protests, requires agencies to establish informal protest procedures that provide to the maximum extent practicable, “the use of alternative dispute resolution techniques, third party neutrals, and another agency’s personnel.” Exec. Order No.
12, 979, 60 Fed. Reg. 55,171(1995). The FAR § 33.103 implements this requirement. Examples of agency-based, informal protest processes include:

- Army Material Command (AMC) – in 2003, the AMC won the Office of Federal Procurement Policy (OFPP) ADR Award for its agency protest program, which has been in effect since 1991. At the time of the award, AMC reported that protests are resolved in an average of 17 days, and only 9% proceed to GAO or court; of those, only 4 cases have ever been sustained. This successful method of dispute avoidance has continued over the past several years. From 2009 through 2011, AMC handled 142 protests locally, only two disappointed protesters chose to proceed to GAO, and neither protest was sustained by GAO.
- The Air Force and Army are increasingly using “enhanced debriefing” techniques to avoid formal protests.

2. ADR for Formal Protests


Parties at the FAA’s ODRA make extensive use of ADR for protests. The ODRA typically offers mediation or early neutral evaluation, and the appointed neutral will not participate in any subsequent adjudication of the matter. Information is available at www.faa.gov/go/odra.

C. ADR in Contract Administration

1. Dispute Management and Avoidance Techniques

- Partnering – Partnering is a method of contract administration that uses a team approach to contract administration. It frequently uses a neutral facilitator who ensures that issues are addressed early, before they ripen into full-blown disputes. The Naval Facilities Engineering Command won the OFPP ADR Award for its Construction Partnering program. To learn more, visit http://www.adr.navy.mil/content/acquisitionadr.aspx.
- Tiered discussion clauses – see Part III, infra.
- FAR § 16.505 (2011) ombudsman for delivery orders awards.
- Pre-dispute mediation – Agencies may use the services of private neutrals or judges from the Boards of Contract Appeals and the ODRA to mediate disputes before they are formally filed at a forum. The ODRA, for example, reports a 97% resolution rate for such matters.
- Binding arbitration is available to a few agencies that have issued policies in accordance with 5 U.S.C. § 575(c) (1990) (amended 1996). Both the Department of the Navy (SECNAVINST 5800.15) and the FAA have such authority. Arbitration, however, is rarely used.
2. Formal Administrative Adjudication

All primary forums that hear government contracts disputes and appeals offer an ADR option:

- The Armed Services Board of Contract Appeals (ASBCA) routinely conducts ADR for appeals within their jurisdiction and often upon request of the parties prior to an appeal being filed. The ASBCA typically uses “settlement judges,” “minitrials,” and “summary trials with binding decisions.” Procedures and forms are found at [http://www.asbca.mil/Rules/rules.html](http://www.asbca.mil/Rules/rules.html).
- The Civilian Board of Contract Appeals (CBCA) uses many of the same techniques as the ASBCA. Board Rule 54 allows parties to use non-binding ADR techniques such as facilitative mediation and early neutral evaluation and to tailor procedures to their individual needs. Details are available at [http://www.cbca.gsa.gov/](http://www.cbca.gsa.gov/).
- The FAA’s Office of Dispute Resolution for Acquisition (ODRA) successfully resolves 90% of the contract disputes it receives using ADR. Mediation, by far, is the technique most often used. More information is available at [www.faa.gov/go/odra](http://www.faa.gov/go/odra).
- The Court of Federal Claims has co-extensive jurisdiction as the boards of contract appeals under the CDA of 1978. Under General Order No. 44, all cases (except bid protests) are assigned to both a “presiding judge” and an “ADR Judge.” “The goal of the ADR Automatic Referral Program is to provide for early meetings with a settlement judge to help the parties reach a better understanding of their differences and their prospects for settlement.” United States Court of Federal Claims General Order No. 44, available at [http://www.uscfc.uscourts.gov/sites/default/files/court_info/ADR_Procedures.pdf](http://www.uscfc.uscourts.gov/sites/default/files/court_info/ADR_Procedures.pdf) (Jun. 21, 2007).

