Report on Acquisition of Services Policy and Oversight

Defense Procurement and Acquisition Policy, Services Acquisition Directorate

Fiscal Year 2015

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Introduction

FY 2015 was an exciting year in services acquisition for the Department of Defense (DoD) as it improved acquisition oversight developed throughout the year with both prior initiatives and new initiatives. Contracted services continue to represent just over fifty percent of DoD's total contract obligations. At the strategic level, the Under Secretary of Defense for Acquisition, Technology, and Logistics (USD(AT&L)) issued a Better Buying Power (BBP) 3.0 White Paper in September 2014 with BBP 3.0 Implementation Guidance following in April 2015. BBP 3.0 includes a section on improving the tradecraft in the acquisition of services. Much of what is contained in this report directly supports BBP 3.0, as well as other initiatives that will improve DoD services acquisition.

The Defense Procurement and Acquisition Policy (DPAP), Services Acquisition (SA) Directorate developed DoD Instruction (DoDI) 5000.74 (known in draft form as DoDI 5000.ac in FY 2015), a new stand-alone instruction, "Defense Acquisition of Services," that complements the January 2015 issued DoDI 5000.02, Operation of the Defense Acquisition System." While not part of FY 2015 accomplishments, DoDI 5000.74 was signed on January 5, 2016. DoDI 5000.74 supports effective strategic management of services across DoD. Communication and implementation of the new instruction is accomplished through appropriate channels across the Defense community in order to allow stakeholders the opportunity to become familiar with the outlined leadership responsibilities, training and experience requirements, and affordability considerations, including should-cost.

This report highlights the Department's initiatives and accomplishments (both those completed and those ongoing) regarding services acquisition improvement by DPAP/SA, the Military Departments (MILDEPs), and Other Defense Agencies (ODAs). If you have questions or comments regarding this report, please email osd.pentagon.ousd-atl.mbx.services-acquisition@mail.mil.

We look forward to building on the successes of the past fiscal year in FY 2016 and beyond.

Defense Procurement and Acquisition Policy/Services Acquisition Organization

Prior to BBP 3.0, earlier BBP initiatives led to the appointment of the Senior DoD Manager for Services Acquisition and the appointment of other MILDEPs and ODA Senior Services Managers (SSMs) and Functional Domain Executives (FDEs). The standing up of DPAP/SA focused resources and ensured consistent and coordinated oversight within a distinct directorate. In FY 2015, Deputy Director, SA, became the SA Functional Leader, serving as the senior DoD subject-matter expert for oversight and management of the career field.

DPAP/SA is responsible for driving improvements in services acquisition by leveraging the services acquisition community to implement BBP 3.0's efforts to achieve greater efficiency and productivity in defense spending. BBP 3.0's implementation guidance focused on improving tradecraft in services acquisition, and it includes these specific actions:

- Strengthen contract management outside the normal acquisition chain (installations, etc.).
- Improve requirements definition for services.
- Improve the effectiveness and productivity of contracted engineering and technical services.

DPAP/SA is engaging stakeholders to strengthen governance, initiating policy changes to improve processes, and providing tools and training to support the requirements and contracting communities.

<div align="center">Spend Profiles for the Department[1]</div>

Department services acquisitions totaled $144.3 billion or 53 percent of the total acquisition spend in FY 2015 compared to supplies and equipment (which includes major weapons systems) at $128.8 billion.

This FY 2015 spend is down from $156.1 billion or 55 percent of the total acquisition spend in FY 2014, but it is slightly larger in percentage terms than in FY 2013 (52 percent) or FY 2012 (51 percent). In dollar terms, the services acquisition spend has been reduced from $184.9 billion to $144.3 billion since FY 2012, a decrease of $40.6 billion or 21.96 percent. The historical spend for DoD, MILDEPs, and ODAs since FY 2000 is shown in Chart 1.

CHART 1, Historical Spend (FY 2000 to FY 2015) for Services Acquisition for the Department of Defense, Military Departments, and Other Defense Agencies
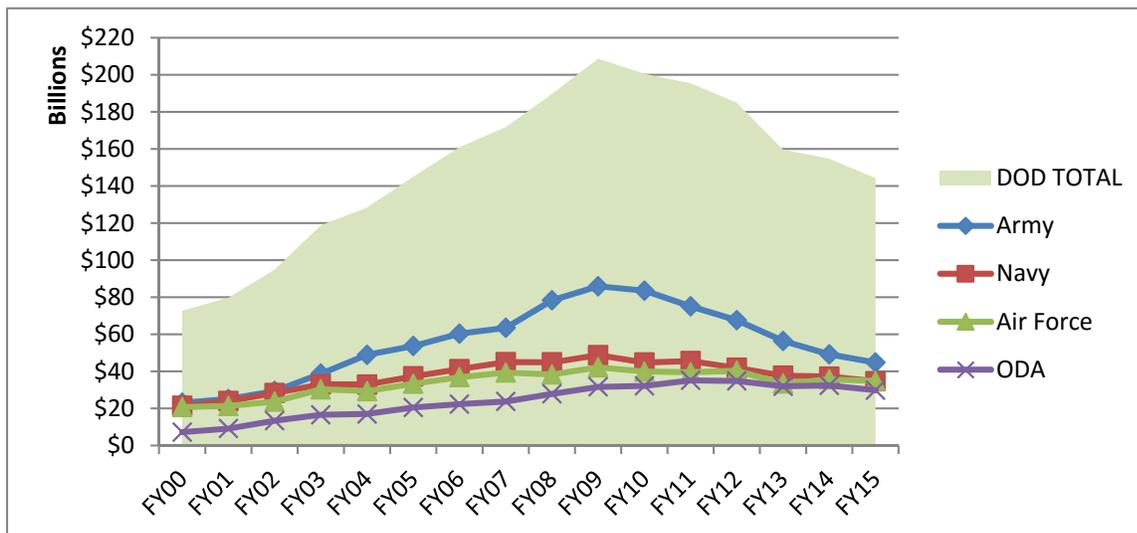
The acquisition of services taxonomy is comprised of nine services portfolio groups based on product service codes used today by all Federal Government contracting activities. For FY 2015, the DoD services acquisition spend for each portfolio group is summarized in Chart 2 on the following page.

