EVALUATION OF CONTRACTING AND PRODUCTION ACTIVITIES AT:
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EVALUATION OF CONTRACTING AND PRODUCTION ACTIVITIES AT:
THE DEFENSE LOGISTICS AGENCY’S
DEFENSE SUPPLY CENTERS

VOLUME I
CONSOLIDATED SUMMARY

March 1, 1984
Coopers & Lybrand
FINAL REPORT

EVALUATION OF CONTRACTING AND PRODUCTION ACTIVITIES AT:
THE DEFENSE LOGISTICS AGENCY'S DEFENSE SUPPLY CENTERS

VOLUME I
CONSOLIDATED SUMMARY

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Contract No.: DLA 600-83-C-5001

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CONSOLIDATED SUMMARY

INTRODUCTION

The Defense Logistics Agency Directorate of Contracting (DLA-P) awarded Coopers & Lybrand a contract to conduct a review and evaluation of contracting and production (C&P) activities at the following field-level defense supply centers (DSC's):

- Defense Construction Supply Center (DCSC), Columbus, OH
- Defense Electronics Supply Center (DESC), Dayton, OH
- Defense General Supply Center (DGSC), Richmond, VA
- Defense Industrial Supply Center (DISC), Philadelphia, PA
- Defense Fuel Supply Center (DFSC), Alexandria, VA
- Defense Personnel Support Center (DPSC), Philadelphia, PA

The purpose of the evaluation has been to determine: (1) whether DSC contracting and production activities are organizationally structured and operated in the most effective, efficient manner; (2) whether lines/levels of authority and responsibility, staff assignment patterns, and other position management aspects are appropriate; and (3) whether DLA-P management indicators that measure the contracting and production performances of the centers are valid and responsive.

The overall objective of this final report is to present the findings and recommendations resulting from this evaluation. We have grouped them in four main categories:

- **Organization** (which includes resource planning, span of control, structure, and allocation of resources between contracting and production).
- **Staffing and personnel** (which includes evaluation of position descriptions, performance standards, and staffing patterns).
• **Workload** (which includes workload composition, management, and control, and methods for improving productivity).

• **Management indicators** (which includes data portrayal, appropriateness of goals, and identification of indicators that best reflect organizational performance and mission accomplishment).


The uniqueness and similarities of the six supply centers dictated the organization of the volumes of the report. For example, the four "hardware centers" -- Construction, Electronics, Industrial, and General -- are sufficiently similar in all respects (organization, staffing, workload, etc.) that a consolidation of findings and recommendations for all four centers provides a more meaningful profile for improving efficiency and effectiveness. On the other hand, the DPSC review is a separate assessment of each of the three major commodity directorates of the center (i.e., Subsistence, Medical Materiel, and Clothing & Textiles). This format adjustment is necessary because the DPSC commodity directorates are all so different that a single center-wide assessment of contracting and production would be virtually impossible to prepare. The final volume of this report addresses the contracting and production functions performed at the Defense Fuel Supply Center, which buys petroleum products. Because of DFSC's unique purchasing mission (as compared to the DPSC commodity directorates and the hardware centers), its assessment is also presented separately.

Most of our observations and recommendations are directed to the specific organization(s) addressed in each volume, although a number are applicable to all DSC's. In addition, some of our recommendations encourage the use of a procurement management strategy (for example, "cradle to grave") for selected DLA contracting and production organizations but discourage its use for
others. Besides introducing the study, the purpose of this Consolidated Summary is to discuss briefly both the "common ground" and the exceptions in our findings for each of the four major DSC study areas (i.e., organizational structure, staffing/personnel, workload, and management indicators).

**ORGANIZATIONAL STRUCTURE**

One consistent feature of the DLA supply centers is that almost all contracting and production operations are organized by commodity. "Commodity orientation" is the centerpiece of the supply center organizational structure and workload distribution, a factor the Coopers & Lybrand study team believes is of paramount importance to encouraging and maintaining effective purchasing operations. Commodity knowledge is what makes the skills and abilities of the DLA procurement workforce unique. Buyers at all levels and throughout the six centers bring to their work not only a solid grasp of Federal purchasing requirements, techniques, and methods but also an understanding of their assigned commodities, vendors, and current market conditions.

