AFCEA
Panel 21: Exploring Managerial Implications of Current DoD Contracting Trends

Mr. Harry P. Hallock
Deputy Assistant Secretary of the Army
(Procurement)
15 May 2014
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DASA(P) Responsibilities

- Provide policy, program management, oversight, and evaluation of all Army procurement and contracting missions
- Provide oversight and policy for Army Services Acquisitions
- Interface with OSD/AT&L/DPAP on all procurement policies and procedures
- Ensure compliance with statute and regulations (U.S. Code, FAR, DFARS, AFARS, and Army Regulations)
- Serve as the DoD Executive Agent for contracting in Afghanistan, Kuwait, & Qatar
- Serve as the proponent for Army contracting regulations
- Serve as the Army Contracting Competition Advocate
- Serve on the AbilityOne Commission

HON Heidi Shyu
ASA(ALT), AAE, & SPE

Deputy Assistant Secretary of the Army (Procurement)

7 Heads of Contracting Activity (HCAs) across the 7 Army buying commands

20 Principal Assistants Responsible for Contracting (PARCs) across the 7 Army buying commands

Contract Execution & Accountability

Oversight

Direct Authority

Indirect Authority
6.1 Improve Contract Execution & Oversight
ASA(ALT)

6.2 Assess & Sustain the Industrial Base
ASA(ALT)

5.2 Modernize & Equip the Army
ASA(ALT)

5.3 Maintain a Leading Edge in Technology
ASA(ALT)
DASA(P) Strategy Map

**Goal 1: Stakeholder Relations**
Develop partnerships and relationships with stakeholders in order to anticipate their requirements.

1. Develop a stakeholder communications strategy
2. Establish DASA(P) situational awareness
3. Develop the DASA(P) brand
4. Develop stakeholder satisfaction surveys
5. Establish a network of subject matter experts
6. Establish Forums for Stakeholder Collaboration
7. Establish “Face of DASA(P)” web-based site

**Goal 2: Workforce**
Attract, train, develop, motivate, equip, empower, and retain a highly-skilled professional workforce.

1. Develop and implement a resource concept to appropriately staff the organization
2. Develop an Army Contracting Human Capital Strategy
3. Develop a DASA(P) Human Resources Strategy
4. Develop DASA(P) recruiting and retention plans
5. Develop methods and techniques to improve Army Contracting recruiting and retention

**Goal 3a: Products & Services**
Optimize Army services acquisition.

1. Update the Army Service Strategy Panel approach
2. Develop a Services Strategic Communications Plan
3. Refine the forecast and cost savings updates process
4. Deploy a data analysis capability
5. Develop a services business intelligence system
6. Define the services acquisition process for operational commands
7. Establish the Annual Requirement Execution Review (ARER) process

**Goal 3b: Products & Services**
Develop real-time acquisition solutions that meet or exceed field requirements.

1. Define a plan to update regulation/policy and expedite distribution
2. Develop a Contracting Lifecycle Approval and Support System (CLASS) and Dashboard
3. Develop a Procurement Business System requirements review process
4. Establish methods to optimize oversight
5. Define a strategic sourcing governance process
6. Establish a framework to improve data integrity
7. Establishe the Annual Requirement Execution Review (ARER) process

**Goal 4: Transparency**
Establish a foundation of processes, procedures and infrastructure that improves productivity and morale and fosters transparency and communication.

1. Develop DASA(P) organizational design
2. Establish a culture of continuous improvement
3. Establish and publish DASA(P) battle rhythms
4. Define DASA(P) core capabilities

**Initiatives**

**Metrics**

- 95% of stakeholders are satisfied with DASA(P) performance
- % of customer satisfaction surveys completed
- % of employee satisfaction surveys completed
- Army contracting voluntary attrition is 15% or less
- Percent of employees with required certifications is 95%
- % of workforce utilizing telework / flexplace
- % of workforce completing courses
- Track Army Commands' progress in achieving their cost savings
- Publish Revised AR70-13.
- Conduct Annual Requirements and Execution Reviews
- Number of submissions requiring rework is reduced by 20% year over year
- Number of procedures transferred to the field increases by 20% year over year
- Number of PMRs increase by 20% a year until all PARC and Army Contracting Headquarters elements are reviewed each year
- Average processing time is reduced by 20% year over year
- Support pipeline threshold increases year over year
- Low-threshold support pipeline decreases year over year

Hot Topics

**Trends**
- **Smaller Army**
  - Average 20% reduction in contract dollars in last 3 consecutive years—trend continuing
- **Oversight & Quality Products**
  - Peer Reviews
  - Contract Administration
- **“Back to Basics” for Workforce**
  - Over 4% attrition rate
  - Continuous training