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[1] Data on Fiscal Year 2015 spend is uncertified.

CHART 2, FY 2015 Spend for Services Acquisition by Portfolio Group

Construction Services ($10.7B) 8%
Research and Development ($23.2B) 16%
Facility Related Services ($23.1B) 16%
Knowledge Based Services ($32.9B) 23%
Transportation Services ($6.4B) 4%
Logistics Management Services ($4.4B) 3%
Medical Services ($12.6B) 9%
Equipment Related Services ($16.4B) 11%
Electronic & Communication Services ($14.6B) 10%

Source: Business Intelligence Tool, 12 November 2015
Numbers may not add up due to rounding

Governance and Policies

DPAP/SA developed and is now responsible for maintaining the new DoDI 5000.74, "Defense Acquisition of Services," which establishes policy, assigns responsibilities, and provides procedures for identifying, assessing, reviewing, and validating requirements for the acquisition of services; establishes a simplified and flexible management framework for translating approved services requirements into stable, affordable, and well-managed programs; and authorizes decision authorities, consistent with statutory and regulatory requirements for the acquisitions of services, to tailor the procedures in the instruction to best achieve cost, schedule, and performance objectives. This stand-alone instruction supersedes DoDI 5000.02, Enclosure 9.

The contents of DoDI 5000.74 apply to all DoD Components—the Office of the Secretary of Defense (OSD), the MILDEPS, the Office of the Chairman of the Joint Chiefs of Staff and the Joint Staff, the Combatant Commands, the ODAs, and all other organizational entities within DoD. This DoDI supports effective strategic management of services across DoD, contributing to the achievement of greater efficiency and productivity in defense spending, as detailed in the USD(AT&L) BBP 3.0 initiative.

Key areas of emphasis in DoDI 5000.74 include:

- Focus on Defense Acquisition University's (DAU's) Seven-Step Acquisition of Services Process to promote standardization.

- Establish five Service Categories (S-CAT) with associated thresholds and decision authorities, including a $1 billion (S-CAT I) threshold for OSD or MILDEP Senior Acquisition Executive (SAE) contract review and decision authority.

- Promote command responsibility for services acquisition via linking customer/Warfighter command structure and acquisition approval chain as well as associated oversight and decision authority.

- Strengthen Services Requirements Review Board (SRRB) structure and focus on requirements development, affordability, budget constraints, and identifying competing priorities.

- Establish requirements for tripwires tailored to the specific needs of the services portfolio that provide visibility into areas of vulnerability and risk.

- Provide flexibility to MILDEPs and Defense Agencies to develop specific procedures based on organizational resources and structure.

Services Acquisition Functional Integrated Product Team

The Services Acquisition Functional Integrated Product Team (SA FIPT) gained new momentum in FY 2015 when the charter was rewritten to focus on Services Tradecraft, a major initiative in AT&L's BBP 3.0. The SA FIPT has developed and disseminated training products and practical tools to support services acquisitions from requirements development to performance assessment. In addition, special focus has been given to methodologies that result in immediate, near-term improvement of specific acquisitions. The unique aspect of this FIPT is that the targeted workforce is comprised of both statutory Defense Acquisition Workforce Improvement Act (DAWIA) and non-DAWIA personnel.

Four key goals of this FIPT include:

- Serve as a forum and clearinghouse for cross-cutting initiatives, lessons learned, and issues of mutual interest and concern.

- Provide a means for information and best practice sharing across DoD services acquisition community involved in education, training, development, and human capital planning of this diverse workforce.

- Provide recommendations for cross-functional/interdisciplinary collaboration and integration.

- Identify opportunities for interdisciplinary integration across the broader DoD acquisition and functional domains, including the identification of appropriate learning assets from other career fields.

Accomplishing these SA FIPT goals is the responsibility of the SA FIPT Working Group. The Working Group is developing and analyzing the desired competencies and recommended training for requirements team members, while also reviewing training options currently available to the MILDEPs and various Defense Agencies.

Fourth Estate Services Requirements Review Board

In accordance with the July 2015 Deputy Secretary of Defense Memorandum in order to leverage best practices for services acquisition management oversight found in DoDI 5000.74, a joint engagement team from the Offices of the Deputy Chief Management Officer (DCMO) and DPAP/SA is providing guidance on the implementation of the SRRB for over two dozen DoD headquarters organizations, ODAs, and field activities that are not part of the military components. Also known as the "4th Estate," these organizations represent about $30 billion or 20 percent of the Department's spend. In executing SRRBs in FY 2016, organizations have been tasked to review services acquisition amounting to 80 percent of annual obligations. In later years, organizations will be expected to review all of their services requirements.

