Improving the Department of Defense Services Acquisition Tradecraft

What’s New in 2017

Presented by: Ken Brennan
Date: June 2017
Changing Landscape ...

What was once performed by uniformed military may now be provided by contractors.

Contractors perform vital services in support of the entire DoD mission and team:

- Maintain combat equipment
- Move forces to and from combat operations
- Provide life support at contingency bases
- Sustain facilities and test ranges
- Provide health care services
- Etc.
Services Significance

• More than half of all DoD contracting dollars spent in support of the warfighter
• Touches everyone – home station or deployed, services contractors support the mission
• Interest area of Congress, GAO, and IGs
• Emphasized by senior leadership
  – “Improving Tradecraft in Acquisition of Services” continues to be a focus of Under Secretary of Defense for Acquisition, Technology, and Logistics (USD(AT&L)) Better Buying Power (BBP) initiatives

BETTER BUYING POWER 3.0, http://bbp.dau.mil
Services Acquisition Goals

• Foster Strategic Decision-Making in the Acquisition of Services
• Translate Services Requirements in Stable, Affordable, Well-Managed Programs
• Secure Buy-In/Ownership from the Requirements Community
• Obtain Feedback from Stakeholders
FY16 Spend - DoD as Contracting Dept
Services = 50.3% of Obligations

Services ($148.7B)

- Electronic & Comm Svcs ($16.1B) 11%
- Equip Related Svcs ($17.7B) 12%
- Research & Development ($23.2B) 15%
- Facility Related Svcs ($24.0B) 16%
- Construction Svcs ($10.2B) 7%
- Transportation Svcs ($5.7B) 4%
- Logistics Mgmt Svcs ($4.8B) 3%
- Knowledge Based Svcs ($33.7B) 23%
- Medical Svcs ($13.3B) 9%

S&E ($147.0B)

- Weapons & Ammo ($20.4B) 14%
- Sustainment S&E ($22.1B) 15%
- Facilities S&E ($10.4B) 7%
- Electronic & Comm Equip ($31.2B) 21%
- Miscellaneous S&E ($0.05B) 0%
- Acft, Ships/Subs, Land Vehicles ($56.5B) 39%
- Clothing, Textiles & Subsistence S&E ($6.5B) 4%

Note: these numbers have not yet been certified

Data from Business Intelligence Tool; all services obligations where DoD is contracting department, 19 Oct 16
Historical Services Spend by MILDEP

Data from Business Intelligence Tool; all services obligations where DoD is contracting department, 19 Oct 16

Note: FY16 numbers have not yet been certified
FY16 Spend – Obligations Comparisons by Process

DoD Contracting
$148.7B

- Knowledge Based Svcs ($33.7B) 23%
- Medical Svcs ($13.3B) 9%
- Equip Related Svcs ($17.7B) 12%
- Research & Development ($23.2B) 15%
- Facility Related Svcs ($24.0B) 16%
- Logistics Mgmt Svcs ($4.8B) 3%
- Transportation Svcs ($5.7B) 4%
- Construction Svcs ($10.2B) 7%
- Electronic & Comm Svcs ($16.1B) 11%
- Medical Svcs

DoD Funding Activity
$154.1B

- Knowledge Based Svcs ($36.1B) 23%
- Construction Svcs ($9.5B) 6%
- Logistics Mgmt Svcs ($4.9B) 3%
- Medical Svcs ($13.2B) 9%
- Electronic & Comm Svcs ($17.6B) 11%
- Transportation Svcs ($5.7B) 4%
- Construction Svcs
- Medical Svcs
- Electronic & Comm Svcs
- Logistics Mgmt Svcs

Data from Business Intelligence Tool; all services obligations where DoD is contracting department, 19 Oct 16

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Better Buying Power & Services Acquisition

“With tightening budgets, and increased risk, there must be a greater focus on improving contracted services outcomes.”
Administration Transition – Services Acquisition (SA)

• SA develops, implements, governs and executes the acquisition oversight framework for SA, and champions Category Management (CM) policy and initiatives for DoD.