**Projections**
- FY14 Dollars: approximately $65B
- FY14 Actions: approximately 280K

**Priorities**
- **Better Buying Power 2.0**
  - Strategic Sourcing
- **Using Appropriate Evaluation Approach**
- **Using Appropriate Contract Type**
- FY14 Goals
  - 1-N List
  - Army Contract Writing System

**Initiatives**
- **AFARS Rewrite**
- **Enterprise Optimization**
  - Army Contracting Study Recommendations
- **Accountability**
  - Procurement Management Reviews (PMRs)
  - Contracting Enterprise Reviews (CERs)
- **Continued Focus on Efficiencies**
Comments
Senior Services Manager Portfolio

Army Goals 3a/b: Optimize Army Service Acquisitions

As of 18 Mar 2014
AUTH: 18 Civ / 0 Mil
On Hand: 10 Civ / 0 Mil
### GOALS

#### Goal 1: Stakeholder Relations
Develop partnerships and relationships with stakeholders in order to anticipate their requirements.

- OMB - Strategic Sourcing Leadership Council
- OSD - Functional Domain Experts
- OSD - Senior Services Managers Roundtable
- OSD - Strategic Sourcing Directors Board
- HQDA (ASA(MR&A)) & FMC
- Army Component Level Leads
- Army - Command Service Executives
- Army Federal Acquisition Regulation Supplement (AFARS) Committee (input)
- Army/OSD Small Business
- Army Portfolio Coordinators-Managers

#### Goal 2: Workforce
Attract, train, develop, motivate, equip, empower, and retain a highly-skilled professional workforce.

- Better Buying Power
- Portfolio Governance
- Forecasting & Reporting
- Strategic Sourcing
- Management Controls & Visibility
- Better Buying Power

#### Goal 3a: Products & Services
Optimize Army services acquisition.

- AR 70-13/FAR/AFARS Part 37
- Policy Alerts and Taskers
- Army Regulation 70-13

#### Goal 3b: Products & Services
Develop real-time acquisition solutions that meet or exceed field requirements.

- AR 70-13/FAR/AFARS Part 37
- Policy Alerts and Taskers
- Army Regulation 70-13

#### Goal 4: Transparency
Establish a stable foundation of processes, procedures & infrastructure that improves productivity & morale and fosters transparency & communication.
Services Acquisition Governance

COMMAND SERVICES EXECUTIVES

ASA(ALT)
DASA(P)
Senior Services Manager
Portfolio Coordinators

AMC
Mr. John Nerger
Exec Deputy to CG

MEDCOM
Mr. Lamont Kapec
Dpty CofS, Procurement

ARCYBER
Mr. Dan Bradford
Dep to Cdr, Sr Tech Dir

IMCOM
Mr. Joe Capps
Executive Director

USACE
Mr. Lloyd Caldwell
Chief Program Integration

TRADOC
Mr. Matthew Scully
Dep CofS, Procurement

USACE
Mr. Lloyd Caldwell
Chief Program Integration

TRADOC
Mr. Matthew Scully
Dep CofS, Procurement

HODA Staffs, ASA(ALT), ACOMS, ASCCs, DRUs

10 Portfolio Managers / Portfolio Coordinators - Army-wide view

Knowledge Based Services - Bill Mercer (Acting) @ ASA(ALT) / Bill Mercer

Equipment Related - Gloria Harper @ TACOM / Bill Mercer

Transportation - Don Morrow @ SDDC / Oliver Grant

Engineering & Technical – Mary Fitzgerald @ RDECOM / Bill Mercer

Logistics Management - Craig Behne @ ASC / Bill Mercer

Medical - Helen Edwards @ MEDCOM / Oliver Grant

Electronics & Communications – Ricky Fletcher @ NETCOM / Oliver Grant

Facility Related – Charlie Garcia @ IMCOM / Oliver Grant

Architect/Engineering – Herbert Eichler @ USACE / Oliver Grant

Education and Training – Penny Walker @ TRADOC / Bill Mercer

* Part of KBS portfolio group
** Part of Facilities portfolio group
## Contract Administration & Closeout Post-Award

