Defense Acquisition University

Better Buying Power Initiative Brief for "Title"

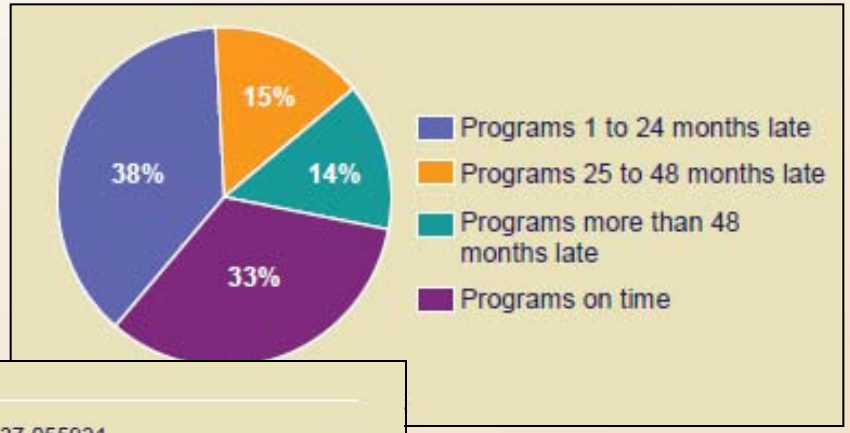
Date

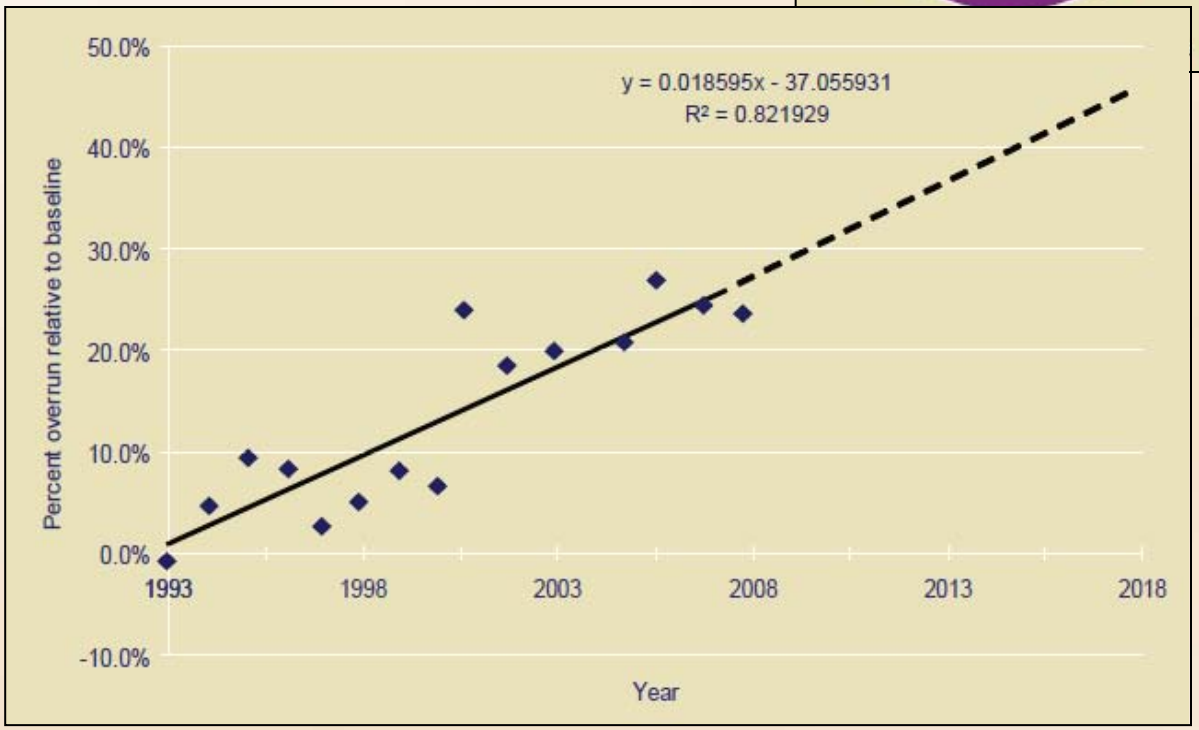
Team Members

Better Buying Power Gateway: https://dap.dau.mil/leadership/Pages/bbp.aspx
Better Buying Power Community of Practice: https://acc.dau.mil/CommunityBrowser.aspx?id=432727

Why are We Here?

- Schedule Delays
- Decline of Economy
- Budget Overruns





We are Just Paying Too Much!!

Source: Deloitte A&D Study, "Can we afford our own future?", December 2008

What OSD AT&L Found

- Dr. Carter in his first year noticed limited productivity across DoD
  - Production Cost increasing for the same item over time
  - Over 51% of the DoD budget is Acquisition of Services; increase of 400% in this area since 2008 with no clear reason
  - Examination of programs exposed large sole source activity (vendor lock) and poor examples of real competition
  - Small Business was not constructively engaged
  - Programs took a long time to get to Milestones and no one could clearly explain the value of many of the reports AT&L was asked to sign
  - Requirements were being implemented without consideration of cost or affordability

The Results

Dr. Carter wanted to implement guidance within his span of control without it being 'reform' but rather the use of Best Practices that would achieve:

- **Delivering the warfighting capability we need for the dollars we have**
- **Getting better buying power for the warfighter and taxpayer**
- **Restoring Affordability to defense goods and services**
- **Improving defense industry productivity**
- **Removing government impediments to leanness**
- **Avoiding program turbulence**
- **Maintaining a vibrant and financially healthy defense industry**
- **Developing our Acquisition Workforce**

Actions

What has been done:

- **Published the Better Buying Power Initiative white paper and implementing memorandums**
- **Established the Business Senior Integration Group to guide implementation**
  - **This is about continuous improvement – not a one time event**
- **Demonstrating long term commitment to the BBP goals**
  - **USD(AT&L) and PDUSD(AT&L) visits to major buying commands**
  - **Meeting with PEOs and Industry to obtain feedback**
    - **DAU RDT**
  - **Issuing updated guidance on specific elements of BBP**
- **Adjusting as feedback is obtained and learn from experience**

What is going to be done:

- Track the Department's performance at the institutional element level so we can make adjustments – PARCA initiative
- OSD Leadership conduct training sessions to align the OSD staff fully with our intent
- Get the workforce and industry fully on board at all levels – change is hard

Guidance Roadmap

Target Affordability and Control Cost Growth

- Mandate affordability as a requirement
- Implement "should cost" based management
- * AT&L memo 24 Aug2011 – Should-Cost and Affordability
  * AT&L memo 22 Apr 2011 – Will Cost/Should Cost
  * USA SAAL_ZR memo 10 June – Army Implementation of USD (AT&L Affordability Initiatives
  * USAF memo 15 June 2011 – Implementation of Will-Cost and Should Cost Management
  * SECNAV ASN-RDA memo 19 July2011 – Implementation of Should Cost Management
- Eliminate redundancy within warfighter portfolios
- Achieve Stable and economical production rates
- Manage program timelines

Incentivize Productivity & Innovation in Industry

- Reward contractors for successful supply chain and indirect expense management
- Increase Use of FPIF contract type
- Capitalize on progress payment structures
  * DPAP memo 27 April 2011 – Cash Flow Models
- Institute a superior supplier incentive program
- Reinvigorate industry's independent research and development

Reduce Non-Productive Processes and Bureaucracy

*** PDUSD AT&L memo 14 Sept 2011 – Document Streamlining-Life-cycle Sustainment Plan**

*** PDUSD AT&L memo 18 July 2011 – Document Streamlining-Program Protection Plan**

*** PDUSD AT&L memo 23 June 2011 – Improving Milestone Process Effectiveness**

*** PDUSD AT&L memo 20 April 2011 – Document Streamlining-Program Strategies and SEP**

- Reduce frequency of OSD level reviews

  *** AT&L memo 11 May 2011 – Improving Technology Readiness Assessment Effectiveness**
- Work with Congress to eliminate low value added statutory requirements
- Reduce the volume and cost of Congressional Reports
- Reduce non-value added requirements imposed on industry
- Align DCMA and DCAA processes to ensure work is complementary