Because the hardware centers are so similar, we recommend that the contract divisions utilize a standardized staffing structure to the branch and section levels to promote staff development, strengthen grade levels, and permit a more meaningful comparison of hardware center procurement performance. We also recommend certain independent/internal organization adjustments at DPSC and DFSC; however, DPSC's three commodity organizations and the DFSC activity are all so different that any attempt at linking them to a DLA-wide standard would be counterproductive.

The degree of automation and its acceptance and use as a procurement management tool also varies across the DSC's. (For instance, automation of small purchase operations has had a mixed reception at the hardware centers.) Besides uneven usage of
automation capabilities, some of the hardware centers have physically segregated their automated procurement operations. To promote the increased use of automation as a procurement management tool, we suggest that whenever possible automation of procurement operations be integrated (hardware and staffing) within the contracts divisions.

In addition, we recommend combining DLA small and large purchasing in the same purchasing branch (unlike most Federal procurement activities, which organizationally separate small purchase functions from contracting). Because of the commodity orientation of DSC buying, requisitions -- regardless of contract dollar value -- are directed to the appropriate commodity branch. Combining small and large purchasing in the same work group not only gives DSC procurement staff exposure to a greater range of purchasing techniques and procedures but also prepares less experienced staff for future duties and responsibilities.

While small and large purchasing may be effectively combined, hardware center management and staff maintain that separate buying and contract administration organizations are necessary, due to the preponderance of small purchases, the volume of awards, and the sheer number of vendors handled by their centers. The three DPSC commodity directorates and the DFSC Contracting and Production managers, on the other hand, prefer a "cradle to grave" approach. We generally support this diversity of opinion because the postaward function at the nonhardware center organizations typically involves fewer purchases per buyer, more predictable/constant workload, more large purchases, and in many cases the necessity for more Government/contractor interaction. Where it is feasible, the cradle to grave purchasing orientation improves commodity knowledge, procurement organizational effectiveness, and Government/contractor communications.

In general, the Coopers & Lybrand recommendations support the thesis that buying is the major focus of DLA contracting and production activities. As such, the contract divisions should be
the hub of the C&P directorates, with most of the available human and automation resources dedicated to buying.

**STAFFING/PERSOUlEIL**

The staffing/personnel recommendations of the DLA-P study are fairly consistent across the six centers. Virtually without exception, contracting and production descriptions need to be strengthened to reflect specific job content and position responsibility more closely. Performance standards also require attention. Standards exist, but they lack weights of relative importance and measurable criteria, precluding an accurate assessment of staff performance. In addition, increased emphasis on buyer training (both procurement and commodity knowledge) is critical to continued high performance.

In all the centers, there are examples of excessive supervisory spans of control. We suggest that a technical reviewer be designated and a team concept implemented when the span of control exceeds 15 subordinates. Some of the centers are already organized in this manner. However, problems arise when team leaders (technical reviewers) are also permitted to perform basic supervisory responsibilities, as they do in some centers, without actually occupying the supervisory position. Existing supervisory positions are thus diluted by informal delegations, an issue of concern identified by the study team that should be addressed.

We also recommend classifying DSC buyer positions in the GS-1102 series. (There are some exceptions to this at DPSC and DFSC, which have procedures that are sufficiently discrete to permit GS-1105 staffing.) For the most part, the complexity of DLA purchasing requires the highest caliber buyer talent available. A related recommendation that only applies to DFSC is that the "journeyman" buyer level should be raised to GS-12. With high turnover rates, multimillion-dollar negotiations volume, and
workload peaks, raising the GS level of buyers, and the predictable improvement in buyer capabilities, offers an excellent opportunity to improve effectiveness and potentially save millions of procurement dollars.

Finally, we suggest that the hardware centers adopt an entry-level buyer grade of GS-5 and a grade progression of 5-7-9-11. (At DPSC and DFSC, the journeyman level is higher and the career ladder is more defined than at the hardware centers.) The current GS-7 entry level with promotion to GS-9 is not appealing enough to assist DLA in recruiting and retaining a strong procurement workforce. The entry level and progression recommended above would significantly strengthen DLA-P's procurement career ladder and permit more time for training and supervisory/management staff development.