Focusing on the nexus between services acquisition and mission execution, SRRBs will:

- Leverage findings to achieve savings or transfer savings to higher priorities

- Reduce or eliminate unneeded or low priority requirements

- Identify efficiencies and best practices (e.g., strategic sourcing, etc.)

If a services requirement does become a target for reduction, the board will analyze and discuss the risk of reduced capabilities.

Senior Review Panels (SRPs), chaired by the DCMO, are being held in FY 2016 to validate each organization's SRRB process, assess findings, and gain a strategic view of services requirements across the 4th Estate. The offices of the DCMO are uniquely qualified in their oversight of this process since they are formally chartered to better synchronize, integrate, and coordinate the business operations of the Department and ensure optimal alignment in support of the warfighting mission. The DPAP/SA members of the engagement team are providing subject matter expertise in support of DCMO's execution efforts as well as during one-on-one training sessions with each 4th Estate organization before they present the results of their internal SRRBs to the Panel. The first SRP, a pilot effort involving DCMO and its subordinate agencies, occurred in early December 2015. The remaining SRPs are scheduled through the second and third quarters of FY 2016.

Functional Domain Experts (FDEs)

Since USD(AT&L) first signed the Functional Domain Expert (FDE) memo in early FY 2014, FDEs have been designated to serve as the Department lead for his or her respective Portfolio Group or Portfolio. Due to the size of the Knowledge Based Services (KBS) Portfolio Group, an FDE was assigned for each individual KBS Portfolio. The FDEs actively oversee the lifecycle process for the contracted services within their portfolio, including forecasting and budgeting, requirements definition and validation, procurement, active management, active management, and oversight of contracted services. FDEs will collaborate with SSMs and component level leads to define best practices and common processes across the Department for services acquisition and metrics to be utilized for documenting relevant trends and opportunities in this field.

Kick-off meetings have been held to discuss strategic goals, and FDE meetings are now conducted on a regular basis. These strategic goals include the following:

- Improve planning, execution, and collaboration to achieve greater efficiency and reduce costs within their assigned portfolio.

- Develop policy to facilitate appropriate prioritization of contracted services requirements for trade-off discussions and decisions.

- Identify portfolio-specific improvement goals and associated metrics as well as regularly reporting improvements in cost, schedule, and performance of contracted services.

- Identify functional expertise across the Department to identify and export localized best practices in the acquisition and management of services to customers who are not as expert in services acquisition.

- Implement standardized processes in the services acquisition life cycle (from budgeting through execution) to improve consistency and to facilitate year-to-year comparisons.

Training and Tools

DPAP/SA planned and developed the format and content for the new DoD services acquisition training conferences, which will bring together for the first time Senior Services Managers and contracting and program management/requirements personnel in order to focus on policy, oversight, tools, and methodologies in services acquisitions with respect to DoD Instruction 5000.74, "Defense Acquisition of Services." The first two conferences are planned for FY 2016 and will include panels, group discussion on three case studies, and lectures highlighting planning, best practices, and the risk management of issues found across the services acquisition lifecycle.

DPAP/SA collaborated with the Army Logistics University in Fort Lee, Virginia, to provide additional contract instructors to teach its two-week Operations Contracting Support (OCS) course, both at its home school and at other locations across the continental United States. This course prepares graduates to anticipate, develop, and manage OCS services acquisition requirements in support of contingency operations and to develop services acquisition documents directly tied to requirements development in non-OCS service requirements. In June 2015, using Defense Acquisition Workforce Development Funds (DAWDF), Army Contracting Command awarded a contract to provide two additional instructors. The additional instructors

allows for a maximum additional 14 OCS courses each year with up to 364 Government attendees.

Using DAWDF funding provided by DPAP/SA, the Department of the Navy's Senior Service Manager has championed four-day classroom courses to the non-DAWIA workforce who are now working service acquisitions. Classes in FY 2015 included COR 222, the Contracting Officer's Representative Course, and ACQ 265, Services Acquisition with a Mission-Focus. As a goal, 35 percent of the seats are set aside for non-Navy personnel.

Workforce Management

On May 29, 2015, the Deputy Director of Services Acquisition was designated as the Functional Lead (FL) for Services Acquisition by OUSD(AT&L). FLs serve as senior Department subject-matter experts for their respective AT&L functional areas for oversight and management of career development requirements. FLs historically establish, oversee, and maintain AT&L position category descriptions and education, training, and experience requirements for their functional areas, including AT&L career field competency standards. However, the Services Acquisition FL has a unique set of workforce management challenges. Non-DAWIA personnel, including requirements officials, are often assigned responsibilities related to the acquisition of services, but do not meet criteria for full inclusion into the DAWIA workforce. Department personnel managing services as part of their duty assignment will require additional assignment-specific acquisition training to provide the critical skills required to perform their role in the services acquisition process and improve acquisition outcomes. The U.S. Government Accountability Office (GAO) observed this in its September 28, 2011, report entitled "Defense Acquisition Workforce: Better Identification, Development, and Oversight Needed for Personnel Involved in Acquiring Services."

Addressing Better Buying Power 3.0 and GAO's recommendations, DPAP/SA has established services acquisition as a functional area within the Department's acquisition workforce and has an initiative to identify and track this workforce, including an estimated 11,065 non-DAWIA personnel. As part of this initiative, DPAP/SA developed, staffed, and proposed collaboration with OUSD(AT&L)/Human Capital Initiatives (HCI) and the Air Force to pilot initial implementation of this new functional area in FY 2016, including development of a position category description, identification of personnel, identification of training needs, and proposed credentialing standards. In FY 2016, an integrated master schedule for conduct of this pilot will be provided to senior leadership in support of this initiative.