  *** DPAP memo 4 Jan 2010 – Align DCMA and DCAA**
- Increase use of Forward Pricing Rate Recommendations (FPRRs) to reduce administrative costs

  *** DPAP memo 4 Jan 2010 – Align DCMA and DCAA**

Promote Real Competition

- Emphasize competitive strategy at each program milestone
- Remove obstacles to competition
  - **Allow reasonable time to bid**

    ***DPAP memo 27 April 2011/24 Nov 2010 –Improving Competition**
  - Require non-certified cost and pricing data on single offers
  - Enforce open system architectures and set rules for acquisition of technical data rights
- Increase small business role and opportunities

  ***DPAP memo 14 Jul y 2011 Use Government –wide Acquisition Contracts Set Aside Exclusively for Small Business**

  ***DPAP memo 27 June 2011 Increase Dynamic Business Roles in the Defense Marketplace**

Improve Tradecraft in Acquisition of Services

- Assign senior managers for acquisition of services

  ***Senior Manager's appointed similar to AF PEO (Army Nov 2010/Navy Jun 2011)**
- Adopt uniform services market segmentation (taxonomy)

  *** DPAP memo 23 Nov 2010 – Taxonomy for Acquisition of Services**
- Address causes of poor tradecraft
  - **Define requirements and prevent creep**
  - **Conduct market research**
- **Increase small business participation**

  *** DPAP memo 14 Jul y 2011 Use Government –wide Acquisition Contracts Set Aside Exclusively for Small Business**

Related Memos/DTMs:

PDUSD AT&L memo 19 July 2011– Roles & Responsibilities of the OSD OIPT Leaders, Teams and Team members

AT&L memo 23 June2011– DTM 11-009 – Acquisition Policy for Defense Business Systems

AT&L memo 21 March 2011– DTM 11-003 – Reliability Analysis, Planning, Tracking and Reporting

PDUSD AT&L memo 24 Feb 2011– Expected Business Practice: Post Critical Design Review Reports and Assessments

OMB memo 2 Feb 2011 – "Myth Busting"; Addressing Misconceptions to Improve Communications with Industry during the Acquisition Process

Better Buying Power Initiative Brief for Targeting Affordability and Controlling Cost Growth

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Mandate Affordability As a Requirement

What OSD/AT&L Found:

- Increasing cost and schedule growth of DoD acquisition programs and failure to deliver promised performance
- Unconstrained Requirements, created without considering affordability
- Requirements “creep,” resulting in considerable damage to programs or program cancellation

Mandate Affordability As a Requirement

The Result:

14 Sep 2010 USD(AT&L) memo:

- *"Affordability means conducting a program at a cost constrained by the maximum resources the Department can allocate for that capability."*
- *". . . this guidance will apply to both elements of a program's life cycle cost – the acquisition cost (typically 30 percent) and the operating and support cost (typically 70 percent)."*

3 Nov 2010 USD(AT&L) memo:

- *"As a basis for affordability analysis, you will use standard budget categories to the extent possible. Representative examples include: tactical wheeled vehicles, tactical aircraft, surface combatants, and communications satellites."*

Benefits of Addressing Affordability

SSBN(X)

- Original cost estimate proved unaffordable
- Navy performed design tradeoffs at MS B and engineering solutions without compromising capability
- Reduced average procurement cost by 16%, with a goal of 27%

Advanced Hawkeye E-2D

- Business case analyses demonstrated how aggressive, but attainable, production profiles could reduce costs significantly and achieve operational capability more rapidly
- Revised production rates expected to save $575 million

Ground Combat Vehicle (GCV)

- Army leveraged Future Combat Systems technology investment to shorten time to first production unit from 10 to 7 years
- Technology selected was chosen to meet the schedule

Mandate Affordability As a Requirement

Actions Ongoing or Planned by OSD/AT&L and CAEs:

- Implemented affordability requirements at milestone reviews
  - Affordability target with engineering trades at MS A, affordability requirements (KPP like) at MS B, enforcement at MS C
- Imposed affordability constraints on new starts
  - SSBN(X), Advanced Hawkeye E-2D, Ground Combat Vehicle, Next Generation Bomber
- Institutionalizing affordability analysis as part of DAB planning processes
  - Including portfolio analysis
- Selectively introducing affordability requirements into programs further along in development or production
  - Including analysis of production rates and program timelines

What still needs to be done:

- Institutionalize affordability in DoD standard planning processes at all ACAT levels
- Involve other key communities (Requirements, Comptroller, CAPE, Services, etc.)
- Discipline the process going forward

Affordability Requirements at MS Reviews

Milestone A Requirements
- Establish affordability target at MS A
  - Initial metrics are average unit acquisition cost and average annual unit operations and support cost
- Show results of capability excursions around design performance points
- Present target in context of available resources for portfolio/mission area

Milestone B Requirements
- Functional equivalent of a Key Performance Parameter
- Present systems engineering tradeoff analysis
  - Show how cost varies in relation to design and schedule parameters
  - Includes spiral upgrades
- Provide cost tradeoff curves around major affordability drivers
  - How program has established a cost-effective design point for the drivers

Milestone C Requirements
- USD(AT&L) approves range of production rates
- Deviation without USD(AT&L) approval will lead to revocation of MS

Mandate Affordability as a Requirement

USD(AT&L) Memos:

- 14 Sep 10: "Better Buying Power: Guidance for Obtaining Greater Efficiency and Productivity in Defense Spending"
- 3 Nov 10: "Implementation Directive for Better Buying Power - Obtaining Greater Efficiency and Productivity in Defense Spending"
- 24 Aug 11: "Should-Cost and Affordability" (a clarification memo on the difference of Should-Cost and Affordability)

Service Memos:

- Army: SAAL-ZR 10 Jun 11: "Army Implementation of USD(AT&L) Affordability Initiatives"

Should Cost Management

What OSD/AT&L Found:

- Managing to expenditures without consideration to historical bad behavior and cost growth
- Lack of focus on reducing cost; spending to the ICE, Program Office Estimate or obligation/expenditure benchmarks set by Comptrollers

Should Cost Management

The Result:

14 Sep 2010 USD(AT&L) memo:

- *"They (Program Managers) should be scrutinizing every element of program cost, …in short, executing to what the program should cost."*
- *". . .the ICE, reflecting business-as-usual management in past programs, becomes a self-fulfilling prophesy. The forecast budget is expected, even required, to be fully obligated and expended"*

Congress addressed in 2011 NDAA, which amends Sec 2334 of Title 10, U.S. Code:

"(A) cost estimates developed for baseline descriptions and other program purposes conducted pursuant to subsection (a)(6) are not to be used for the purpose of contract negotiations or the obligation of funds;
(B) cost analyses and targets developed for the purpose of contract negotiations and the obligation of funds are based on the Government's reasonable expectation of successful contract performance in accordance with the contractor's proposal and previous experience."

Benefits of Should Cost Management

- Global Hawk program Should Cost initiative has identified potential reductions/cost avoidance to date of $495M.