WORKLOAD

Workload management is a major problem area for the hardware centers, which all exhibit difficulties in prioritizing workloads, reducing backlogs, and implementing planning/goal setting for increased automation. DPSC and DFSC, on the other hand, are more in control of their workloads but also lack a rigorous program to automate their many manual activities.

Devoting sufficient resources to the buying function instead to overhead and contract administration is another hardware centers issue (the centers typically dedicate less than half of their resources to buying). A major emphasis and focus of the DLA procurement mission is purchase request (PR) processing and award, and as such a higher proportion of procurement resources should be devoted to the buying function. The DPSC commodity directorates and DFSC, on the other hand, utilize considerably more of their resources for buying and are actually operating within the proportional range we suggest for the hardware centers.

Throughout the DSC's, we recommend the implementation of a comprehensive program of increased automation. The Standard
Automated Material Management System (SAMMS) -- or in the case of DPSC's Subsistence Directorate, the Defense Integrated Subsistence Management System (DISMS) -- should not be viewed as the only source of automation initiatives. Local automated alternatives should be encouraged, and DLA-P should plan a procurement automation program as a major agency goal of the 1980's.

The six centers also need an aggressive, coordinated program to manage delinquent contractors. A well-documented vendor performance measurement system could track delinquencies, highlight repeat offenders, and provide buyers, contract administration staff, and Defense Contract Administration Services (DCAS) with an excellent tool for assessing performance history and justifying punitive measures.

Although it does not appear to be cost effective to transfer DSC purchase orders, delivery orders, or basic ordering agreements to DCAS for administration, all hardware center (and most other DSC contracts) can and should be field administered by DCAS. One major exception, however, is DFSC contract administration, which for the most part comprises highly specialized and sensitive "fuel-related" technical negotiations. These commodity-related discussions are best performed by the commodity experts within DFSC.

Also, at DPSC, the three commodity C&P divisions, especially C&T, have some questions about DCAS's ability to support their procurement operations effectively. Most DPSC contracts are assigned to DCAS for some contract administration functions (the exceptions are Subsistence perishable items -- the commodities are too time-sensitive and the contract administration period too short to delegate responsibilities effectively). DPSC's Clothing and Textiles Directorate (C&T) has also retained certain contract administration functions for most of its contracts, using the rationale that DCAS does not have sufficient knowledge of the clothing and textiles industry and/or does not devote sufficient attention or time to C&T administration. We recommend that DCAS
be given the responsibility for C&T contract administration after investigating and improving its services to the Directorate.

The procurement backlog evident at two of the hardware centers does not pose a serious problem to the other DSC's. We suggest that all supply centers remove those items they deem unprocurable from their backlogs (unprocurable PR's are often left in the procurement workload inventory for 300-500 days). A "cap" should be placed on the maximum number of days a PR can remain in the active workload without closure.

In addition, all supply centers would benefit greatly from a more systematic workload prioritization process. A prioritization system is an important and necessary development for improving the quality of DSC purchasing. DLA should also develop a management indicator to track the ability of each DSC to meet its customers' priorities.

MANAGEMENT INDICATORS

In the area of management indicators, we recommend that DLA consider using PR's instead of line items as the basis for measuring preaward workload. The DLA contracting and production organizations are the only groups within DLA who do not use the purchase request as the basis for measuring preaward activities, and a satisfactory justification for this policy has yet to be put forth.

Additionally, we recommend that procurement performance goals be negotiated between the DSC's and DLA-P and set at reasonable and attainable levels. Procurement administration lead-time (PALT), performance goals, and management indicators are more appropriately based on automated systems and PR priorities, rather than on the small or large purchases, the distinction currently used by DLA-P.
The current DLA-P management indicators are too broad to be useful in identifying problems or solutions (for example, aggregate procurement administration leadtime says little about the efficiency or effectiveness of purchasing operations). Instead, we suggest reviewing C&P operations more closely and "culling out" the variety of small and large purchasing processes for evaluation. We also suggest amending the PR aging time periods to reflect current trends and using "on-time shipments" in lieu of "delivery effectiveness." (The latter expression is a misnomer and inappropriately attributed to the DSC's control rather than to that of the vendors.) Finally, many management reports generated by SAMMS are often not useful to DSC managers and should be discontinued unless sufficient legitimate demand exists.

