

# Contracting Hot Topics

Patsy J. Reeves

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# Army Contracting Assessment

- **Military depends on contractors to provide essential services**
  - Over half of personnel in Iraq & Afghanistan are contractors (160,000)
  - Contracting is an inherently governmental function
  - Timely & efficient contracting → key to mission success
- **No Army GOs in contracting since 1998 (reflects importance)**
- **600% increase in Army contracting workload**
  - More complex actions
  - Number contracting personnel stagnant or declining
  - Only 3% of Army contracting personnel are military (37% in AF)
  - Civil servants extremely dedicated & competent
- **Army (not AF) is contracting DoD Executive Agent in Iraq & Afghanistan (IA)**
  - AF MGen commands Joint Contracting Command (JCC-IA)
  - AF provides >67% of JCC-IA contracting resources

# Overarching Recommendations

- 1. Increase military and civilian contracting personnel** - importance, quantity, and career development
- 2. Restructure Army contracting/DCMA contract management** - organization and responsibilities
- 3. Provide training & tools**
  - IT tools and command/control of contractors in battle space
- 4. Enact laws, regulations, and policy** to enable combat effectiveness
  - Expeditionary contracting manual & civilian deployment rule set

Army charter a task force → develop plans to implement within one year

# Congressional Direction

# Themes of *Proposed* FY08 Legislation

- **Over 60 acquisition-related provisions**
  - Contracting Methods (UCAs, Competition, Audits)
  - Ethics
  - Acquisition Workforce
  - Services & IT
  - Specialty Metals Revision
  - Commercial Items & Other Transactions
  - Iraq & Afghanistan
- **Requires 16 separate reports from DoD**

# Contracting Methods

# Proposed FY08 Legislation: Undefinitized Contract Actions

- **DoD to issue guidance** (180 days after enactment) on:
  - Appropriate circumstances for UCA use
  - Approval requirements
  - Procedures for ensuring compliance with
    - Definitization timelines
    - Limitations on obligation of funds
  - Reporting requirements for UCAs not definitized within required timeframes
- **DoD to report back to Congress** on:
  - New guidance/instructions (210 days)
  - Initiate a GAO report (within 2 years) addressing:
    - Appropriate use of UCAs - timely definitization
    - Appropriate UCA profits and fees

# Proposed FY08 Legislation:

## Enhanced Competition

- Restricts award of sole source TO/DOs > \$100M
- Provides protest rights for TO/Dos > \$5M
- Requires web availability of J&As after award

## Audit Disclosure

- DoD IG must report significant audit findings to Congress
  - Semi-annually
  - Includes DCAA audit reports

# Proposed FY08 Legislation: Interagency Contracting

- Requires IG compliance reviews of GSA, Treasury, Interior, NASA, VA, and NIH
- Requires SecDef guidance on use of interagency contracting by DoD
- Stipulates obligation of funds for FY purposes

# Ethics

# Ethics Concerns

- **GAO identified five vulnerable contracting areas**
  - Leadership checks and balances (HCA, SPE, SAE, FDO)
  - Capable acquisition work force
  - Adequate pricing
  - Appropriate contracting approaches/techniques
  - Sufficient contract surveillance
- **2007 Defense Authorization Act requirements:**
  - Establish a DoD panel on contracting integrity
  - Report annually to Congress on progress (beginning Dec 07)
  - Recommend changes to law, regulation, and policy

# Subcommittees Vulnerability Areas

## 1. Current Structure of Contracting Integrity



# Ethics Panel Subcommittee

## 2008 Recommendations

- Re-institute mandatory ethics training
  - Add integrity/ethics objectives in senior leader performance plans
- Implement the Joint Competency Management Initiative
  - Contracting workforce competency assessment
- Implement “peer reviews” on major acquisition programs
- Change the “commercial” definition to delete “of a type”
- Reduce reliance on interagency contracting
  - Strengthen pre- and post- award oversight including paying fees
- Develop DoD-wide standard services oversight training, documentation, roles/responsibilities, appointment guidelines

# Ethics Panel Subcommittee

## 2008 Recommendations

- Improve/standardize CCO training
- Develop contractor conflict of interest standards
- Resource/implement contracting workforce strategies
  - Recruiting, hiring, and retention initiatives
- Develop coordinated/consistent contract policy
- Provide revised or additional training
  - Competition & pricing alternatives
- Increase multiple-award IDIQ task order competition

# Acquisition Workforce

# DoD Contracting Statistics

- **Workforce more educated but older (Jun 06 Report)**
  - 69% college graduates; Average age: 44.6 years
  - Retirement eligibility:
    - 13% in 2005; 32% in 2010; 54% in 2015
- **Changing demands in the last 5 years**
  - Transactions: over \$100K up by 60%
  - Dollars obligated: up 100%
  - Acquisition workforce (AT&L) → down 5-10%

# Proposed FY08 Legislation

- **Evaluate Gansler Report applicability to other services**
  - Report plan for implementing recommendations (120 days)
- **Create DoD Acquisition Workforce Development Fund**
  - \$300M earmarked for DOD acquisition workforce
    - Recruiting, training, & retention
  - Funds derived from appropriated O&M budgets
  - Submit annual report on operation of the fund

# DoD Acquisition Competency Model

- Shift away from certification
  - Shift toward qualifying people (can you do the work?)
- 350 contracting experts defined:
  - 8 areas of competency (job category)
  - 25 supporting technical competencies (required skills)
  - 50 technical elements (5 skill levels for each required skill)
- Contracting SESs identified 1102 proficiency levels (May 07)
  - Entry, journeyman, and expert
- DLA and AF “piloted” the 1102 assessment process (FY07)
- DoD-wide 1102 competency assessment (FY08)
- Assessment will expand to other acquisition career fields later