• Current (2017) Focus

  ➢ Improving oversight capabilities
  ➢ Improving / Updating portfolio management
  ➢ Developing SA training
  ➢ Developing forecasting capabilities
  ➢ Revising DoD Instruction 5000.74
  ➢ Executing SA oversight (peer reviews, requirements validations, etc.)
  ➢ Developing / Implementing Federal CM while protecting DoD equities
DoD Services Acquisition
Focus Areas

• Policy
  – DOD Instruction 5000.74 – Defense Acquisition of Services

• Oversight
  – Senior-level Functional Domain Expert (FDE) structure for category management
  – Senior Services Managers for Services Acquisitions

• Training
  – Functional Integrated Product Team (FIPT) focused on providing services acquisition training
    • Classroom, online, and workshops
    • Samples and templates, website instruction
    • Refresher training available for acquisition workforce
USD(AT&L) directed a new, standalone DoD instruction on the acquisition of services

DoDI 5000.74, issued 5 Jan 2016, complements DoDI 5000.02 “Operation of the Defense Acquisition System” which establishes policy for the management of all Defense acquisition programs

The DoD’s Service Acquisition Process

SEVEN STEPS TO THE SERVICE ACQUISITION PROCESS

<table>
<thead>
<tr>
<th>STEP ONE</th>
<th>STEP TWO</th>
<th>STEP THREE</th>
<th>STEP FOUR</th>
<th>STEP FIVE</th>
<th>STEP SIX</th>
<th>STEP SEVEN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Form the Team</td>
<td>Review Current</td>
<td>Perform Market</td>
<td>Define Requirements</td>
<td>Develop Acquisition</td>
<td>Execute</td>
<td>Manage Performance</td>
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<td></td>
<td>Strategy</td>
<td>Research</td>
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- In order to promote **standardization**, polices and procedures outlined in DoDI 5000.74 are based on the 7 steps in the DoD services acquisition process, with associated deliverables.

- However, the DoDI provides **flexibility** to MILDEPs and Defense Agencies to develop specific procedures based on organizational resources and structure.
DoDI 5000.74 Contents

• DoDI 5000.74 establishes:
  – **Services Acquisition Categories**
  – **Roles and responsibilities** of all stakeholders in Defense services acquisition
  – **Portfolio management** policies and procedures
  – Services **requirements development, validation, and oversight protocols**—including services requirements review boards (SRRBs)
  – **Data collection** requirements for services acquisitions
  – Special considerations for acquisition of **IT services**
  – **Tripwires** heighten awareness of potential areas of risk/vulnerability
## S-CAT Thresholds & Decision Authorities

<table>
<thead>
<tr>
<th>Category</th>
<th>Threshold</th>
<th>Decision Authority</th>
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<tbody>
<tr>
<td>Services Category I</td>
<td>Any acquisition of services with an estimated total value of $1 billion, or more than $300 million in any one year</td>
<td>USD(AT&amp;L) or designee (for 4th Estate); Military Department Service Acquisition Executive or designee (for MILDEPs)</td>
</tr>
<tr>
<td>Special Interest²</td>
<td>As designated by the USD(AT&amp;L)</td>
<td>USD(AT&amp;L) or designee</td>
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<tr>
<td>Services Category II</td>
<td>Acquisitions of services with an estimated total value of $250 million or more, but less than $1 billion</td>
<td>USD(AT&amp;L) or designee (for 4th Estate); Military Department SAE or designee (for MILDEPs)</td>
</tr>
<tr>
<td>Services Category III</td>
<td>Acquisitions of services with an estimated total value of $100 million or more, but less than $250 million</td>
<td>Senior Services Manager (SSM) or designee</td>
</tr>
<tr>
<td>Services Category IV</td>
<td>Acquisitions of services with an estimated total value of $10 million or more, but less than $100 million</td>
<td>SSM or designee</td>
</tr>
<tr>
<td>Service Category V</td>
<td>Acquisitions of services with an estimated total value of the SAT or more, but less than $10 million</td>
<td>SSM or designee</td>
</tr>
</tbody>
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² The Special Interest designation is typically based on one or more of the following factors: technological complexity; congressional or administration interest; a large commitment of resources; or whether the program is critical to the achievement of a capability or set of capabilities, part of a system of systems, or a joint program.
Leadership Roles & Responsibilities in the Acquisition of Services

• DoDI 5000.74 assigns services acquisition responsibilities to the following leaders:
  – **USD(AT&L)**, the senior official responsible for the management of the DoD’s acquisition of contracted services
  – **Director, DPAP**, the staff-level lead for services acquisition
  – **USD(Personnel & Readiness)**, responsible for the DoD’s Total Force Management policies, including contracted services
  – **Director, CAPE**, who establishes policies and procedures for conducting cost estimates and analysis for the acquisition of services
  – **DoD Component heads**, who implement the policies and procedures contained in DoDI 5000.74
• DoDI 5000.74 also assigns roles and responsibilities to:

  o **Senior Services Managers**, who are responsible for the planning, strategic sourcing, execution, and management of acquisitions of services within their Component

  o **Program Managers/Functional Services Managers**, who manage risk and structure a tailored, responsive, and efficient services acquisition program, ensuring effective delivery of services and achievement of “should cost” goals

A panel of Senior Services Managers and their staff representatives fielding questions at a Services Acquisition training conference in December 2015
• Statutory from Section 803, FY17 NDAA

• Major items being *considered* for addition and/or change:
  – Services Acquisition Category Thresholds
  – Roles and responsibilities wrt Total Force
  – Improved Process Oversight of entire acquisition process / infrastructure
  – Alignment to Federal-level Category Management, instead of DoD-specific FDEs
  – Forecasting supports clean audits, and improved planning
  – IT Services section
Portfolio Management

- DoD manages services portfolios in a way that promotes collaboration across organizations and promulgation of best practices and lessons learned.