DLA-P should also place more emphasis on effectiveness in its DSC management indicators. Most of our suggestions in this area are directed at making efficiency measures more discrete/attributable and giving effectiveness measures more visibility. The strength of DLA procurement is based on the skills of its staff. To promote and enhance procurement skill building, DLA should encourage all DSC's to prepare training and development plans for individual buyers, stressing both commodity and procurement development.

The following recommendations have been identified by Coopers & Lybrand as opportunities available to DLA for improving its efficiency and effectiveness.

**DLA HARDWARE CENTERS**

**ORGANIZATIONAL STRUCTURE**

**Major Opportunities for Improvement**

**Recommendations**

1. Organize all purchasing activities by commodity.

2. Integrate automated procurement in buying divisions.
Combine small and large purchasing in the same purchasing branch.

Do not adopt a "cradle to grave" approach to purchasing.

Establish standard buying organizations below the division level and standardize the contracts division staffing structure.

Other Opportunities for Improvement

Recommendations

- Use a technical reviewer when the supervisory span of control exceeds 15.
- Assign the procurement filing function to the operations support office instead of the production division.
- Assign contract preparation and control staff to buying sections instead of the operations support office.

TAFFING/PERSO NNEL

Major Opportunities for Improvement

Recommendations

- Classify all buyers in the GS-1102 series.
- Return the entry-level buyer grade (for manual purchases) to GS-5; adopt a 5-7-9-11 progression program.
- Shorten position descriptions; highlight matters of key classification significance.

Other Opportunities for Improvement

Recommendations

- Strengthen performance standards to reflect job content more closely.
- Place greater emphasis on buyers' commodity knowledge.

W ORKLOAD: RESOURCE MANAGEMENT

Major Opportunities for Improvement

Recommendations

- Apply a greater proportion of procurement resources to the buying function.
2. Monitor and shift the workload of individuals and work groups to maximize productivity.

3. Transfer all hardware center contracts to field administration.

Other Opportunities for Improvement

Recommendations

4. Study the high PRLI cancellation rate and consider resourcing for the time currently expended working cancelled PRLI's.

5. Review the warranting process and consider issuing DLA-P guidance on numbers and criteria.

6. Develop 1106 series resources, increase their use, and cross-train them in various duties.

WORKLOAD: PRODUCTIVITY IMPROVEMENT

Major Opportunities for Improvement

Recommendations

1. Establish a workload priority system at all hardware centers.

2. Institute a series of higher level reviews for problem PR's; place a "cap" on unprocureables.

3. Convert medium- and low-dollar-value items to a more manageable reorder cycle.

4. Renew efforts to solve F-96 Report problems.

Other Opportunities for Improvement

Recommendations

5. Give buyers more discretion to make economical buys.

6. Design and implement a comprehensive program to increase automation.

7. Consider simplified methods of awarding under small purchase procedures.

8. Use communication capabilities of commercial firms that advise vendors on upcoming solicitations.

9. Consolidate PR's for low-quantity, nonpriority items over 2-week rather than 1-week periods.
10. Encourage the use of indefinite delivery-type contracts (IDTC's) and requirements-type contracts (RTC's) for center purchases.

11. Evaluate the accuracy of the formula used to compute "acceptable on-hand workload."

12. Organize and institute an aggressive and coordinated program to manage delinquent contractors.

13. Conduct an information needs analysis to determine center managers' SAMMS report requirements.

14. Collect data on the supply status code of items received and awarded.

15. Review the appropriateness of bypassing supply operations when purchasing nonstocked items.

16. Encourage centers to understand their workloads more completely.

MANAGEMENT INDICATORS

Major Opportunities for Improvement

Recommendations

1. Use purchase requests in lieu of line items as a basis for measuring workload.

2. Adopt "on-time shipments" as a management indicator in lieu of delivery effectiveness.

3. Develop PALT performance goals and management indicators based on PR priorities rather than aggregate PALT.

4. Set reasonable, attainable, and negotiated procurement performance goals.

Other Opportunities for Improvement

Recommendations

5. Use various measures of central tendency to provide more accurate and meaningful evaluative information in measuring DSC efficiency and effectiveness.