### Lead Roles & Responsibilities
- **Customer**
- **Customer/Contracting**
- **Contracting**

### Support Roles & Responsibilities
- **DCMA**
- **DCAA**

### Key Steps:

<table>
<thead>
<tr>
<th>Post Award Conference</th>
<th>COR Conducts Inspections</th>
<th>Invoicing/Payment</th>
<th>Contractor reporting</th>
<th>Contract Mods</th>
<th>CPARS Input</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meeting between all parties with contractor</td>
<td>Conducted as per QASP; Issues are reported to KO</td>
<td>COR submits receiving reports via WAWF</td>
<td>Conducted as per contract -CMR -Etc.</td>
<td>Standard process done on an as needed basis -Exercise options -Funding</td>
<td>Appropriate comments are submitted on contractor performance</td>
</tr>
</tbody>
</table>

### Additional Notes:
- **Contract End Date**: Prior to process should start for recompete if needed
- **Contractor Final Invoice**: Submitted and identified as final
- **Incurred Cost Audits**: If necessary for cost-type contract
- **Unused Funds Deobligated**: If necessary thru a modification
- **Contract Closed-Out**: Contract File is closed-out with-in the procurement database
- **Close-Out Complete**: FINISHED

### CPARS Input:
- **Appropriate comments are submitted on contractor performance**
Back Up
Occupational Series 1102 civilians are the core of Army contracting and make up 85% of the Acquisition Career Field “C” Contracting civilian workforce.

In FY13, 50% of 1102s had 10 years or less of experience, meaning half of the workforce has operated only in an accelerated contracting environment during a time of war.
Friction Point 1:
- Unstable Requirements
- Incomplete SOW/ PWS
- Limited Time & Lack Automation

Friction Point 2:
- Appointment and Training of CORs
- Maintaining CORs in Theater
- Effective continual oversight

Initiatives: VCSA COR EXORD: Defined COR Requirements Before, During, and After Deployment (Qty, Training, BHO, etc.); Trained & Developed 3C ASI

Friction Point 3:
- Invoice Certification
- Property Accountability

Initiative: GFEBS and other business accounting measures

Leadership Involvement Required Throughout the Lifecycle of the Contract
Better Buying Power (BBP) delivers warfighting capabilities needed within the constraints of a declining defense budget by achieving “better buying power” for the Warfighter and the taxpayer.

<table>
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<tr>
<th>Achieve Affordable Programs</th>
<th>Eliminate Unproductive Processes and Bureaucracy</th>
<th>Incentivize Productivity and Innovation in Industry and Government</th>
<th>Promote Effective Competition</th>
<th>Improve Tradecraft in Acquisition of Services</th>
<th>Control Program Costs</th>
<th>Improve the Professionalism of the Total Acquisition Workforce</th>
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**BBP 1.0:** on June 28, 2010, USD(AT&L) issued “Better Buying Power: Mandate for Restoring Affordability and Productivity in Defense Spending” which outlined the core objectives and direction of BBP to deliver better value to the taxpayer and improve the way the Department does business.

**BBP 2.0:** marks the next step in the Department of Defense’s process of continuous improvement. BBP 2.0 will help improve the Department's effectiveness in the tradecraft of acquisition.
A Decade of Change

- Increased FAR and DFARS changes significantly complicated the contracting process with additional changes forthcoming

- Congressional and audit agency oversight and interest exploding

- Inexperienced workforce faced complex workload and greater dependence on contractor support

- In FY13, 50.1% of 1102s had 10 years or less of experience, meaning that half of the workforce has operated only in an accelerated contracting environment during a time of war
  - For more than 10 years, the Army focused on effective contracting first in order to get the product to the Warfighter; efficiency came after

- Historical focus on execution at the expense of adequate oversight - further compounded by fiscal uncertainties
SERVICES ACQUISITION

**DIRECT ENABLERS OF SERVICES PORTFOLIO MANAGEMENT**

**STREAMLINE POLICY & PROCEDURES**
- AFARS Update
- AR 70-13 Revision
- ASSP Approvals (Closer to Execution)
- Maximize use of Incentives & competition to drive productivity & innovation

**VERTICAL & HORIZONTAL INTEGRATION - ACCOUNTABILITY**
- CSE single Command
- PFM all Commands
- SSM Army Enterprise
- HQDA Component Level Leads for Services Portfolios
- OSD Functional Domain Experts

**ARMY INTERNAL MGT CONTROL PROGRAM**
- ACQUISITION STRATEGY APPROVAL HIERARCHY
- VIRTUAL CONTRACTING ENTERPRISE

**SEMI-ANNUAL REQUIREMENTS FORECASTS**
- QUARTERLY COST SAVINGS UPDATES
- PPBBOS BUSINESS SYSTEM REPOSITORY
- STRATEGIC SOURCING INITIATIVES & INNOVATIONS