- 9 services acquisition portfolio groups are overseen through the **Functional Domain Expert (FDE)** structure.
  - Each FDE serves as the DoD-level lead for his or her respective portfolio group.
  - **Component-Level Leads (CLLs)** are senior functional leaders (Army, Air Force, Navy, DLA, MDA, DHA) who support the strategic management and leadership of their respective portfolio groups.
FDE Goals

• Improve planning, execution, and collaboration
• Develop policy to facilitate appropriate prioritization of contracted services requirements
• Identify portfolio-specific improvement goals and metrics as
• Report improvements in cost, schedule, and performance of contracted services
• Identify functional expertise across the Department to capture and export localized best practices
• Implement standardized processes in the services acquisition lifecycle
FDE Roles & Responsibilities

FDEs provide strategic leadership to achieve greater efficiency and reduce costs

• Plan
  – Reduce redundancy in business arrangements
  – Identify opportunities for strategic sourcing
  – Leverage small business capabilities
  – Inform acquisition planning and execution

• Collaborate
  – Share best practices, lessons learned, useful metrics, and data
  – Leverage Requirement Review Board process to improve requirements definition and validation process
  – Report portfolio accomplishments
  – Provide data/information supporting tripwires

DPAP, FDEs, SSMs, & Component Leads work together to improve portfolio management
Component-Level Leads (CLLs) are senior functional leaders within the DoD component functional communities aligned within the FDE structure. They are critical in promoting the training and development of program managers, functional service managers, and requirements personnel tasked to support the acquisition of services.

Numbers may not add due to rounding.
DoDI 5000.74 includes a special consideration of acquisition of IT services, including:

- Clinger Cohen Act compliance
- Compliance with DoD cybersecurity policies and standards
- Protection of personally identifiable information
- Appropriate use of cloud computing
DoDI 5000.74 instructs Components to use performance management metrics and tripwires to heighten awareness of potential areas of risk/vulnerability.

Tripwires are intended to increase visibility of potential cost, schedule, or performance issues and to prompt action to remedy such issues.

Tripwires can be tailored to the specific needs of the services portfolio and requirement.

Potential tripwire categories:
- Labor rates and performance
- Bridge contracts
- Use of subcontractors
- Single-bid procurements
- Best-value source selection premiums
- Other direct costs
- Economy Act awards
Tripwires (continued)

• What they are:
  – Thresholds to spark (require) further discussion/assessment
  – Guidelines
  – Enabler of risk mitigation

• What they are not:
  – A policy “brick wall”
  – Reflection of poor performance
Post-Award Peer Reviews

Completed **83** post-award execution reviews since Oct 2013
(still discovering programs not yet on the post-award review schedule)

**Best Practices**

- Holding Services Acquisition Workshops (SAW) and using the Acquisition Requirements Roadmap Training (ARRT) tool for effective statements of work
- Carefully designed incentive structures that reward truly value-added performance
- To the extent possible, appointing CORs who are trained, serve full time, and are subject matter experts
- For MACs, allowing for on- and off-ramping of contractors, and encouraging TO competition by holding industry days and providing feedback on unsuccessful proposals
- Smallest possible minimum-award guarantees

**Pain Points**

- Incentivizing contractors to exceed needed performance levels
- Use of Time & Materials TOs and CLINs
- Evaluations in Contractor Performance Assessment Reporting System (CPARS) without proper justification and narratives; “grade inflation” in CPARS reports
- Vendor lock and sole-sourced TOs
- Insufficiently high numbers of CORs overseeing large, complex procurements
- Unfocused award- and incentive-fee criteria
- Contractors’ failure to meet their small business subcontracting goals

*Note: Peer Reviews required by Section 808, NDAA for Fiscal Year 2008, Public Law 110-181*
QUESTIONS?

http://www.acq.osd.mil/dpap/sa/
DoD Services Acquisitions
53% of Spend in FY15

Data from Business Intelligence Tool; all services contracts with DoD as contracting department, 13 Feb 16
Numbers may not add due to rounding
Historical Services Spend by MILDEP