- E-2D program achieved “Should Cost” targets through tandem-buy concept in negotiations for 5 LRIP Lot 3 aircraft.
  - Northrup Grumman & subcontractors provided lower pricing data assuming buy of 10 aircraft over two years
  - Included long lead materials for 5 LRIP Lot 4 aircraft
  - 80% of suppliers “supported various cost-reduction initiative including holding option pricing & self-funding

Should Cost Management

Actions Ongoing or Planned by OSD/AT&L and CAEs:

- Published USD(AT&L) Implementation memo & USD(AT&L) / USD(C) Joint memo on Will Cost /Should-Cost Management
- Described 10 Ingredients of Should-Cost Management
- Identified 15 Will-Cost and Should-Cost Management Pilot Programs
- Described process for reallocating funds from cost reductions realized through Should-Cost Management
- Established reporting requirements for DAB and DAES Reviews
- Army/Navy/Air Force published Department-specific Implementation guidance on Should-Cost Management
- USD(AT&L) Clarification memo on Should Cost & Affordability

What still needs to be done:

- Services & Components provide annual report on Should-Cost progress (3 Nov 11)
- Implement efficiencies; realize cost reductions; extend Best Practices across DoD

Should Cost Management

Implementation Tools

- Scrutinize every element of program cost
- Look for cost reductions in respective activities
- Leverage Learning Curves
- Examine overhead and indirect costs
- Incentivize contractors to identify and create cost reductions
- Tie savings to specific discrete and measurable items and initiatives that can be quantified and tracked

From *Defense AT&L*, "Should Cost Management: Why? How?," Carter and Mueller, Sep/Oct 2011

Should Cost Management

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- 14 Sep 10: "Better Buying Power: Guidance for Obtaining Greater Efficiency and Productivity in Defense Spending"
- 3 Nov 10: "Implementation Directive for Better Buying Power - Obtaining Greater Efficiency and Productivity in Defense Spending"
- 22 Apr 11: "Implementation of Will-Cost and Should-Cost Management"
- 24 Aug 11: "Should-cost and Affordability" (a clarification memo on the difference between Should-Cost and Affordability)

USD(AT&L) & USD(C) Memo:

- 22 Apr 11: "Joint Memorandum on Savings Related to 'Should Cost'"

Service Memos:

- Army: SAAL-ZR 10 Jun 11: "Army Implementation of USD(AT&L) Affordability Initiatives"
- Air Force: SAF/FM & SAF/AQ 15 Jun 11: "Implementation of Will-Cost and Should-Cost Management"
- Navy: ASD (RDA) 19 Jul 11: "Implementation of Should-Cost Management"

Eliminate Redundancy within Warfighter Portfolios

What OSD/AT&L Found:

- Multiple programs with similar or redundant capabilities (or limited additive capabilities)
  - Duplicative capabilities were found across DoD and within Service portfolios
  - Costs were sometimes inconsistent between such programs, i.e., identical sub-items with different costs

Eliminate Redundancy within Warfighter Portfolios

The Result:

14 Sep 2010 USD(AT&L) memo:

- *"I intend to conduct similar portfolio reviews (to the Non-Line-of-Sight Launch System portfolio review) at the joint and Department–wide level with an eye toward identifying redundancies."*
- *"I am directing the components to do the same for smaller programs and report the results"*

Recent OSD/Service Portfolio Reviews

- Ground Moving Target Indicator (GMTI) Portfolio
  - Stopped procurement of Global Hawk Block 40 at 11 ($900M in FYDP) and stopped JSTARS re-engineering ($1.2B in FYDP).
- UAS Portfolio
  - Shaped Nunn-McCurdy review for Global Hawk and informed reduction of Block 30 aircraft from 42 to 31 aircraft ($1.1B most outside FYDP).
- Conventional Weapons Portfolio
  - Focusing on 1) joint opportunities; 2) industrial base (looking for efficiencies by aligning buys); and 3) inventories versus requirements / needs of Combatant Commanders.
- Ground Vehicle Portfolio
  - Review Services' Ground Vehicle development, acquisition plans, and lifecycle management costs across portfolio.

Eliminate Redundancy within Warfighter Portfolios

Actions Ongoing or Planned by OSD/AT&L and CAEs:

- Institutionalize portfolio reviews and analysis as part of standard DAB planning processes
- Involve other key communities (Requirements, Comptroller, CAPE, Services, etc.)

Joint Staff/JCIDS Actions:

- Implement Capabilities Development Tracking & Management (CDTM) system to improve visibility into capability gaps.

Eliminate Redundancy within Warfighter Portfolios

USD(AT&L) Memos:

- 14 Sep 10: "Better Buying Power: Guidance for Obtaining Greater Efficiency and Productivity in Defense Spending"
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Service Memos:

- Army: SAAL-ZR 10 Jun 11: "Army Implementation of USD(AT&L) Affordability Initiatives"

Achieve Stable and Economical Production Rates

What OSD/AT&L Found:

- Funding instability due to changes in quantities being acquired
- Lack of application of improvement methodologies such as Continuous Process Improvement, Lean/Six Sigma, Reduction of Total Ownership Cost, etc.
- Lack of planning for Diminishing Manufacturing Sources and Material Shortages (DMSMS) and long lead items
- Lack of focus on production planning and Joint Supply Chain Architecture

Achieve Stable and Economical Production Rates

The Result:

14 Sep 2010 USD(AT&L) memo:

- *"Government and industry both benefit from economic order quantity (EOQ) rates of Production and from stability in production year after year."*
- *"Unfortunately quantity cutting and turbulence to meet budget targets is widespread."*

3 Nov 2010 USD(AT&L) memo:

- *"…you will provide me, for each of your ACAT programs, a one-page description of how the procurement rate and schedule were set…deviations from these limits…will require my review and approval…"*

Benefits of Stable and Economic Production Rates

Ohio Replacement Program:

At MS A in Dec 2010, USD(AT&L) established affordability targets that included an average unit end cost target of $4.9B (for subs 2-12) and an average annual Operations and Sustainment cost target of $110M. To achieve this "should cost" objective, key efforts include:

- **reducing unique design features so there is an increased use of VIRGINIA-Class and SEAWOLF-Class components, and**
- **acquisition strategy that incentivizes affordability and sustainability targets through multi-year procurement contracts, reduced change orders and early delivery of key foundation documents like ship specifications.**

Achieve Stable and Economical Production Rates

Actions ongoing or planned by OSD/AT&L and CAEs:

- Introducing affordability requirements into programs further into development or production selectively
  - Include analysis of economic order quantities and economical production rates
  - Define production rate change limits based on affordability assessments
- Present Affordability Analysis at Milestones A and B
- Production Rate Range approved at Milestone C
- Deviations from limits require USD(AT&L) approval prior to implementation or submission with component POM
- Expanded Requirements Management training
  - Requirements “creep” in capabilities or quantities can disrupt production rates

Achieve Stable and Economical Production Rates

USD(AT&L) Memos:

- **20 Apr 11: "Document Streamlining – Program Strategies and System Engineering Plan"**
- **Technology Development Strategy [or] Acquisition Strategy for [Program Name] Sample Outline:**

  "8.2.2 Acquisition strategies for ACAT I programs will specify…how the procurement rate and schedule were set at Milestone A, as adjusted at Milestone B."

Section 812 of the FY11 NDAA:

- **Requires use of Manufacturing Readiness Levels (best practices not yet codified in law; implementation guidance in work)**

Manage Program Timelines

What OSD/AT&L found:

- Programs that did not manage to timelines
- Increased timelines result in:
  - Substantial cost growth
  - Late delivery to the warfighter
  - Delivering outdated technology and capabilities

Manage Program Timelines

The Result:

14 Sep 2010 USD(AT&L) memo

- *"The leisurely 10-15 year schedule of even the simplest and least ambitious Department programs not only delays the delivery of needed capability to the warfighter, but directly affects program costs."*

3 Nov 2010 USD(AT&L) memo

- *"Effective November 15, 2010, you will include a justification for the proposed program schedule.."*

Manage Program Timelines

Actions ongoing or planned by OSD/AT&L and CAEs:

- Institutionalizing affordability analysis as part of standard DAB planning processes
  - Includes justification for proposed program schedule
- USD(AT&L) Memo "Improving Technology Readiness Assessment Effectiveness," 11 May 11
  - PM aligns process by which critical technologies are identified and evidence of technology maturity is acquired with the program's schedule and resources
  - Allows early/clearer identification of technology maturity issues/readiness providing for better schedule planning and management
- USD(AT&L) Memo "Improving Milestone Process Effectiveness," 23 Jun 11
  - Under old process "waiting until all bidding activities, proposal evaluation and source selection are complete, we are making our most significant investment decisions at a point when changes to acquisition strategies and program plans would be highly disruptive."
  - Under new process, MS A and Pre-EMD Reviews facilitate better alignment of contracting activities, reducing program timeline and potential disruptions
- Emphasis on Technology Transition and use of JCTDs
  - Reduced time for development and delivery of advanced technologies
- Emphasis on use of Modeling and Simulation
  - Reduced development time and risk reduction/mitigation
- Expanded Requirements Management training