III. ADR Incorporated into Cooperative Agreements and Grants

Grants and cooperative agreements are distinguished from “contracts,” as shown by the following quote from the FAR:

Contracts shall be used only when the principal purpose is the acquisition of supplies or services for the direct benefit or use of the Federal Government. Grants or cooperative agreements should be used when the principal purpose of the transaction is to stimulate or support research and development for another public purpose.

FAR § 35.103(a) (paraphrasing and implementing the Federal Grant and Cooperative Agreement Act (FGCA), codified at 31 U.S.C. §§ 6301-6308) (1982). Unlike contracts, grants and cooperative agreements are subject to less uniform procedural regulations, including less consistent access to formal administrative review of the type used for contract protests, disputes and appeals. Nevertheless, some regulations are established for disputes and ADR has found its way into this arena as well.
A. Sample Regulations

- The procedural rules for the Departmental Appeals Board of the Department of Health and Human Services, at 45 C.F.R. § 16.18(a) (1981) (amended 1997), provide for mediation to resolve grant disputes. The Board uses mediation in a variety of program disputes including cost disallowances, cost rate disputes with grantees, and civil enforcement actions (program exclusions, civil money penalties) against non-complying nursing home and providers of Medicare and Medicaid services. The Affordable Care Act calls for mediation in a number of new program areas and will expand others.


B. Dispute Avoidance – Tiered Discussion Clauses

Tiered discussion clauses elevate a dispute up the organizational structures of the parties. This procedure, in theory, removes some of the emotion from the decision making process, and minimizes the importance of the dispute by transferring it to officials who presumably have more important issues to address. These clauses also create an incentive for first level employees of both parties to work out their differences rather than create more work for their leadership. Examples abound:

- The National Institutes of Health (NIH) has the following clause in their standard Cooperative Research and Development Agreement (CRADA):

  Article 11. Disputes

  11.1 Settlement. Any dispute arising under this CRADA which is not disposed of by agreement of the NIH CRADA Extramural Investigator/Officer(s) and CRADA Collaborator PI(s) will be submitted jointly to the signatories of this CRADA. If the signatories, or their designees, are unable to jointly resolve the dispute within thirty (30) days after notification thereof, the Assistant Secretary for Health (or his/her designee or successor) will propose a resolution. Nothing in this Paragraph will prevent any Party from pursuing any additional administrative remedies that may be available and, after exhaustion of such administrative remedies, pursuing all available judicial remedies.

  Model PHS CRADA for Extramural-PHS Clinic Research at

- Standard clauses for grants issued by the Office of Naval Research also encourage ADR, and include the following clause with regard to claims:

**Alternative Dispute Resolution (ADR).**

The Parties shall endeavor to agree upon an ADR technique (such as discussions, mediation, or mini-trial) appropriate to resolve any dispute, and they shall use ADR to the maximum extent practicable.


**IV. IADRWG Efforts to Promote ADR for Acquisition**

For many years, the Contracts and Procurement Section of the Interagency ADR Working Group has promoted the use and refinement of ADR through free programs co-sponsored with the ADR Committee of the American Bar Association’s Section of Public Contract Law. These programs, which have reached thousands of interested listeners, are usually presented in Washington DC and teleconferenced nationally. They have featured recognized experts, practitioners, academics, authors, senior corporate officers, neutrals, contracting officers, and judges. Since FY 2006, these programs have included the following titles:

<table>
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<tr>
<th>Title</th>
<th>Date (mm/dd/yyyy)</th>
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<tr>
<td>Arbitration of Prime Contractor and Subcontractor Disputes</td>
<td>05/01/2012</td>
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<tr>
<td>Making Money Talk: A Presentation by J. Anderson Liddle</td>
<td>12/14/2011</td>
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<tr>
<td>Telephonic Mediation of Acquisition Protests and Contract Disputes</td>
<td>05/10/2011</td>
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<tr>
<td>Interest-Based Negotiation Through the Prism of Culture</td>
<td>02/08/2011</td>
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<td>Dispute Resolution Boards and Partnering in Public Works Projects Webinar</td>
<td>04/13/2010</td>
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<td>State Government ADR: Examples from the District of Columbia, Maryland and Virginia</td>
<td>11/03/2009</td>
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<td>Effective ADR Advocacy before the Boards of Contract Appeals</td>
<td>03/24/2009</td>
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<td>Arbitration: Ensuring Efficient and Reversible Proceedings under New Supreme Court Restraints</td>
<td>10/06/2008</td>
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<tr>
<td>Trends in Alternative Dispute Resolution (ADR) Law</td>
<td>05/07/2008</td>
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<td>Using ADR to Resolve Civil False Claims Act and Qui Tam Actions</td>
<td>11/27/2007</td>
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<td>Conflict Management In Evolution</td>
<td>06/11/2007</td>
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<td>Agency ADR Programs: The Inside View - What Every Contractor Should Know</td>
<td>04/18/2006</td>
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<td>Federal Procurement ADR Update</td>
<td>12/15/2005</td>
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These programs have been announced through the Department of Justice’s website and listserv, found at [www.adr.gov](http://www.adr.gov). The Section’s Electronic Guide to Federal Procurement ADR can also be found on the website, at [http://www.adr.gov/adrguide/](http://www.adr.gov/adrguide/).
NOTICE REGARDING ALTERNATIVE METHODS OF
DISPUTE RESOLUTION

The Contract Disputes Act, 41 U.S.C. § 7105, states that boards of contract appeals "shall ... to the fullest extent practicable provide informal, expeditious, and inexpensive resolution of disputes[]." Resolution of a dispute at the earliest stage feasible, by the fastest and least expensive method possible, benefits both parties. To that end, the Board suggests that the parties consider Alternative Disputes Resolution (ADR) procedures.

The ADR methods described in this Notice are intended to suggest techniques which have worked in the past. Any method which brings the parties together in settlement, or partial settlement, of their disputes is a good method. The ADR methods listed are not intended to preclude the parties' use of other ADR techniques which do not require the Board's participation, such as settlement negotiations, fact finding conferences or procedures, mediation, or minitrials not involving use of the Board's personnel. The ADR methods described below are designed to supplement existing "extrajudicial" settlement techniques, not to replace them. Any method, or combination of methods, including one which will result in a binding decision, may be selected by the parties without regard to the dollar amount in dispute.

Requests to the Board to utilize ADR procedures must be made jointly by the parties. If an ADR method involving the Board's participation is requested by the parties, the presiding administrative judge or member of the Board's legal staff will forward the request to the Board's Chairman for consideration. Unilateral requests or motions seeking ADR will not be considered. The presiding administrative judge or member of the Board's legal staff may also schedule a conference to explore the desirability and selection of an ADR method. If a non-binding ADR method involving the Board's participation is requested and approved by the Chairman, a settlement judge or other neutral advisor will be appointed. Usually the person appointed will be an administrative judge or hearing examiner employed by the Board.

If a non-binding ADR method fails to resolve the dispute, the appeal will be restored to the active docket for processing under the Board's Rules. To facilitate full, frank and open discussion and presentations, any settlement judge or neutral advisor who has participated in a non-binding ADR procedure which has failed to resolve the underlying dispute will ordinarily not participate in the restored appeal. Further, the judge or advisor will not discuss the merits of the appeal or substantive matters involved in the ADR proceedings with other Board personnel. Unless the parties explicitly request to the contrary, and such request is approved by the Chairman, the assigned ADR settlement judge or neutral advisor will be excused from consideration of the restored appeal.

Written material prepared specifically for use in an ADR proceeding, oral presentations made at an ADR proceeding, and all discussions in connection with such proceedings between representatives of the parties and a settlement judge or a neutral advisor are confidential and, unless otherwise specifically agreed by the parties, inadmissible as evidence in any pending or future Board proceeding involving the parties or matter in dispute. However, evidence otherwise admissible before the Board is not rendered inadmissible because of its use in an ADR proceeding.
Guidelines, procedures, and requirements implementing the ADR method selected will be prescribed by agreement of the parties and the settlement judge or neutral advisor. ADR methods can be used successfully at any stage of the litigation. Adoption of an ADR method as early in the appeal process as feasible will eliminate substantial cost and delay. Generally, ADR proceedings will be concluded within 120 days following approval of their use by the Chairman.

The following ADR methods are consensual and voluntary. Both parties and the Board must agree to use of any of these methods.