# Status of Assessment Effort

## Where are we now? Assessing the Contracting Workforce

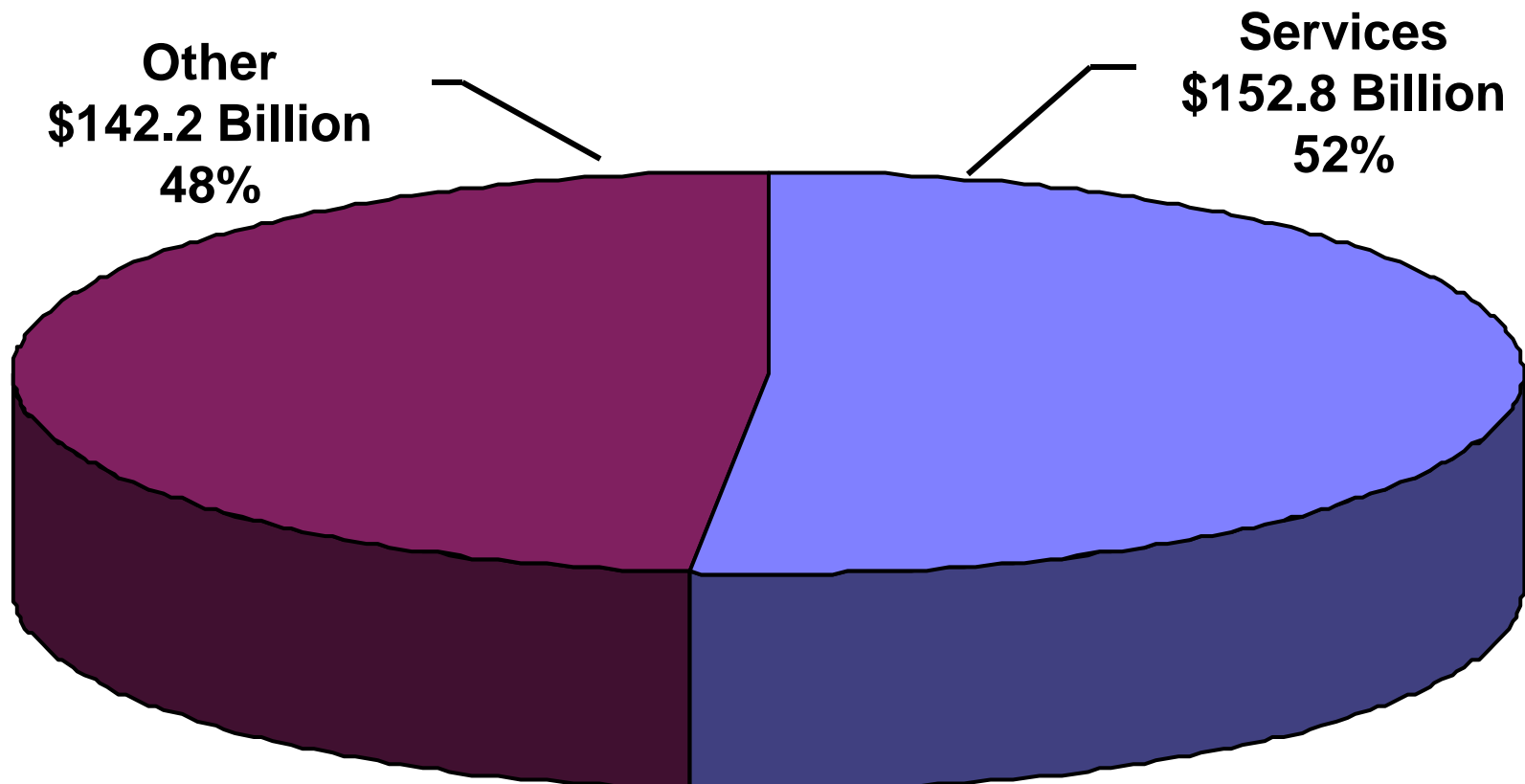


# Acquisition of Services

# Why Focus on Services?

**FY 2006 Total DoD Spend: \$295 Billion**

**FY 2006 DoD Services: \$152.8 Billion**



# Proposed FY08 Legislation

- Improve/expand MIS on DoD services contracts
- Review A&AS contracts:
  - Ensure personal services contracts exclude governmental functions
  - Convert to performance by government employees or better acquisition approach (where possible)
- Independent management review of contracts where one contractor oversees performance of other contractors (undermines competition & access to data)

# Strategic Sourcing of Services

- DoD is the world's largest purchasing organization
  - Service buying: \$85.1B in FY96; \$151B in FY06
- OSD believes strategic sourcing is critical to DoD acquisition success
- What is strategic sourcing?
  - Analyzing organizational spend
  - Using analysis to buy more effectively and efficiently
    - Reduce contract vehicles, leverage buys, standard levels of service
- Expect OSD to require services strategic sourcing plan

# Summary

- DoD spent \$143B (FY02); DoD spent \$330B (FY07)
- Unique time for our community
  - Congress & DOD realize contracting needs resources (people, money, & training)
- 60 legislative provisions on acquisition
  - Change is/will be constant
- Emphasis on integrity and transparency
- Increased emphasis on competition
- Strategic sourcing highlighted as a force multiplier