Better Buying Power Initiative RDT for "Incentivize Productivity & Innovation in Industry"

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John Pritchard, DSMC
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Incentivize Productivity & Innovation in Industry

- Reward contractors for successful supply chain and indirect expense management
- Increase Use of FPIF contract type when appropriate
- Capitalize on progress payment structures
- Institute a superior supplier incentive program
- Reinvigorate industry's independent research and development

Reward Contractors for Successful Supply Chain and Indirect Expense Management

What OSD Found:

- ***Savings will be in cost, not in profit. In some instances profit will increase to reward risk management and performance. Profit policy incentivizes reduction in program cost, the overall price to the taxpayer (cost plus profit) will be less.***

The Results:

14 Sep 2010 USD(AT&L) memo

"This initiative should contribute to the continuing vitality and financial viability of the defense industry in the era ahead by aligning the direction and incentives of the Department and industry It is intended to enhance and incentivize efficiency…"

What Happens When Supply Chain and Indirect Expenses are Addressed

Value of considering a breakout option is illustrated by results of a review of DDG-51 Destroyer costs

- **Review noted that the new cost for Restart Main Reduction Gears (MRG), previously subcontracted by two construction shipyards as Class Standard Equipment, was now more than three times the previous cost**
- **Incumbent manufacturer exited the MRG market and sold its intellectual property to another firm**
- **Prime passed on subcontractor's new bill to government without aggressive cost management**

PEO broke out the MRG from prime contract and conducted a full and open competition, which resulted in savings of over $400 million to the government for a lot buy of nine ship sets

Reward Contractors for Successful Supply Chain and Indirect Expense Management

Actions ongoing or planned OSD/CAE:

- **Incentivize prime to aggressively manage high-risk subcontracts.**
- **Incentivize prime/subcontractors to identify alternate supply chain paths, commencing during sustainment support strategy discussions.**
- **Profit / incentives should focus on reducing areas of major cost ("heavy hitters"), in order to reduce overall cost**
- **Evaluate Supply Chain performance success during contract review.**
- **Require consideration of "Breakouts" when Government has option of managing subcontractor rather than relying on Prime to effect same.**

Reward Contractors for Successful Supply Chain and Indirect Expense Management

Additional Actions:

PMs:

- **Reinvigorate interest in addressing methods to reduce life cycle costs (direct and indirect) in partnership with public/private entities.**
- **Develop contracting tools and supplier incentives to attract those in industry, who are on the sidelines, to the acquisition environment.**
- **Incentivize the weapon system PSI to invest in major reliability, availability, and maintainability initiatives.**
- **Mandate use of analytical tools such as Business Case Analysis (BCA) to determine best value.**

Reward Contractors for Successful Supply Chain and Indirect Expense Management

Additional Actions Continued:

Milestone Decision Authority:

- **Require PMs to comment on non-use of performance based strategies and address /discuss at Milestone Reviews**
- **Encourage multiple award contracts that allow future competitions at the task level among qualified suppliers.**
  - **Objective is to robustly compete among a large group of qualified providers, to reduce costs and maximize other competitive benefit**
- **DPAP reviewing Weighted Guidelines for profit with an aim to tie profit and performance**

Resources:

DAU Courses :

- **Logistics (LOG340 Life Cycle Product Support)**
- **Contracting (CON 232 Overhead Rates)**

Increase Use of FPIF Contract Type When Appropriate

What OSD found:

OSD discovered that programs don't have a good sense of costs. Transition to manufacturing is the time to reduce costs, and Fixed-Price Incentive (Firm) arrangements provide a means for doing this.

If the program is unstable, an FPIF contract may be preferable to an FFP vehicle.

In <u>all</u> cases…
Use the Contract Type most Appropriate for your program's Specific Situation

Increase Use of FPIF Contract Type When Appropriate

The Results:

USD (AT&L) Better Buying Power Memo, 14 Sep 2010

"Choosing contract type is one important way of aligning the incentives of the government and the contractor. One size does not fit all"

"'Incentive' is important, since it shares the costs of overruns and rewards of underruns between government and industry"

" The metric for success of this measure would be fewer programs that overrun their cost targets"

Key:
Identify What is Important in your effort, and weight incentives in Cost , Schedule and Technical as necessary to efficiently achieve it

Increase Use of FPIF Contract Type When Appropriate

The Results (cont'd):

USD (AT&L) Better Buying Power Memo, 3 Nov 2010

"give greater consideration to using Fixed-Price Incentive Firm Target (FPIF) contracts" Where Appropriate and it is not Mandated!

" …provide a justification for the contract type used for each proposed contract above $100 million for ACAT 1D programs"

"…review the contract type chosen for all contracts for more than $100 million under other ACAT levels"

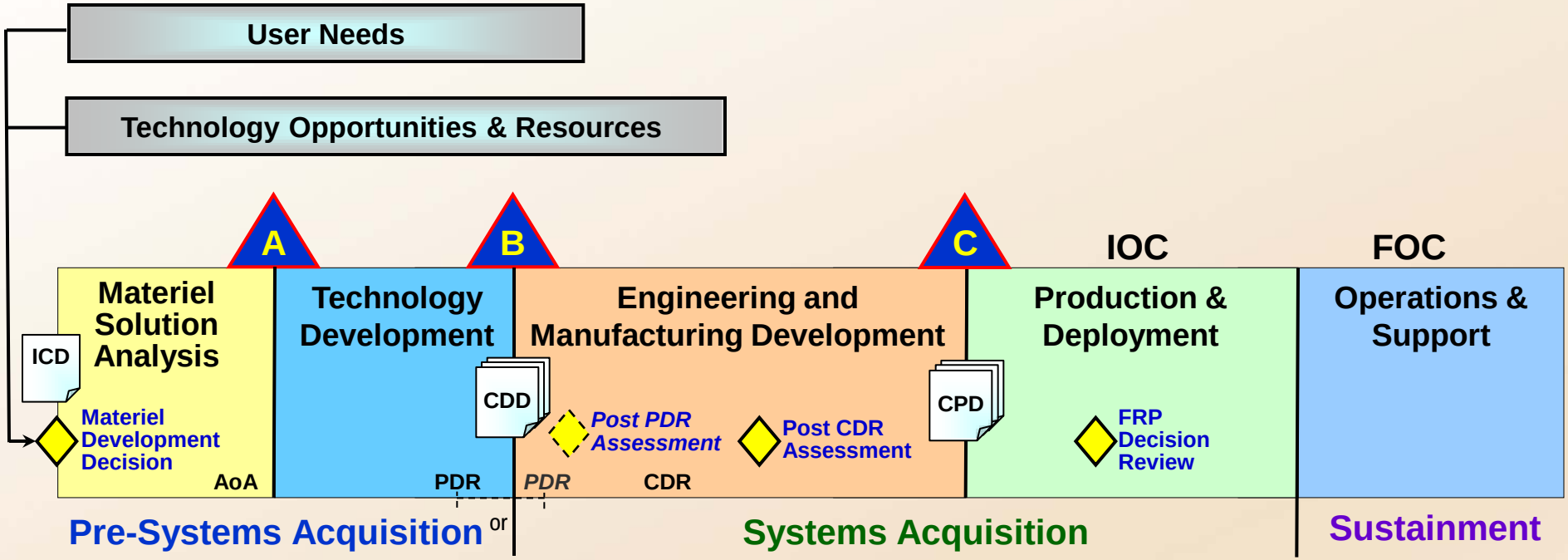
"…pay particular attention to share lines and ceiling prices…"

"…FPIF contracts with a 120 percent ceiling and a 50/50 share ratio…" (Note: Ceiling and Share Line parameters ultimately should reflect the specific risk inherent in each program)

"…implement this Guidance for all programs under your immediate direction and direct your PEOs to do the same"

Risk Assessment should always drive selection of Contract Type/Incentives…

Increase Use of FPIF Contract Type When Appropriate



CPFF

FPIS FPIF CPFF CPIF CPAF*

FPIS FPIF FP(EPA) FFP

Tools:

- DoD/NASA Incentive Training Guide: https://acc.dau.mil/CommunityBrowser.aspx?id=189615
- FPIF Tools link on OSD website, to include the "FPI(F) Grapher Tool : https://acc.dau.mil/CommunityBrowser.aspx?id=432897

Increase Use of FPIF Contract Type When Appropriate

Examples:

"The Navy, for example, recently concluded negotiations for a multi-year procurement of 124 F/A-18 strike fighter and E/A-18 electronic attack aircraft, which will yield over $600 million (greater than 10 percent) savings to the Department and the taxpayer. The F-18 program was able to drive down cost for each lot of aircraft procured in the framework of a fixed-price incentive contract that meets the Department's objectives for realistic costs, reasonable profit, a 50/50 shareline, and a 120 percent ceiling."