Post-Award Peer Reviews of Services

The Department established policy for post-award peer reviews of service contracts in accordance with Defense Federal Acquisition Regulation Supplement (DFARS) 201.170(a)(iii). The DFARS policy implements the FY 2008 NDAA section 808 requirements for post-award independent management reviews of services contracts. The objective of peer reviews is to ensure that Contracting Officers are implementing policy and regulations in a consistent and appropriate manner to continue improvement of the Department's contracting processes and facilitate cross-sharing of best practices and lessons learned. DPAP/SA has primary responsibility for conducting post-award peer reviews of Department contracts for services

valued at $1 billion or more. Programs are to be reviewed within each contract's option period, often annually.

This fiscal year, DPAP/SA launched its post-award peer review website providing a resource for programs that are preparing for their post-award peer reviews and for the larger acquisition community. The website contains standard questions asked at post-award reviews, frequently asked questions regarding the post-award peer review process, the peer review request form, and best practices that have been collected thus far as a result of DPAP/SA-led post-award reviews. DPAP/SA guidance reflects a special emphasis on small business participation rates in accordance with OUSD(AT&L)'s focus area.

In FY 2015, DPAP/SA conducted 20 post-award peer reviews, which covered 23 contracts. The 23 contracts were managed by the following MILDEPs and Defense agencies:

- Army (6)
- Air Force (4)
- Navy (1)
- Defense Health Agency (6)
- Defense Information Systems Agency (4)
- Office of the Secretary of Defense (1)
- United States Transportation Command (1)

This was the first fiscal year that DPAP/SA had the opportunity to conduct peer reviews of programs that already had a peer review from the previous fiscal year. This gave the organization the opportunity to follow up with service contract programs to see whether recommendations provided at the previous year's peer review were taken, and, if so, what the results were.

Communications and Outreach

DPAP/SA is taking steps to ensure that the topic of services acquisition becomes "Commander's business," that is, strengthening services contract management outside the normal program-focused acquisition chain (for example, installation commanders). In the spring of 2015, it was formally accepted as a course topic at the Dwight D. Eisenhower School for National Security and Resource Strategy at Fort McNair in Washington, DC. DPAP/SA provided briefings and other training materials, which it will update as needed in the future.

The DPAP/SA website represents the primary tool for sustained, scalable, and rapid communication with interested services acquisition stakeholders. FY 2015 marked a major redesign and expansion of the website. The website includes information and training on a variety of topics including new DPAP services acquisition policies, services requirements review, and best practices.

Military Department and Other Defense Agency Accomplishments; DoDI 5000.74

The remainder of this report highlights the initiatives and accomplishments (both those completed and those ongoing) regarding services acquisition improvement by the Department of the Army, Department of the Air Force, Department of the Navy, the Defense Logistics Agency (DLA), the Missile Defense Agency (MDA), and the Defense Health Agency (DHA).

ATTACHMENT 1

Department of the Army Report on Services Acquisition

Services Oversight and Management

Since 2011, the Army established increased management and oversight concepts for services acquisitions. Historically, services acquisition processes have lacked management oversight similar to that used for weapons systems and supplies. In 2012, the Army implemented a services acquisition optimization plan through a leader-led governance structure with requirements forecasting, portfolio specific commodity management, and cost savings reporting. By the end of FY 2015, the Army's Commands/Requiring Activities reported over $2.2 billion in savings on service contracts using the procedures in the optimization plan. The plan defines the governance structure and lifecycle-planning required for services acquisitions, establishes services requirements review and approval processes, identifies management controls and reporting requirements, and pursues Army-wide cost reductions at all levels of the services acquisition process. The Army's services optimization plan implemented disciplined oversight, reporting, and use of techniques to Improve Services Tradecraft recommended in the DoD BBP initiatives.

In FY 2015, the Army spent $72 billion on goods and services, with approximately $42 billion (58 percent) spent on services. Given this magnitude of spending, effective management of Army contracted services is imperative; therefore, Army has set a goal of improving its management of services contracts through efforts like BBP Initiatives. In response to these initiatives (as well as congressional mandates) Army has taken several actions intended to improve its management of the broad range of services it acquires. These actions include categorizing services acquisitions by portfolio groups, such as engineering and technical services and knowledge-based services, appointing senior leaders within the commands to coordinate the acquisition of these services, and better integrating programming and contracting management information.

The SSM continues to employ portfolio management governance for disciplined and rigorous oversight of services, utilizing designated portfolio managers and coordinators. The SSM continues to engage with Commands, which are both responsible for managing all lifecycle phases of services acquisitions and accountable for acquiring services in the most efficient and effective manner. Commanders have designated Command Services Executives, supported by designated portfolio managers, as the single focal point within their organizations to oversee services acquisitions processes and reporting.

The SSM required Army Commands and Agencies to provide recurring, Semi-Annual Services Acquisition Forecast and Cost Savings Reports since 2012. This report indicated agencies projected services acquisitions requirements for the current and upcoming five fiscal years of base-funded services valued at $10 million and above. The report also provided an agency's current and five fiscal years' projection of cost savings associated with services acquisitions. The SSM consolidated the 49 Army agencies services reports to provide Army

leadership an annual update of Army-wide services acquisitions requirements and cost savings. At the end of FY 2015, Army agencies have reported $2.2 billion in actual cost savings achieved by implementing acquisition efficiencies and changes to services requirements.