**COMMUNICATION**
- Transparent
- Information Sharing
- Publish Best Practices & Strategic Sourcing Methods

**INDUSTRY**
- Outreach
- Economic Impacts by Tradecraft

**ARMY/DOD**
- Requiring Activities
- Contracting Activities
- COC/GOSC

**STAFFING**
- Properly Resourced
- Capability Level

**TRAINING**
- Qualified
- DAU SAW, Tools and Templates

**MULTIFUNCTIONAL TEAMING**

**SERVICE POLICY**

**GOVERNANCE**

**MANAGEMENT CONTROLS & VISIBILITY**

**FORECASTING & REPORTING**

**STAKEHOLDER RELATIONS**

**WORKFORCE**

**GARNER SIGNIFICANT SAVINGS AND GREATER EFFECTIVENESS BY PROVIDING OVERSIGHT THROUGH ACTIVE MANAGEMENT OF SERVICE REQUIREMENTS AND EXECUTION**

**COMPLY WITH THE MANAGEMENT AND GOVERNANCE CONCEPTS DESCRIBED IN THE OPTIMIZATION OF SERVICES ACQUISITION IMPLEMENTATION PLAN**

**GAIN EFFICIENCIES WHILE MAINTAINING ARMY’S EFFECTIVENESS IN THE ACQUISITION OF SERVICES**

**SECARMY GUIDANCE**
May 2011

**ASA(ALT) GUIDANCE**
December 2011

**DASA(P) EXPECTED OUTCOME**

**UNDER SECRETARY OF DEFENSE FOR ACQUISITION, TECHNOLOGY AND LOGISTICS “Better Buying Power” Memorandums**
1) Target Affordability and Control Cost Growth
2) Incentivize Productivity and Innovation in Industry
3) Promote Real Competition
4) Improve Tradecraft in Services Acquisition
5) Reduce Non-Productive Processes and Bureaucracy

**ENABLES FULL OPTIMIZATION & EXECUTION OF ARMY SERVICES**
## Services Portfolio Groups

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<tr>
<th>Knowledge Based Services</th>
<th>Equipment Related Services</th>
<th>Facility Related Services</th>
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<tbody>
<tr>
<td>* Engineering &amp; Technical Services</td>
<td>• Maintenance, Repair and Overhaul</td>
<td>* Architect/Engineering Services</td>
</tr>
<tr>
<td>• Program Management Services</td>
<td>• Equipment Modification</td>
<td>• Operation of Govt Facilities</td>
</tr>
<tr>
<td>• Management Support Services</td>
<td>• Installation of Equipment</td>
<td>• Building &amp; Plant Maintenance</td>
</tr>
<tr>
<td>• Administrative &amp; Other Services</td>
<td>• Quality Control</td>
<td>• Natural Resource Management</td>
</tr>
<tr>
<td>• Professional Services</td>
<td>• Technical Representative Services</td>
<td>• Utilities</td>
</tr>
<tr>
<td>** Education &amp; Training Services</td>
<td>• Purchases &amp; Leases</td>
<td>• Housekeeping &amp; Social Services</td>
</tr>
<tr>
<td>** Purchases &amp; Leases</td>
<td>• Salvage Services</td>
<td>• Purchases &amp; Leases</td>
</tr>
</tbody>
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### Medical Services

- General Medical Services
- Dentistry Services
- Specialty Medical Services

### Electronics & Communications Services

- IT Services
- Telecom Services
- Equipment Maintenance
- Equipment Leases

### Logistics Management Services

- Logistics Support Services
- Logistics Civil Augmentation Program

### Transportation Services

- Transportation of Things
- Transportation of People
- Other Travel & Relocation Services

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*Subgroup portfolio managed*
Strategic Sourcing: drive change to improve operational efficiencies and socio-economic performance, minimize duplication of efforts, and reduce consumption/volume and cost by acquiring goods and services strategically to maximize value for every acquisition dollar spent to support the Warfighter.