KC-X tanker contract had characteristics that made FPIF appropriate for development

- **Requirements were not going to change**
- **Low technical risk**
- **Industry Counterparts know how to do the work**

Goal: Create a robust industrial base where contractors can earn a return on investment

Increase Use of FPIF Contract Type When Appropriate

- **If there is insufficient actual cost information and enough technical risk, then FPI is better than FFP.**
- **If the program is stable and has good cost estimates, then FFP is more appropriate.**
- **It may be best to consider FPI early in production and in single-source production where year to year improvement can be rewarded**
- **Points of departure:**
  - **Share Ratio: 50/50**
  - **Ceiling Price: 120%**
  - **DFARS Implementation: Case #2011-D010**

Increase Use of FPIF Contract Type When Appropriate

- **Increase the use of FPIF contract vehicles (<u>where appropriate: it is NOT a "blanket mandate"</u>)**
- **Contract type should be commensurate with program risks**
- **"One size does not fit all"– Look for other incentives**
- **Incentives are powerful tools**
  - **PM should identify what is important, then work with the PCO to structure incentives around those areas**
  - **Incentivize common-sense, pragmatic execution improvement**

<u>What OSD still needs to do:</u>

- **Develop creative incentives to motivate industry to provide higher productivity**
- **Link strong contract incentives to the required performance**
  - **For programs this should usually be lower cost in production and sustainment**
  - **For services this should be acceptable or improved services at lower cost**

Incentive Contracts Lessons Learned

- **Start Early!!!!**
  - **Scrutinize your schedule looking for opportunities**
- **Maximize Pre-Solicitation Industry Exchanges**
  - **Multiple one-on-one mtgs, and share as much info as possible**
- **Continuous Joint PM-PCO-Industry Effort**
  - **Examine the C-S-P trade space**
  - **Continuously, before and after award**
- **Get insight into prime-subcontractor C-S-P trade space**
  - **Encourage incentive (IF) subcontracting arrangements if appropriate**
- **Incentive Contracts result in PM-PCO working closer together from RFP development through post award administration**
- **Post award changes can take longer**

* **References:** 5000.02: MDA for an MDAP shall select the contract type for a development program at Milestone B – Authorization for Cost contract requires MDA written determination.

Adjust Progress Payments to Incentivize Performance

What OSD Found:

The Program Manager and Contracting Officer should assess the value (consideration) due the Government for the benefits of approving contractor customary or unusual Progress Payments.

Adjust Progress Payments to Incentivize Performance

The Result:

14 Sep 2010 USD(AT&L) memo

- ***"The government is an exceptionally reliable customer in terms of financing. The department pays up front and regularly, sometimes before products are delivered."***

- ***I will direct the Director of DPAP to develop for my review a cash flow model to be used by all contracting officers….."***

Adjust Progress Payments to Incentivize Performance

Actions Ongoing or Planned by OSD/CAEs:

- **Developed a Cash Flow Model**
- **Institutionalizing the "quid pro quo" of contractor providing consideration to government for value of increased contractor cash flow (via progress payment adjustment)**

Adjust Progress Payments to Incentivize Performance

Memos:

Policy: USD MEMO Cash Flow Tool for Evaluating Financing Arrangements dated 27 April 2011

Resources:

PBP Tool:

HTTP://www.acq.osd.mil/dpap/cpf/Performance_based_payments.html **(Note: "underscores" used between the PBP words)**

DAU:

Understanding Performance Based Payments and the Value of Cash Flow Continuous Learning Modules (CLC 057) completed

Institute a Superior Supplier Incentive Program

What OSD found:

Recognize, reward, and publicize consistent exemplary corporate industry performance to capture the attention of Share Holders.

Institute a Superior Supplier Incentive Program

The Result:

14 Sep 2010 USD(AT&L) memo

- ***"The Department should recognize and reward businesses and corporations that consistently demonstrate exemplary performance.."***

Institute a Superior Supplier Incentive Program

Actions Ongoing or Planned by OSD/CAEs:

- **Assessed the Defense Logistics Agency Strategic Supplier Alliance and the Navy's Preferred Supplier Program**
- **Develop a program that rewards vendors for superior performance**
- **Determine good business practices at the stock level**
- **Validate that customer is pleased with the service level**
- **Benchmark performance metrics focused upon customer satisfaction**
- **Contract Performance Assessment Report System**

Guidance is in work…

Reinvigorate Industry's Independent Research and Development

What OSD found:

Estimated $3B-8B is reimbursed annually to industry in IRAD as an allowable cost.

OSD is interested in communicating with industry to understand the return to the Government on IRAD dollars.

Reinvigorate Industry's Independent Research and Development

The Result:

14 Sep 2010 USD(AT&L) memo

- ***"This one of the Department's principal investments in technology innovation ….."***
- ***" I intend to take action to align the purpose of IRAD to actual practice."***

Reinvigorate Industry's Independent Research and Development

Actions Ongoing or Planned by OSD/CAEs:

- **Communicate with Industry on IRAD investments to ensure they align with DOD requirements**
- **Determine how we can work with Industry to invest efficiently in IRAD**

Better Buying Power Initiative Brief for Promote Real Competition

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Better Buying Power Gateway: https://dap.dau.mil/leadership/Pages/bbp.aspx
Better Buying Power Community of Practice: https://acc.dau.mil/CommunityBrowser.aspx?id=432727

Promote Real Competition

Per statute, with limited written exceptions, the Government shall compete all contracts > simplified acquisition threshold (SAT) and all orders > $3,000 under multiple award contracts. Per policy, the Govt. shall promote competition to maximum extent practicable for purchases < SAT. Yet, in each FY10 and FY11, less than 50% of DoD contract spending was competitive.

DoD Competition Data (% of obligated $)	FY10	FY11*
Noncompetitive: Written exception (e.g., J&A)	38.4%	43.3%
Noncompetitive: Only one offer received via competitive procedure. DoD calls this "Ineffective Competition".	13.1%	9.6%
Competitive: More than one offer received via competitive procedure. DoD calls this "Effective Competition".	48.5%	47.1%

Competition in Contracting Act (CICA) requires agencies to separately track competitive procedures where only one offer was received and record the data as "noncompetitive procurements using competitive procedures".

Lack of Open Systems Architecture & Data Rights often leads to J&As.

Lack of proposal preparation time a key factor in receiving only one offer. If only one offer, no direct competitive market pricing exists and Govt. presumes "Expectation of Competition" to justify price.

Before BBP, DoD used a single annual "Competition" goal combining data of competitive procedures resulting in either only one offer or more than one offer.

Less than half of DoD dollars are considered competitive per CICA & effectively competed per DoD.

DoD not meeting its Small Business (SB) Prime & Subcontracting Goals.

How Better Buying Power Impacts DoD Competition

BBP Term: "Overall Competition" Rate
[new name for "Competition"]
FY 10 Result -- 61.6% [13.1% + 48.5%]
BBP Goal: Increase by factor of 2% per FY
FY11 Goal -- 62.8% [61.6% X 102%]
FY11 Result -- 56.7%* [9.6% + 47.1%]
Overall Competition Rate Worsened in FY11

BBP Term: "Effective Competition" Rate
[Competitive with > 1 offer / Overall Competition]
FY10 Result -- 78.6% [48.5% / (13.1% + 48.5%)]
BBP Goal: Increase by factor of 10% per FY
FY11 Goal -- 85.9% [78.6% X 110%]
FY11 Result -- 83.1%* [47.1% / (9.6% + 47.1%)]
Effective Competition Rate Improved in FY11

Real Competition = Effective Competition

BBP Real Competition Initiatives
- **Competitive strategy @ each program MS**
- **Remove Obstacles to Competition**
  - "Only One Offer" Policy
  - Ensure Open Systems Architecture
  - Acquire data rights needed to compete later
- **Increase role of SBs in competition**

*FY11 data through 3rd qtr.