In 2016, the Army G-8, Office of the Deputy Chief of Staff for Programs, tasked Commands to identify and report services acquisitions funding requirements for all dollar values during the development of Army Program Objective Memorandum for Fiscal Years 2018-2022. Because of this initiative, the SSM office will leverage the Army G-8 programming authoritative data source to improve accuracy and accountability of services acquisition reporting.

Strengthening Contract Management outside the Normal Acquisition Chain

Services Acquisition Planning, Development and Execution

The Army has fully adopted use of Services Acquisition Workshops (SAWs) to shape actions to achieve performance based services acquisitions. The SAWs provide Defense Services Acquisition Guidebook best practices through hands-on training for multi-functional teams that will manage services acquisitions tailored to a specific requirement(s). In 2012, Director, DPAP, issued policy requiring SAWs for all services acquisitions valued at $1 billion or more. In February 2013, the Army SSM issued policy that mandated SAWs for acquisitions valued at $250 million. In FY 2015, the Army conducted 24 SAWs for a total requirements value of approximately $20.4 billion. In addition, the Army established a SAW Train-the-Trainer program to create an organic Army cadre of trainers to augment the Defense Acquisition University (DAU) capacity and facilitate the increased Army demand for SAWs. Since 2013, the Army has qualified eight facilitators to augment DAU and provide direct capability to the enterprise.

A clear definition of services requirements and performance standards is foundational to all other actions taken to Improve Services Tradecraft. SAWs are tailored to an organization's specific services requirement that stresses actions needed to achieve performance-based outcomes. Integral to SAW training is the use of the Acquisition Requirements Roadmap Tool (ARRT). The ARRT speeds the process of learning and acquiring skills to develop performance-based requirements documents for services acquisitions. Lastly, the Army is leading a SAW effectiveness study and plan to incorporate lessons learned into better business practices.

Acquisition Strategy Approvals

The SSM reviews all services acquisition strategies and approved strategies valued at $250 million or more but less than $1 billion. In 2015, Director, DPAP, approved actions $1 billion and above. The Army's acquisition decision memorandum also included the requirement to contact the SSM to set up a post-award peer review in accordance with Army Federal Acquisition Regulation Supplement 5101.170(2).

Health Assessments

The SSM has established a peer review process to track and review all acquisition strategies for services approved by the SSM or Deputy Assistant Secretary of the Army for Procurement (DASA(P)) on an annual basis. The SSM, in coordination with the DASA(P) Audit and Oversight Directorate, will select portfolio specific services acquisition strategies for review as special interest items during Procurement Management Reviews (PMRs). In addition to reviewing acquisition strategies, the SSM will evaluate post-award procedures, documentation, and contract administration.

Strategic Sourcing

In 2013, the Army established a Strategic Sourcing Executive Committee (SSEC) to promote and oversee initiatives in contracts that can drive commonality and standardization and obtain pricing advantages while eliminating duplication of contracting workload. As a result, the Army designated 31 active strategic sourcing initiatives as preferred procurement sources. The Army is a member of the DoD Strategic Sourcing Directors Board and the Office of Federal Procurement Policy Category Management Leadership Council. The Army is collaborating with the Office of Management and Budget on over 20 Federal Strategic Sourcing Initiatives. All of these efforts are consistent with major recommendations in the Defense Business Board's Report to the Secretary of Defense on Strategic Sourcing (2nd Quarter FY 2011). The Army has promulgated policy to expand strategic sourcing across the enterprise; entered a partnership with DAU to improve requirements development; and partnered with the General Services Administration (GSA) to increase utilization of the One Acquisition Solution for Integrated Services contract in order to help procure professional services more efficiently. The SSEC will continuously work to improve acquisition planning, execution, oversight, and management of services to minimize performance risk and reduce costs.

The Army is promoting awareness and establishing accountability within the acquisition community through more effective market research on targeting more contract awards to small businesses. The SSM collaborated with the Army Office of Small Business Programs (OSBP) to create a long-term strategic plan based on BBP 2.0. In addition to the three portfolios tracked by the Department of Defense, the SSM and OSBP will establish long-term strategic plans for all portfolios. The OSBP is also a member of the SSEC, and it guides development of new and innovative ways to enhance small business opportunities through effective competition. This requires consideration of small business capabilities and/or socio-economic goals when implementing sourcing strategies.

Contractor Manpower Reporting

Since January 2005, the Secretary of the Army has required accounting for contract services through reporting in the Enterprise-Wide Contractor Manpower Reporting Application (eCMRA) website to track and report Army contracted manpower and its costs. The Assistant Secretary of the Army for Manpower and Reserve Affairs uses data to satisfy the 10 USC 2330a annual requirement to submit an ICS to Congress through OSD.

ATTACHMENT 2

Department of the Air Force Report on Services Acquisition

Introduction

The Air Force (AF) continues to improve services acquisition in governance, management, oversight, and execution. In 2007 and 2008, the AF began developing a services acquisition model that is centered on the mission/requirement owners and involves four pillars: define the right requirements, involve people, develop processes, and ensure responsibility and accountability. The AF approach is focused on two levels: individual acquisition efforts (programs), as these provide tangible actions and merits that can be used to educate ourselves and the community; and, on the organization/governance level, ensuring the ownership, policies, and priorities are correctly applied. As requirements are defined, services acquired, and contracts executed, the AF has adopted a continuous feedback loop to build off the advances made, apply critical thinking, and pick the right acquisition strategies/strategic sources while creating a learning environment to keep on improving the tradecraft of services acquisition. Building from this core model, this report will highlight the evolving aspects in managing the ~$27 billion services acquisitions portfolio within the AF as we mature the work with our Major Commands (MAJCOMs) in order to build towards an AF enterprise-wide approach.