### Strategic Sourcing IS NOT Just...

- The resulting contract
- Leveraged buying
- Contract consolidation
- Contracting and procurement
- About saving money

### Strategic Sourcing IS...

- A PROCESS for systematically analyzing and developing optimal strategies for buying goods and services
- DATA DRIVEN – fact-based analysis to drive decision making rather than just “hunches”
- A HOLISTIC process that addresses customer needs, market conditions, organizational goals and objectives, and other environmental factors
- Based on MARKET INTELLIGENCE and takes into account small business capabilities
- A COLLABORATIVE, CROSS-FUNCTIONAL approach
- About SUPPORTING AN ORGANIZATION’S MISSION through procured goods and services
<table>
<thead>
<tr>
<th>#1) It is Bundling/ Contract Consolidation… NO!</th>
<th>#2) It Eliminates Small Business… NO!</th>
<th>#3) It is A-76 Competitive Sourcing… NO!</th>
</tr>
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<tbody>
<tr>
<td>Strategic Sourcing is a process that is followed, not a predetermined, specific outcome to be used in an acquisition/commodity strategy. Is contract consolidation sometimes a result of strategic sourcing? Yes. Is contract consolidation sometimes not an appropriate strategy? Yes. As part of the process of strategic sourcing, and the analysis included in that process, the best strategies are chosen for each specific initiative.</td>
<td>There are legislative statutes and specific Army goals regarding small business. The sourcing team will not ignore these as part of strategic sourcing. During each strategic sourcing initiative, the team looks at the current environment and suppliers, which allows them to understand what is provided by small business today. They also conduct market research which provides answers to questions such as: Are there other small business suppliers? Could this be a small business set aside?</td>
<td>Strategic Sourcing is a process that is unrelated to the public-private sector competition using OMB Circular A-76 and it assumes the decision to source a good/service from outside the government organization has already been made.</td>
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Reduction in Cost Per Unit
- Pricing Improvements
  - Lower unit price
  - Volume rebates
  - Payment term discounts

Supply Chain Savings
- Cost of capital
- Warehousing costs
- Shipping costs

Reduced Lifecycle Costs
- Maintenance costs
- Operating costs
- Disposition costs

Change in Consumption/Volume
- Demand Management
  - Eliminate demand
  - Reduce consumption
  - Encourage substitution
  - Change product mix

Specification Review
- Eliminate “gold-plating”
- Simplify specifications
- Alternative products

Improved Operating Efficiency
- Reduced Procurement-Related Operating Expense
  - PO Processing
  - Accounts Payable
  - Receipt/Warehousing
  - Standardized procurement process

Reduced Non-Procurement Related Operating Expense
- Other operating efficiencies

Performance Monitoring
- Structured metrics and periodic review of contractor performance

Improved Supply Management
Socio-economic Goals
- Structured analysis of small/disadvantaged business opportunities

Optimized Supplier Relationships
- Improved joint understanding of needs and capabilities
- Increased efficiencies across the entire supply chain

Leverage Army’s Resources to Spend Efficiently
Deputy Assistant Secretary Army – Procurement

The Senior Service Manager is the HQDA focal point for Strategic Sourcing

Army Strategic Sourcing Governance Structure

**SSEC**
- Executive championship
- Set strategic vision, direction, and priorities
- Drive commonality & standardization
- Eliminate duplication

**SSSG**
- Plan & orchestrates Army-wide communications
- Recommend Policies to DASA-P/SECARMY
- Assist working groups
- Tracks and reports progress to the SSEC
- Monitor DoD/Federal initiatives

**SSWG**
- Establish commodities teams
- Functional area prioritization
- Developing demand/forecast
- Tactical planning, scheduling & resource management
- Execute strategic sourcing strategies (Model)
# Strategic Sourcing Governance

## Strategic Sourcing Executive Committee (SSEC)
**SES/GO level**
- **Chair:** DASA(P)
- **Members:**
  - DASA(P) Deputy (Alternate-Chair)
  - Senior Services Manager
  - HCAs & PARCs / Alternates
  - Small Business
  - Legal Counsel
  - Requiring Activities
  - CIO/G6 / G8
- **Advisors:** SMEs (as necessary)
- Meets semi-annually (or as needed)

## Strategic Sourcing Steering Group (SSSG)
**GS15/COL**
- **Co-Chairs:** SSM (Strategic Sourcing Directorate) / Requiring Activity
- **Members:**
  - Small Business
  - Legal Counsel
  - Requiring Activities
  - CIO/G-6
  - G8
  - PARCs / Alternate
  - SAAL-PB Director
  - SAAL-PP Director
- **Advisors:** SMEs (as necessary)
- Meets quarterly (or as needed)

## Strategic Sourcing Working Groups (SSWG)
**Appropriate Levels**
- **Chairs:** TBD – Portfolio Managers / Alternates
- **Members:** TBD – Based on commodity / portfolio
- **Advisors:** TBD – Based on commodity / portfolio
- Meets monthly (or as needed)
FY13 Statistics
Decreasing Obligations

Contract obligations following downward trend

Decrease of approximately 37.6% from FY10 to FY13

Source: FPDS-NG, 11 MAR 14; ODASA(P)