6. Amend time periods at which PR becomes "aging" for both management indicators and performance goals.
DEFENSE PERSONNEL SUPPORT CENTER
DIRECTORATE OF CLOTHING AND TEXTILES

STAFFING/PERSOHNEL

Opportunities for Improvement

Recommendations
1. Reestablish the five procurement clerk slots taken from the Contracting and Production Division (to support the word processing center) and hire into these positions.

2. Highlight matters of key classification significance in position descriptions.

3. Involve the C&T/TP Production Management section more extensively in preaward surveys and contractor production responsibility.

4. Increase the emphasis on buyer training as an investment in continued high performance.

5. Strengthen buyer performance standards to reflect job content more closely.

WORKLOAD

Opportunities for Improvement

Recommendations
6. Conduct an in-depth study to assess DLA's capabilities to adequately support the clothing and textiles mission through effective/efficient contract administration.

7. Track all contract deliveries, using the C&T Single Agency Automated Data System (SAADS) until some other form of automated capability becomes available.

8. Institute a more aggressive and coordinated program to manage delinquent contractors.

9. Develop a single automated data system to manage the incoming workload, its internal distribution and tracking, and postaward tasks until SAMMS modernization is implemented.

10. Study the high PR cancellation rate and determine causes and solutions.
11. Design and implement a comprehensive program to increase automation.

12. Perform a complete audit on the SPUR team PR workload; assign and distribute workload by specific categories of items or commodities.

13. Investigate the use of indefinite delivery type contracts (IDTC's) and requirement type contracts (RTC's) for SPUR team procurements.

14. Investigate the advantages and practicality of implementing a SASPS II operation in the SPUR area.

15. Expand the current practice of conducting postaward orientation conferences with new contractors whenever the PCO feels there is substantial reason to doubt the company's capabilities to perform.

16. Proceed on a priority basis to implement SASPS II procedures in the Equipment and Footwear Branch for procurement of FSC 8455 items.

17. Consider simplified methods of awarding under SASPS II small purchase procedures.

MANAGEMENT INDICATORS

Opportunities for Improvement

Recommendations

18. Use PR's in lieu of line items as a basis for measuring workload.

19. Adopt "on-time shipments" as a management indicator in lieu of delivery effectiveness.

20. Set reasonable, attainable, and negotiated procurement performance goals.

DIRECTORATE OF SUBSISTENCE

ORGANIZATIONAL STRUCTURE

Opportunities for Improvement

Recommendations

1. Improve staff-line communications.
2. Consider co-location of C&P Subsistence and Supply Operations Divisions by commodity.

3. Divide Operations Analysis Branch functions into formal sections.

STAFFING/PERSO NNEL

Opportunities for Improvement

Recommendations

4. Restrict team leaders to functioning exclusively as technical reviewers without other supervisory responsibilities.

5. Highlight matters of key classification significance in position descriptions.

6. Strengthen performance standards to reflect job content more closely.

7. Review options available for off-season utilization of procurement staff.

8. Expand the Subsistence C&P intern program.

9. Increase the emphasis on training as an investment in continued high performance.

WORKLOAD

Opportunities for Improvement

Recommendations

10. Review the procedures for assigning and accomplishing the unliquidated obligation (ULO) workload.

11. Encourage DCAS collaboration in payment recordkeeping and in reduction of the overpayment problem.

12. Design and implement a comprehensive program to increase automation.

13. Organize and institute an aggressive and coordinated program to manage delinquent contractors.

14. Consider using Basic Ordering Agreements (BOA's) in place of some IDTC's.

15. Analyze and reduce workload problems and systems failures in the Commissary Support Branch.
16. Permit a third party to review the organizational, staffing, and workload impact of DISMS on Subsistence/C&P operations.