1. Settlement Judge: A "settlement judge" is an administrative judge or hearing examiner who will not hear or have any formal or informal decision-making authority in the appeal and who is appointed for the purpose of facilitating settlement. In many circumstances, settlement can be fostered by a frank, in-depth discussion of the strengths and weaknesses of each party's position with the settlement judge. The agenda for meetings with the settlement judge will be flexible to accommodate the requirements of the individual appeal. To further the settlement effort, the settlement judge may meet with the parties either jointly or individually. A settlement judge's recommendations are not binding on the parties.

2. Minitrial: The minitrial is a highly flexible, expedited, but structured, procedure where each party presents an abbreviated version of its position to principals of the parties who have full contractual authority to conclude a settlement and to a Board-appointed neutral advisor. The parties determine the form of presentation without regard to customary judicial proceedings and rules of evidence. Principals and the neutral advisor participate during the presentation of evidence in accordance with their advance agreement on procedure. Upon conclusion of these presentations, settlement negotiations are conducted. The neutral advisor may assist the parties in negotiating a settlement. The procedures for each minitrial will be designed to meet the needs of the individual appeal. The neutral advisor's recommendations are not binding.

3. Summary Trial With Binding Decision: A summary trial with binding decision is a procedure whereby the scheduling of the appeal is expedited and the parties try their appeal informally before an administrative judge or panel of judges. A summary "bench" decision generally will be issued upon conclusion of the trial or a summary written decision will be issued no later than ten days following the later of conclusion of the trial or receipt of a trial transcript. The parties must agree that all decisions, rulings, and orders by the Board under this method shall be final, conclusive, not appealable, and may not be set aside, except for fraud. All such decisions, rulings, and orders will have no precedential value. The length of trial and the extent to which scheduling of the appeal is expedited will be tailored to the needs of each particular appeal. Pretrial, trial, and post-trial procedures and rules applicable to appeals generally will be modified or eliminated to expedite resolution of the appeal.

4. Other Agreed Methods: The parties and the Board may agree upon other informal methods which are structured and tailored to suit the requirements of the individual appeal.

The above-listed ADR procedures are intended to shorten and simplify the Board's more formalized procedures. Generally, if the parties resolve their dispute by agreement, they benefit in terms of cost and time savings and maintenance or restoration of amicable relations. The Board will not view the parties' participation in ADR proceedings as a sign of weakness. Any method adopted for dispute resolution depends upon both parties having a firm, good faith commitment to resolve their differences. Absent such intention, the best structured dispute resolution procedure is unlikely to be successful.
ADR at the Civilian Board of Contract Appeals

The United States Civilian Board of Contract Appeals (CBCA) was formed in January 2007 as a result of the statutory consolidation of seven federal civilian agency boards that had operated separately for many decades. Pursuant to the Contract Disputes Act of 1978 (CDA), 41 U.S.C. 7101-7109, the CBCA serves as the forum for the resolution of contract related disputes for all agencies other than the Department of Defense, the Department of the Army, the Department of the Navy, the Department of the Air Force, the National Aeronautics and Space Administration, the United States Postal Service, the Postal Rate Commission, and the Tennessee Valley Authority.¹

The CBCA adheres to the policy enunciated by Congress in the Administrative Dispute Resolution Act of 1996 (ADRA), actively encouraging parties in matters before it to use alternative dispute resolution (ADR) procedures voluntarily to the maximum extent practicable, in lieu of engaging in protracted, more costly litigation. To that end, Board Rule 54 allows parties to use non-binding ADR techniques such as facilitative mediation and early neutral evaluation and to tailor procedures to their individual needs. In addition to furnishing its Board Judges as ADR neutrals (either through the parties’ identification of and request for specific Judges or through a system of random selection), the CBCA permits parties to use outside, independent neutrals if they so desire. The CBCA maintains a separate ADR docket to track the cases that have been formally assigned to a Board Judge to serve as an ADR neutral. The CBCA encourages ADR usage at the earliest stage, and it makes its Judges available to federal civilian agencies to assist them in resolving matters in controversy that may arise during contract performance, even before an appeal has been filed under the CDA, or even before a contract claim has been formulated. The services of CBCA Judges as ADR neutrals are provided without compensation to agencies whose CDA appeals are heard by the Board.