SSM Organization

The AF began to build a management and oversight structure in 2003 when it established the Program Executive Office for Combat and Mission Support (PEO/CM). Its primary focus was on the execution of AF services acquisition strategies for efforts larger than $100 million. In 2008, PEO/CM began using tools, techniques, and training to build a better governance structure, which formally became the Senior Services Manager (AF SSM) role in 2011. These two roles were held by the same senior leader and functioned through the same office with the same staff. Over the years and due to the maturity of the MAJCOMs in handling services acquisition, the emphasis on the AF SSM role has grown and the organization has shifted resources accordingly. This integrated office now has resources dedicated to assisting/guiding the Headquarter AF (HAF) and Weapon Systems Program Executive Offices (PEOs) in managing services acquisitions, preparing more engaging policies and objectives, and developing better tools for the field. The organization also returned to a MAJCOM-oriented structure (vice a portfolio-based structure) in order to harness our greatest resource, people. The focus is nurturing those relationships that provide a much more valuable conduit for improving the tradecraft at the point of need. For the remainder of the Air Force report, the terms AF SSM and PEO/CM are

considered synonymous. AF SSM dual-hats staff as portfolio managers supporting the respective Component Level Leads (as needed) in the OSD FDE structure.

Services Acquisition Governance Model

Establishing a good governance process is critical to making effective strides in building a management and oversight capability. Since 2008, the AF has used an earned delegation arrangement facilitating use of qualifying MAJCOMs to execute acquisition authority on behalf of AF SSM. Today, ~70 percent of MAJCOMs have acquisition authority up to $500 million, and AF Materiel Command has earned acquisition authority up to $1 billion. As we continue to tweak the processes with the MAJCOMs, we see that the field is actually taking more ownership of initiatives and solutions. For example, Air Education and Training Command, as their initiative, drafted a complete and detailed section on Quality Management Surveillance as part of our ongoing re-write of Air Force Instruction (AFI) 63-138, "Acquisition of Services." It is important to note that the AFI re-write is being accomplished in a cross-AF fashion, with working group representatives from each of the MAJCOMs, HAF, and Weapon Systems PEO. This initiative converts the AFI from a headquarters-directed instrument to a broadly-owned AF document.

The largest advancement, however, was the establishment/expansion of our tools to cover HAF and Weapon System PEO services requirements to be managed within their own organizational structure. We built off the experiences gained with the Operational MAJCOMs and established an initial set of enterprise-wide processes that begin to give insight into HAF and Weapon Systems PEOs-related services acquisitions.

We currently employ a two-tiered Support Services Requirements Review process in our Governance Model. The two are separate and distinct but are not effective alone.

- The Requirements Approval review process focuses at the tactical level on identification, assessment, validation, and approval of individual support requirements. MAJCOMs were already familiar with use of a Requirements Approval Document (RAD) as part of requirements review, and the HAF/Weapon Systems PEOs have now bought into the usefulness of this mature process.

  o A RAD is best employed as a tool at the Resource/Mission Owner level with oversight provided by the Command and SSM level as the dollar values increase. This allows the Mission Owner to work synergistically with the Resource Advisor within the Resourcing Structure to prioritize our commitments and make the most of our very limited resources. We considered difficult issues: whether activity is vital to mission success, if there are strategic instruments in place that help us reduce the financial commitments for mission accomplishment and give us meaningful lift, if we can accomplish the mission without the expenditure of the resources, if there is a better way to meet the current need than what has been provided for in the past, if the resourcing strategy is designed to harvest market improvements, etc.

- The Services Governance Health Assessments (SGHA) process is composed of the annual execution reviews for each individual services acquisition and a collection of Health of Services assessments. It looks across the organization's acquisition process governance structure and their ability to conduct beneficial performance management activities for each acquisition. The SGHA also examines requirements generation, acquisition planning/resourcing strategy, and performance management disciplines, and it is completely consistent with the services acquisition process model explained above.

The Requirements Approval and SGHA processes are designed to work synergistically to identify requirements, expose any requirements development/acquisition issues early on, highlight previous successes and failures, capture lessons learned, foster rapid spread of best practices, and finally identify any strategic acquisition opportunities going forward. Currently, the requirements approval and SGHA information for the Operational Commands, the HAF, and the Weapon Systems PEOs are reviewed concurrently, but these three processes will diverge as the HAF and Weapon Systems PEO structures evolve and align with other their existing complementary acquisition processes. The timing of these reviews is consistent with the review of MAJCOM information in the early spring of each year.

Services Acquisition Health Assessments

The SGHA requires that the senior leader overseeing each of the structures (MAJCOMs, HAF, and Weapon Systems PEOs) take in all the subordinate health assessments to develop a combined health assessment for their structure. These three assessments are then presented to the AF Council, Under Secretary of the AF, and Vice Chief of Staff of the AF as a total AF enterprise perspective on the management and oversight of services acquisitions. The first occurrence of this roll up SGHA happened in the spring of 2015 with the following reported results:

- The MAJCOM structure reported 198 efforts/programs (each greater than $100 million). The report found that there is a need to further decrease the number of bridge contracts, increase small business opportunities, exhibit a greater degree of functional ownership, and tackle remaining challenges in acquisition training/certification.
- The HAF structure reported 257 efforts/programs (each greater than $150,000). The report found that there is an overreliance on fallout funds for mission success and a need to look at consolidation opportunities, improve market analysis and contract selection process, and provide standard guidance on using external organizations for resourcing requirements.
- The Weapon Systems PEOs structure reported 439 efforts/programs (each greater than $10 million). The report found that there is a compelling case for integrated use of predictive scheduling and a need to address the following: improved "Cradle to Grave" management, the use of common services acquisition processes across all Weapon Systems PEOs, and a strategy for investing in Should Cost/Bending the Cost Curve initiatives.