Emphasize Competitive Strategy at each Program Milestone

What OSD Found:

- **OSD discovered that competition is not being effectively utilized across the department**
- **Current competition has often resulted in only one bid or proposal**

Emphasize Competitive Strategy at each Program Milestone

The result: 14 Sep 2010 USD(AT&L) memo

"Since it is not practical to develop two of everything the Department needs, competition must be found in other forms."

What Happens When Competition is Addressed

- **Family of Medium Tactical Vehicles Competition: The Army awarded a competitive 5 year multiple year requirements contract to Oshkosh that resulted in an average cost savings of 28% over the previous sole source contract. The end result is a cost savings of an estimated $578M over the contract period of performance.**

- **The JTRS Enterprise Business Model (EBM) is predicated upon fostering and leveraging competition in production. For the Multifunctional Distribution Information System – Low Volume Terminal (MIDS-LVT) radio program initial radios started at $426K per unit. Since then, competition between the two approved vendor production sources, the radios have decreased steadily to a cost of only $181K per unit, a savings of nearly 60% on each radio. With over 2600 MIDS units purchased, the total savings is approximately $500 million.**

Emphasize Competitive Strategy at each Program Milestone

Actions ongoing or Planned by OSD/CAEs:

- **Require PEOs & PMs to present their strategy to create and maintain a competitive environment for their contractors at DAB and DAES reviews**
- **OSD finalizing DAB template for Milestone A & B review**

Emphasize Competitive Strategy at each Program Milestone

Policy Memo:

20 APR 2011 PUSD(AT&L) memo

- **Technology Development Strategy/Acquisition Strategy (TDS/AS) template**

  "Competition Strategy. Explain how a competitive environment will be sought, promoted and sustained throughout all program phases."

  https://dap.dau.mil/leadership/pages/bbppolicy.aspx

Tools:

- **Program Managers should have a competitive strategy even if classic head-to-head competition does not exist**

- **What a Competitive Strategy should emphasize**
  - **Related program serve as partial substitute for program**
  - **A plan to regain competition in an unproductive sole source situation**
  - **Breakout of subcontract work**
  - **Adapting commercial products**
  - **Technical Data Rights**

Remove Obstacles to Competition

What OSD found:

- **OSD discovered that people were creating an environment that limited or eliminated competition**
  - **Time constraints**
  - **Overly specific requirements**
  - **Lack of consideration to purchase of appropriate technical data rights**
  - **Not ensuring open architecture which would establish future market conditions for effective competition**
  - **Established barriers to communication with industry partners**

GAO-10-833: Opportunities Exist to Increase Competition & Assess Reasons When Only 1 Offer Received
DoD IG May 2009 finding: 39% of Navy SeaPort-e competed task orders received only one offer
USAF PEO-Services finding: 39% of DESP competed task orders received only one offer

Remove Obstacles to Competition

The result:

14 Sep 2010 USD(AT&L) memo

"…contracting officers to conduct negotiations with all single bid offerors and that the basis of that negotiation shall be cost or price analysis, as the case may be, using non-certified data."

" I am directing each competition advocate to develop a plan to improve both the overall rate of competition and the rate of effective competition. Those plans should establish an improvement rate of at least 10 percent per year for effective competition. Those plans are to be approved by the CAEs."

What Happens When Competition Obstacles are Addressed

- **USAF PEO-Services action: Cut by 50% the number of competed task orders receiving only one offer**
  - **Weight technical, cost, and past performance evaluation factors more evenly [each factor > 25% but < 50%]**
  - **Provide monthly report of known requirements & bid due dates to potential offerors**

Remove Obstacles to Competition

Actions ongoing or planned by OSD/CAEs:

- 24 NOV 2010 & 27 APR 2011 DPAP memos
  - Can no longer use FAR 15.403-1(c)(1)(ii) "expectation of competition" if only 1 offer
  - Use FAR 15.403-3(b) & 15.404-1 to make fair & reasonable price determination
  - If needed, obtain certified or other than certified cost or pricing data from offeror
- DFARS proposed case 2011-D013 "Only One Offer"
  - Insert above promulgated DPAP policy into Defense regulations
  - Posted 25 JUL 2011 with public comment due 23 SEP 2011
  - OSD (DAR Council) to finalize DFARS rule in FY12
- Require open systems architectures and set rules for acquisition of technical data rights
  - Better Buying Power: Understanding and Leveraging Data Rights in DoD Acquisitions
- Open Systems Architecture (OSA)/Data Rights Business Case Analysis Guide & Templates
  - OSD finalizing
- DoD Open Systems Architecture Guidebook for Program Managers
  - OSD finalizing DoD Guidebook (estimated Sept 2011)

Remove Obstacles to Competition

Tools:

- **Allow reasonable time to bid (24 NOV 2010 & 27 APR 2011 DPAP memos)**
  - **30-day proposal response time criterion if only one offer received or HCA waiver**
  - **Do thorough market analysis and research (talk with industry)**
  - **Don't write overly specific requirements**

Two-page reference (dated 07 JUL 11) prepared by DoD Open Architecture Team

https://acc.dau.mil/CommunityBrowser.aspx?id=436672&lang=en-US or https://acc.dau.mil/oa

- **Navy Guidebook**

https://acc.dau.mil/CommunityBrowser.aspx?id=18016 or https://acc.dau.mil/oa

•Office of Federal Procurement Policy memo 02 FEB 2011 " 'Myth-Busting' ": Addressing Misconceptions to Improve Communication with Industry during the Acquisition Process"

- **Directs agencies to remove unnecessary barriers to reasonable communication and develop vendor communications plans. Know how to maximize communication and get familiar with your component's vendor communication plan.**

Increase Dynamic Small Business Role in Defense Marketplace Competition

What OSD found:

- **Small businesses have repeatedly demonstrated their contribution to leading the nation in innovation and driving the economy by their example of hiring over 65 percent of all new jobs and holding more patents than all the nation's universities and large corporations combined**

- **Our defense industry must leverage that innovation and opportunity into our competitions, as small business representation on programs has demonstrated lower costs to the government**

Increase Dynamic Small Business Role in Defense Marketplace Competition

The result:

14 Sep 2010 USD(AT&L) memo

" I direct the CAEs to institute in all competitive and non-competitive procurement actions emphasis on small business utilization through weighting factors in past performance and in fee construct."

What Happens When Small Business is Addressed

- **MAXPRAC: The single largest barrier in identifying opportunities for small businesses is having the ability to perform market research. The Maximum Practicable Opportunity (MAXPRAC) tool allows DoD to conduct market research in real-time.**

Increase Dynamic Small Business Role in Defense Marketplace Competition

Actions ongoing or planned by OSD/CAEs:

- **27 JUN 2011 Joint memo by DPAP & OSD Director of Small Business Programs**
  - **Emphasis on acquisition planning with small business specialists & review of subcontracting plans**
- **14 JUL 2011 DPAP memorandum**
  - **Emphasis on use of small business Govt.-Wide Acquisition Contracts (GWACs)**
- **03 Nov 2010 AT&L memorandum**
  - **Increase Small Business participation in Competitive/non-competitive procurements***
  - **Weighting factors in past performance and in fee construct***
  - ***OSD guidance forthcoming**

Better Buying Power Initiative Brief for Improve Tradecraft in Services Acquisition

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Better Buying Power Community of Practice: https://acc.dau.mil/CommunityBrowser.aspx?id=432727

Improve Tradecraft in Services Acquisition

What OSD found:

- **Services represent the largest part of DOD acquisition spending**
  - **55% of the FY10 DOD contract spend was on the acquisition of services**
  - **A 400% growth in services spend since 2008**
- **Services Acquisition has not been managed as aggressively as other high value acquisitions**
- **Poor Acquisition tradecraft has contributed to cost growth**
  - **Methods of acquiring services has not been consistent across the Department**
  - **Requirements for services have not been clearly defined**
  - **There has been a lack of real competition**
- **OSD saw that no single approach to Services was occurring across the Department and that no sharing of skills and lessons learned was going on**