The CBCA’s record of ADR success has been remarkable. In CY2011, for example, CBCA Board Judges conducted 42 non-binding ADR proceedings (mostly mediations) and achieved a settlement in 40 cases,² representing a success rate of 95%.³

Aside from using non-binding ADR procedures in CDA matters, the Board, through a technique described in Board Rule 54 as “summary binding decision,” offers litigants expeditious, non-precedential and non-appealable single judge binding case dispositions, which

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¹ Though the Federal Aviation Administration (FAA) is part of the Department of Transportation, its contract disputes are not subject to the CDA. Pursuant to separate Congressional legislation, FAA contract disputes are resolved by the FAA Office of Dispute Resolution for Acquisition (ODRA), under the FAA Acquisition Management System (AMS).

² In 1 of the 40 cases, a partial settlement was achieved, and the remainder is still pending.

³ Because CBCA Board Judges are trained as mediators and regularly involve themselves in mediation, in addition to their enviable record of success through formal ADR procedures, they achieve a high degree of success while presiding over Board appeals, by taking advantage of regular status conferences, where they explore critical issues with the parties and are able to facilitate negotiations and ultimate settlements between the parties. In this way, the need for further discovery, hearings, and the submission of pre-hearing and post-hearing briefs frequently is eliminated.
are much akin to binding arbitrations. Besides its active ADR practice in CDA appeals, the CBCA is called upon to furnish binding arbitration services in two other contexts. Under section 601 of the American Recovery and Reinvestment Act of 2009, Public Law 111-5, the CBCA provides three-judge arbitration panels to resolve disputes with the Federal Emergency Management Agency (FEMA) regarding public assistance grant funding for damages arising from Hurricanes Katrina and Rita. Under binding arbitration guidance developed by the Department of Transportation, Federal Motor Carrier Safety Administration (FMCSA), pursuant to the ADRA, CBCA Board Judges also regularly provide binding arbitration to resolve disputes relating to FMCSA’s assessment of fines against motor carriers who violate federal motor carrier safety regulations. Since 2007, the CBCA has completed 44 FEMA arbitrations and 53 FMCSA arbitrations.
CASE MANAGEMENT STATISTICS
As of September 30, 2011

I. CASE TOTALS

Total Cases Filed: 766 (including: 419 FAA Protests; 29 TSA Protests; 169 FAA Contract Disputes; 19 TSA Contract Disputes; 112 Pre-disputes; 4 FAA A-76 Contests; 12 EAJA applications; 1 FAA grant dispute under 14 C.F.R. Part 16 and 1 United Nations Award Challenge)

Cases Completed: 753
Cases Resolved Via ADR: 563 (75%)
Cases Closed Without Resolution: 2
Adjudicatory Decisions Issued: 188

II. PRE-DISPUTES

Total Pre-Dispute & Dispute Avoidance Matters Filed: 112
Cases Resolved Through ADR: 109 (97%)
Closed: 2
Pending: 1

III. BID PROTESTS (FAA & TSA)

Total Protests Filed: 448
Total Protests Completed: 441
Protests Resolved Via ADR: 283 (64%)
Protests Adjudicated to Final Agency Decision: 158
   Dismissed: 36
   Partially or Fully Sustained: 42
   Denied on Merits: 80
Pending: 7
IV. CONTRACT DISPUTES (FAA & TSA)

Total Contract Disputes Filed: 188
Total Contract Disputes Completed: 183
Cases Resolved Via ADR: 165 (90%)
Cases Adjudicated to Final Agency Decision: 18
   Dismissed: 5
   Partial or Full Relief granted: 8
   Relief denied: 5
Pending: 5

V. CONTESTS UNDER OMB CIRCULAR A-76

Total Contests Filed: 4
Total Contests Completed: 4
Cases Resolved Via ADR: 2 (50%)
Cases Adjudicated to Final Agency Decision: 2

VI. EQUAL ACCESS TO JUSTICE ACT (EAJA) CASES

Total EAJA Cases Filed: 12
Total EAJA Cases Completed: 12
Cases Resolved Via ADR: 4 (33%)
Cases Adjudicated to Final Agency Decision: 8
   Partial or Full Relief granted: 4
   Relief denied: 4