Much like the evolution of processes within the Operational MAJCOMs, the processes for HAF and Weapon Systems PEOs are expected to evolve over time. This was part of the advice the AF gave to OSD as they started establishing processes for managing services requirements/acquisitions for OSD and the 4th Estate.

Portfolio Management

The area of portfolio management remains a challenge in implementation. AF is supporting the OSD FDE construct in the examination of various portfolios; however, the portfolio management structure needs time to mature in its output. The AF (with OSD) was successful in combining the Engineering and Technical Services and Program Management Support Services FDEs as they address similar requirements using the similar processes. As part of BBP 3.0, the AF SSM is leading an assessment of best practices in the Engineering and Technical Services Portfolio. The AF SSM developed a survey, beta tested it within the AF, and released it to industry. Once the survey is released and information collected/ analyzed, it will be reported to the OUSD(AT&L). The AF recently established the AF Installation and Mission Support Center (AFIMSC), which will take a portfolio perspective to managing organic and contractor installation support and facility-related services. As AFIMSC evolves, there will be more opportunities to find efficiencies across the facility-related services portfolio. However, portfolio management is not a panacea, as the AF SSM has learned. After our shift to a portfolio management structure two years ago, we discovered a drift in MAJCOM commitment to services acquisition principles. This required the AF SSM to reorganize itself away from portfolio management to a MAJCOM-centric structure, which is allowing us to rebuild the relationships with the Commanders and better drive positive improvements year after year.

Metrics, Data and Tracking

The AF is making significant strides forward due to sound acquisition strategies for services acquisitions. For example, the AF SSM has encouraged/challenged acquisition teams during their market research phase to vigorously search for technically capable small businesses that could meet our mission requirements. In FY 2015, the AF achieved 24 percent in contracted services with a positive trend over the past couple years. With the emergence of GSA's One Acquisition Solution for Integrated Services (OASIS) strategic vehicle for our KBS, we anticipate the continuation of this positive trend in the upcoming years. This does not seem to be the same for the competition rate, which may be more impacted by budget reductions. However, the AF SSM was instrumental in shifting the focus away from backwards looking (post-contract award) data and towards selecting the right acquisition strategies up front that support competition. For the AF, there are some notable services acquisitions strategies that address small business and competition opportunities:

- Engineering, Professional, and Administrative Support Services (EPASS): The EPASS Team is shifting $500 million to small businesses using GSA OASIS for KBS support
- Thule Base Maintenance Contract (BMC): The Thule BMC Team obtained competition for the first time in over 25 years.
- Network-Centric Solutions (NetCents) 2: The NetCents-2 Team awarded its final set of contracts fostering competition for Information Technology (IT) support within five specific areas

Each of the above strategic efforts will drive dramatic improvements in small business utilization and competition rates for the foreseeable future.

While data and valid analysis have been problematic when viewing existing data sets, there are improvements being made. The AF SSM has developed and is launching the Services Management Tool as a way to track pre- and post-award services acquisitions while exploiting existing authoritative contracting and financial data systems. The AF SSM is working with OSD to improve in a reasonable way the congressionally-mandated Inventory of Contract Services (ICS), thus accounting for and tracking our contractor manpower data. The AF developed a guide for determining the proper reporting chain for programs transitioning to new organizations as AF evolves (such as with AFIMSC).

Services Acquisition Training and Tools

Developing better tools, techniques, and training is central to expanding the improvements in services acquisitions. The AF SSM has updated the Annual Execution Review (AER) templates each year to reflect lessons learned and has adapted them for more recent reporting requirements (like the annual ICS). The AF strongly supports DAU's expanded teaching opportunities and has received numerous accolades for their guidance. The AF SSM is applying Should Cost—not a severable item from services acquisition, but rather an integral part in executing a successful acquisition. It achieves this level of importance by scrutinizing cost elements, challenging indirect costs, looking at budget savings/cost avoidances, promoting competition, reconstructing acquisition processes/teams, etc. Over the last few years, the MAJCOMs have examined the funding actions with other agencies using the same scrutiny as their own contracted actions. As a result, their personnel are far more aware of the costs of doing business via non-AF conduits and are more attuned to monitoring contractor performance executed under non-AF contracts.

Strategic Sourcing Initiatives

The AF SSM is a proponent of strategic sourcing if it meets the mission requirements. Strategic sourcing is considered early in the development of the acquisition strategy and is not limited to just creating large broad vehicles. In some cases, the AF has broken up requirements that have become too consolidated (e.g., Arnold Engineering Development Center support) or created multiple acquisitions in order to get the best competition from industry (e.g., NetCents)—these are strategic sourcing decisions as well. The AF has put in place Multiple Award Contracts (MACs) in each of their services acquisition portfolios. These MACs allow acquisition teams to focus on their specific requirements at the task/delivery order level, provide for extended competition, and are evaluated for effectiveness annually via the AER process—in short, these MACs are managed as a program. There is no better example of this than the EPASS effort, which is using the GSA's OASIS MAC contract. This is a win for the AF, as we are permitted to focus on our task order requirements versus the establishment of a MAC. The GSA OASIS model allows us to access top of the class contractors, to obtain small business credit, and all by paying a nominal sustainment fee for OASIS usage. It is a win for GSA, as they have a highly utilized vehicle, provide competitive rates, and have re-built their value with the AF.