Improve Tradecraft in Services Acquisition

The result:

14 Sep 2010 USD(AT&L) memo

"*The Department's practices for buying such services are much less mature than for buying weapons systems.*"

- **Improvement in Services Acquisition will result in significant reductions in cost at all levels across the Services and DOD organizations**

Improve Tradecraft in Services Acquisition

Actions ongoing or planned by OSD/CAEs:

- **Air Force PEO for Combat and Mission Support (Services) established in 2002 and was the model for this initiative**
  - **Army established Deputy Assistant Secretary of the Army for Services in Nov 10**
  - **Navy established Director of Services and Acquisitions in Jun 11**
- **Monthly meetings with component senior services managers and DPAP**
- **Look at how to manage service contracts and at what level**
- **Commanders and Directors of other DoD components need to establish a senior manager for acquisition of services at the General Officer, Flag, or SES level, per 14 Sep memo to Acquisition Professionals**

Adopt Uniform Taxonomy for Different Types of Services

What OSD found:

- **OSD found thousands of Product Service Codes (PSC), had no common approach to using them, and no consistent visibility into the spend on services because of the lack of a common "PSC taxonomy" designation in the Department**

Adopt Uniform Taxonomy for Different Types of Services

The result:

14 Sep 2010 USD(AT&L) memo

"*I am directing, therefore, each component to use the following primary categories of service spend: Knowledge-based Services; Electronics and Communications Services; Equipment Related Services; Medical Services; Facility Related Services; and Transportation Services"*

Action planned by OSD:

Developing detailed guidance for establishing a taxonomy of preferred contract types in services acquisition

Adopt Uniform Taxonomy for Different Types of Services

Actions ongoing or planned by OSD/CAEs:

- **Directed six primary categories of services spend be used by each component in 14 Sep 2010 memo to Acquisition Professionals**
  - **Derived from Product Service Code (PSC) categories contained in the PSC manual maintained by the General Services Administration, Federal Procurement Data Center, and Office of Management and Budget**

- **DPAP memo issued 23 Nov 2010 provided addition detailed guidance, breaking down six portfolio groups into 33 portfolios, 124 categories, and 1,351 PSCs**

Address Causes of Poor Tradecraft in Services Acquisition

Actions ongoing or planned by OSD/CAEs:

- **Require the Services and DoD Components to assist users of services to define requirements and prevent creep via requirements templates**
  - **Establishing, through their senior managers for services maximum use of standard templates in developing Performance Work Statements (PWS) to improve contract solicitations.**
  - **Establish dedicated market research teams at the portfolio management level**
- **Enhanced competition by requiring more frequent re-competes of knowledge based services**
  - **Single award contracts should be limited to 3 yrs (including options) unless, by exception, it is fully justified for longer periods by the senior manager**
  - **If the government receives the benefit of savings in the out years, a longer contract period may be justified**
  - **Multiple-award IDIQ contracts may be up to five years if on-ramp provisions are included to refresh/update the competitor pool**
- **Require services contracts valued at more than $1 billion to contain provisions in the contract to achieve productivity improvements and cost efficiencies throughout the contract period**

Address Causes of Poor Tradecraft in Services Acquisition

Actions ongoing or planned by OSD/CAEs (cont'd):

- **In cases where 1-bid proposals are received, require fully negotiated pricing and cost data as appropriate**
  - **If solicitation advertised for fewer than 30 days and only one offer received, the contracting officer shall cancel and re-solicit for an additional period of at least 30 days; or**
  - **If a solicitation allowed at least 30 days for receipt of offers and only one offer was received, then the contracting officer shall not depend on the standard at FAR 15.403-1(c)(ii) in determining the price to be fair and reasonable. Rather, the contracting officer shall use price or cost analysis IAW FAR 15.404-1 to make that determination. If the contracting officer believes that it is necessary to enter into negotiations, the basis shall be certified cost or pricing data or other than certified cost or pricing data, as appropriate. The negotiated price should not exceed the offered price.**
  - **Waivers permitted by the HCA and can be delegated to not lower than one level above the contracting officer**

Address Causes of Poor Tradecraft in Services Acquisition (cont'd)

What DAU has done:

- **Formal training sources**
  - **ACQ 265, Mission-Focused Services Acquisition – 4 day classroom course**
  - **Developed and deployed Service Acquisition Workshops (SAWs) in FY09**
    - **56 SAWs conducted to date for all four military branches, MDA, DLA, JFCOM, DFAS, NORTHCOM, DSS, DCMA, Def Data West; requirements covered all six of the portfolio groups addressed in the service taxonomy**
- **Launched the Service Acquisition Mall (SAM) in Jan 2010**
  - **SAM design aligns with taxonomy from 14 Sep 2010 memo**
  - **Describes seven-step performance-based service acquisition process**
  - **Contains hundreds of examples to help acquisition teams with their requirements**
  - **Short videos/audios describe key information and activities required in service acquisitions**

Address Causes of Poor Tradecraft in Services Acquisition (cont'd)

What DAU has done (cont'd):

- Deployed CLC 013, Services Acquisition in May 2011
- Updated the Services Acquisition Guidebook in July 2011
  - Initially developed by DPAP approximately ten years ago
  - New student guide for ACQ 265 and to be incorporated into the DAG and DFARS PGI
- Deployed Automated Requirements Roadmap Tool (ARRT) in August 2011
- Developing CON 280 – Source Selection and Administration of Service Contracts; scheduled deployment in Mar 2012

- **Services Market Research Working Group being stood up later this year**
  - Members from DAU and others appointed by senior managers for acquisition of services
  - Charter currently being staffed

Increase Small Business Participation in Providing Services

What OSD found:

- **Small businesses have repeatedly demonstrated their contribution to leading the nation in innovation and driving the economy by their example of hiring over 65 percent of all new jobs and holding more patents than all the nation's universities and large corporations combined.**
- **Our defense industry must leverage that innovation and opportunity into our competitions, as small business representation on programs has demonstrated lower costs to the government**
  - **Small Business**

Increase Small Business Participation in Providing Services

The result:

14 Sep 2010 USD(AT&L) memo

"*I am directing the OSD Office Of Small Business to review acquisition plans for service acquisitions exceeding $1 billion and to be a member of the OSD peer reviews of services acquisitions. "*

What Happens When Small Business is Addressed

- **MAXPRAC: The single largest barrier in identifying opportunities for small businesses is having the ability to perform market research. The Maximum Practicable Opportunity (MAXPRAC) tool allows DoD to conduct market research in real-time.**
- **Our small business directors are working close with their head of contracts and senior acquisition executives to perform deeper analysis of opportunities in areas where MAXPRAC has identified areas for us to look deeper.**
  - **Specifically, the Department of Navy is using MAXPRAC to gain insight in several areas where they were under performing. MAXPRAC has allowed them the opportunity to identify areas not seen in prior years resulting with a potential of increasing small business opportunities up to 2%.**
  - **The Department of Army has also identified areas in micro-purchases (contract actions of less than $3,000) that traditionally has high small business participation and noticed an opportunity to make it higher. This particular area identified by the Department of Army was shared with the Department of Navy and is now a place where both services are looking to increase small business participation for small businesses.**
- **For the first time, MAXPRAC has allowed DoD to perform analytical market research on federal procurement data and leverage the data to identify tangible and meaningful opportunities.**

Increase Small Business Participation in Providing Services

Actions ongoing or planned by OSD/CAEs:

- **Required OSD Office of Small Business Programs to review acquisition plans for services acquisitions exceeding $1B and to be members of the OSD peer reviews of services acquisitions**
- **Encouraging the use of Multiple Award/IDIQ contracts among small businesses, where suitable**
- **Issued 14 Jul 2011 memo listing Government-wide acquisition contracts for information technology-related products and services set aside exclusively for small businesses**

Increase Small Business Participation in Providing Services

Tools:

- **Developed Maximum Practicable Process website; https://extranet.acq.osd.mil/osbp/**
  - **Establishes an approach to aid Small Business Specialists in identifying contract award target zones where awards have been awarded to Other Than Small Business in the past but might have the potential to be awarded to Small Business**

Better Buying Power Initiative Brief for "Reduce Non-Productive Processes and Bureaucracy"

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Improving Efficiency in Acquisition

What OSD found

- **As we worked through the Better Buying Power initiatives we discovered the issues were not only business deals, there was room for improvement in the process to achieve savings**
- **Time to decisions have dramatically increased over the last 20 years**
- **Congressional oversight continues to grow**
- **Cost to implement increased reporting is now seen as an affordability issue**

Improving Efficiency in Acquisition

The result:

14 Sep 2010 USD(AT&L) memo

"*Unnecessary and low-value added processes and document requirements are a significant drag on acquisition productivity and must be aggressively identified and eliminated.* "

Reduce Non-Productive Processes and Bureaucracy

Initiatives:

- **Reduce frequency of OSD level reviews**
- **Work with Congress to eliminate low value added statutory processes**
- **Reduce the volume and cost of Congressional Reports**
- **Reduce non-value added requirements imposed on industry**
- **Align DCMA and DCAA processes to ensure work is complementary / Increase use of Forward Pricing Rate Recommendations (FPRRs) to reduce administrative costs**

Reduce Non-Productive Processes and Bureaucracy

Actions ongoing or planned by OSD/CAEs:

- **Listened to industry and the workforce**
- **Reduced the frequency of OIPT reviews at the OSD level**
- **Released new guidance for Acquisition Strategies, System Engineering Plans, and Life Cycle Sustainment Plans**
- **Elimination of 45 internal reports and set page limits on Congressional reports**
- **Developing new guidance for other DAB required documents**
- **Addressing concerns about DCAA and DCMA oversight efficiency**
- **Requesting repeal of requirements for Retroactive ACAT I program certifications**
- **Streamlining quantity based Nunn-McCurdy reviews and initiating reviews earlier**
- **Refocused TRL reviews on technology as opposed to engineering/integration risk and shifted responsibility to the program management chain of command**

What OSD still needs to do:

- Reorient everyone in the system to focus on the quality of the plans and products that the Program Team actually needs and uses to manage their Program
- Coordinate review of remaining documents not under direct AT&L control – JCIDS, Intel, DT/OT, CAPE
- Focus the entire workforce on value-added activity oriented on the products and services we are striving to deliver

Reduce Frequency of OSD Level Reviews

Actions ongoing or planned by OSD/CAEs:

- **Reconstructed DAES and DABs to be more focused reviews on programs**
  - **DAB templates developed with ties to AS/TDS, SEP, LCSP, PPP, and TRA memos**
  - **Improves the milestone process to effectively make critical investment decisions**

- **Evaluating current ACAT-ID programs to develop a prioritized list of programs to delegate to ACAT-IC status**
  - **Analysis is on-going**

- **Clarified role of OIPTs Roles and Responsibilities**
  - **Roles of OIPT's restated/clarified**
  - **OIPT's provide assessment to DAE and assist PM's in completing statutory/regulatory requirements**
  - **OIPT's should be leveraged to implement BBP initiatives**

Focused the activities and actions of OIPT leaders and the membership "Roles and Responsibilities of OSD OIPT Leaders, Teams, and Team Members" – Kendall (19 Jul 11)

Work with Congress to Eliminate Low Value Added Statutory Requirements

Actions ongoing or planned by OSD/CAEs:

- **Nunn-McCurdy Rules for Special Situations**
  - **Eliminate requirement for full suite of assessments and reporting where quantity-induced or other external reasons cause critical breaches**
- **2366a/b Certification Process Review**
  - **Reassess the need for and overall method of implementation to respond to requirement for retroactive 2366a/b certification**
- **Congressional-mandated organizational changes within AT&L**
  - **Allow AT&L the flexibility to balance the internal staff elements in order to effectively execute all the functions it's responsible for**
  - **Ensure oversight functions are adequately staffed and performed without inefficiencies and unnecessary overhead**
- **Progress:**
  - **DoD Legislative Proposal submitted to change Title 10 Section 2366a/b (Certification) & Section 2433 (Nunn-McCurdy)**

"The Department will continue to comply with all statutory requirements… but will tailor how we achieve compliance"-14 Sept 2010

Reduce the volume and cost of Congressional Reports

Actions ongoing or planned by OSD/CAEs:

- **Requested repeal of 158 recurring Congressional reports (55 from AT&L)**
- **Established 5 page limit for reports; additional page count must have justification**
- **All Congressional reports must include cost to produce on front cover**
- **Eliminated 45 of 97 USD(AT&L) internally generated reporting requirements**

Reduce Non-Value Added Requirements Imposed on Industry

Actions ongoing or planned by OSD/CAEs:

- Director of Industrial Policy, with support from DPAP, surveyed Industry to:
  - Identify, prioritize, and recommend a path forward to unwind duplicative and overly rigorous requirements that add to costs, but do not add to quality of product or timeliness of delivery
- Survey mechanism was the Federal Register with request for public comment issued 17 Feb 11 with comments due NLT 31 Mar 11
- Additional industry suggestions gathered through NDIA
- Survey conclusions:
  - Not many rules or procedures changes identified
  - This initiative will benefit greatly, if indirectly, from many of the other initiatives in the other four BBPi thrust areas

OMB Memo: Addressing Misconceptions to Improve Communication with Industry during the Acquisition Process (2 February 2011) – is good place for agencies to start

DCMA/DCAA Alignment

Actions ongoing by OSD :

DCAA will no longer perform field pricing audits on cost proposals less than $100M and fixed-type proposals less that $10M – PGI 215.404-2, effective 17 September 2010

Increase use of Forward Pricing Rate Recommendations (FPRRs) to reduce administrative costs

- DCMA will be the single Agency for issuing all Forward Pricing Rate Agreements and Forward Pricing Rate Recommendations – where they have the cognizant contract administration office
- DCAA plans to withdraw form performing Financial Capability Reviews and Audits as well as Purchasing System Audits
- A Contractor Business Systems Rule has been issued
  - Determines the responsibility regarding the contractor's Accounting, Estimating, Earned Value Management, Material Management and Accounting, Purchasing and Property systems

Improved DCMA and DCAA alignment and reduced overlap
"DCMA and DCAA Process Alignment" – Assad (4 Jan 11)

Reduce Non-Productive Processes and Bureaucracy (con't)

Policy Memos with impact in this area:

- **Developed templates for Acquisition Strategy and System Engineering Plan "Document Streamlining - Program Strategies and Systems Engineering Plan – Kendall (20 Apr 2011)"**
- **Developed template for Program Protection Plan "Document Streamlining - Program Protection Plan (PPP)" – Kendall (18 Jul 2011)**
- **Issued guidance to improve Milestone Effectiveness by allowing MDA to review program plans prior to RFP release "Improving Milestone Process Effectiveness" – Kendall (23 Jun 2011)**
- **Eliminated PM responsibility for Post-CDR report "Expected Business Practice: Post-Critical Design Review reports and Assessments – Kendall (24 Feb 2011)**
- **Issued new streamlined Technology Readiness Assessment Guidance to refocus the TRL certification process to be consistent with its original intent of assessing technology maturity and risk "Improving Technology Readiness Assessment Effectiveness' – Carter (11 May 2011)**
- **Focused the activities and actions of OIPT leaders and the membership "Roles and Responsibilities of OSD OIPT Leaders, Teams, and Team Members" – Kendall (19 Jul 11)**
- **Improved DCMA and DCAA alignment and reduced overlap "DCMA and DCAA Process Alignment" – Assad (4 Jan 11)**

Sources of Information and Assistance

Defense Acquisition Portal: Source for latest memos, guidance and news

- Better Buying Power Gateway: https://dap.dau.mil/leadership/Pages/bbp.aspx
- Better Buying Power Community of Practice: https://acc.dau.mil/CommunityBrowser.aspx?id=432727

Defense Acquisition University

- Contact your DAU local representative for further information:
  - CNE: Karon Curry (karon.curry@dau.mil / 703-805-4978)
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