MANAGEMENT INDICATORS

Opportunities for Improvement

Recommendations

17. Formalize an IDTC management indicator.

18. Adopt a single definition of the line item and shift to counting PR's in lieu of line items as the major quantitative indicator of preaward workload.

19. Develop a price effectiveness indicator.

20. Encourage development of a strong vendor/commodity performance indicator.

DIRECTORATE OF MEDICAL MATERIEL

ORGANIZATIONAL STRUCTURE

Opportunities for Improvement

Recommendations

1. Continue to assign all contracts to DCAS for administration, but test the "cradle to grave" concept for awards administered by DPSC.

STAFFING/PERSOENNEL

Opportunities for Improvement

Recommendations

2. Highlight matters of key classification significance in position descriptions.

3. Strengthen performance standards to reflect job content more closely.

4. Increase the emphasis on commodity knowledge and procurement training as an investment in continued high performance.

5. Establish two procurement analyst positions in the MED/C&P.
WORKLOAD

Opportunities for Improvement

Recommendations

6. Assess the cost-benefit of the MEDSTOCK Program carefully.
7. Reprogram SAMMS to accommodate unique contracting and production systems.
8. Automate the Request for Quotation (RFQ) System in the Central Contracts Branch.
9. Strengthen internal controls to minimize postaward financial subsystem violations.
10. Establish a systematic workload priority system for the buying branches within MED/C&P.
11. Institute a series of higher level reviews for problem purchase requests; place a "cap" on unprocuyables.
12. Expand the Automated Federal Supply Schedule (FSS) program.
13. Expand the use of Decentralized Blanket Purchase Agreements (DBPA's).
14. Place terminals in buying sections to reduce PALT.

MANAGEMENT INDICATORS

Opportunities for Improvement

Recommendations

15. Use PR's in lieu of line items as a basis for measuring workload.
16. Develop PALT performance goals and management indicators based on automated systems and PR priorities.
17. Amend time periods at which PR's are considered overaged for both management indicators and performance goals.
DEFENSE FUEL SUPPLY CENTER

ORGANIZATIONAL STRUCTURE

Opportunities for Improvement

Recommendations

1. Realine all the contract divisions so that each has the same organizational primary and secondary elements.

2. Improve the relationship between the contract divisions and the Cost and Price Analysis Section.

3. Establish a priority list of functions/tasks to be performed by the DFSC-PC.

4. Dedicate one procurement analyst in DFSC-PC's Plans, Programs, and Systems Section to the contracting and production personnel turnover problem.

5. Dedicate one procurement analyst in DFSC-PC's Plans, Programs, and Systems Section to monitor/coordinate DFAMS/automation initiatives.

6. Transfer contract data control from DFSC-PO to DFSC-PC.

7. Assign contract files following contract award to the procurement agent responsible for the postaward contract administration.

STAFFING/PERSONNEL

Opportunities for Improvement

Recommendations

8. Raise the grade level (by one grade) at which promotions must be earned through further competition and introduce more flexible and precisely targeted position management controls.

9. Add support staff and enrich the support staff role by involving support positions more directly with the work of individual buyers.

10. Develop an expanded, comprehensive training program that includes intern experience, commodity knowledge and negotiation training, and structured, on-the-job (OTJ) training.

11. Provide additional office space for the individual buyers.
12. Provide conference rooms for conducting negotiations which are completely isolated from the buyers' offices.

WORKLOAD

Opportunities for Improvement

Recommendations

13. Dissolve the Production Division; reassign postaward contract administration functions among the contract divisions and the Management and Operations Support Offices.

14. Organize the postaward functions in the contract division according to the alinement that best enhances workload effectiveness and efficiency.

15. Review current postaward contract administration functions transferred to DCAS; where practical, transfer additional functions.

16. Assign all procurement/contracting responsibilities for requirements other than petroleum to the Services Division.

17. Make a concentrated effort to review all BML's, purge inapplicable contractor names, and ensure that current qualified offerors are listed.

18. Implement the DFAMS requirements of C&P on a priority basis.

19. Closely monitor and document workload enhancement realized by installing word processing units in contract divisions.

MANAGEMENT INDICATORS

Opportunities for Improvement

Recommendations

20. Develop goals and management indicators commensurate with the procurement mission.