Although there are multiple examples of strategic sourcing, we would like to highlight two recent activities. The first involves obtaining the right support for our Warfighters as

another DoD agency develops their strategic solutions. When faced with an extended delay from this other DoD agency, the AF conducted a gap analysis starting with current AF strategic vehicles. The decisions included extending an AF MAC for the duration to cover one gap and recommending this other DoD agency use the OASIS vehicle, which will allow them to move their schedule considerably to the left, thus covering a second gap. The other example involved finding contractor maintenance to fill a gap in AF military workforce (vice contractor) maintainers due to budget decisions associated with the retention of the A-10 aircraft. Rather than creating a new vehicle, the unexpected requirement is now going to be addressed by the existing contractor field team MAC vehicles to cover the gap until additional AF military workforce maintainers are available.

Communications and Reporting

Communication is key to AF services acquisition success, as it is the catalyst for critical thinking. While we have focused predominantly on communications with MAJCOMs and acquisition teams, we are expanding our discussions with the HAF and the Weapon Systems PEOs structures as well as to organizations outside of the AF. Our office has consulted with and sought the advice from the Army, Navy, DHA, industry (both associations and individual companies), other Government agencies (such as GAO), and numerous senior leaders. Discussions cover everything from acquisition strategies, to protest likelihood, to contractor performance, to OSD/congressional reporting, etc. With the recent lifting of the restriction on conference planning/attendance, the AF is again looking to hold an enterprise-wide SAW targeted at sharing best practices, perspectives on acquisition strategies, and other training aspects to improve our tradecraft in services acquisition.

Program Execution

AF SSM (in the PEO/CM role) is heavily involved in the pre-award execution of over 30 services acquisitions across the AF. Throughout the process, we have shared lessons learned and innovative approaches that have driven the right behaviors and produced the critical thinking necessary to address their requirements in these budget challenging times. Due to the increased quality in the AF solicitations and contractors' proposals, we are seeing more opportunities to appropriately "award without discussions," which saves both time and money. Other PEOs have benefited from AF SSM involvement on their acquisitions (such as the Launch and Test Range Integrated Service, Consolidated Air Force Satellite Control Network Modifications, Maintenance and Operations, and the Training System Acquisition III). Some recent notable achievements in the PEO/CM portfolio include:

- Thule Base Maintenance Contract: First competition in 25 years, producing 40 percent cost reduction.
- Arnold Engineering Development Center: Broke monolithic contract into five more competitive contracts.
- Air Force National Capital Region Information Technology: Recognized contractor performance/cost issues; executing follow-on acquisition early.
- Counter-Narcotics and Global Threats: At request of OSD, applying acquisition discipline to troubled former acquisition from another military agency.

- Secretary of the Air Force Technical and Analytical Support II: Replacing 15-year large business effort with more competitive small business contract.

Summary, Issues, and Challenges

We need to continue improving our relationships and processes with the MAJCOMs, which will enhance our ability to drive the right behaviors at lower dollar amounts. Leaders in HAF and Weapon System PEO management and governance will tailor the existing tools/techniques to be more effective within their structures. The implementation of AFIMSC will have challenges to address in order to find the desired efficiencies and benefits. Overall, the management and oversight of AF Services Acquisitions continues to evolve: initiatives and activities are increasing; active ownership is expanding; more individuals/organizations are becoming involved. However, we need to be careful as we set up an effective management and oversight structure that we do not let the services acquisitions themselves (via reporting, budgeting, or tracking) become separated from the missions and mission commanders that they support.

ATTACHMENT 3

Department of the Navy Report on Services Acquisition

Component-Specific Implementation of Better Buying Power 3.0

Better Buying Power (BBP) 3.0 challenges DoD acquisition professionals to achieve dominant capabilities through technical excellence and innovation while continuing the Department's efforts to improve efficiency and productivity. Because services constitute a significant component of Defense spending, greater emphasis is being placed on how the Department plans, manages, and oversees services acquisitions. Many of the Department of Navy (DON) activities related to BBP 3.0 are addressed in other sections of this report.

The DON continues to develop a methodology to more accurately identify, track, and manage services spend. The approach includes: gaining access to procurement and financial data across multiple systems throughout the enterprise; adopting standard codes for services in the line of accounting; a disciplined process for identifying services requirements; allocating services dollars; and a process for institutionalizing services within the planning, programming, and budgeting processes. The methodology is in the definition stage and will be further refined during FY 2016; it is expected to yield a more proactive approach to managing services requirements—with a more granular understanding of the services required and how to acquire them, to include a more deliberate planning and budgeting process.

Senior Services Manager Organization

The DON SSM was designated by the Assistant Secretary of the Navy for Research, Development, and Acquisition (ASN(RDA)) as the services acquisition executive responsible for the policies, planning, strategic sourcing, execution, and management of services acquisitions within the DON. The SSM resides in the Deputy Assistant Secretary of the Navy for Acquisition and Procurement (DASN(AP)). The DON SSM conducts oversight of all Budget Submitting Offices (BSOs), Heads of Contracting Activities (HCAs), PEOs, and Direct Reporting Program Managers for compliance with DON policies for services acquisition.

The SSM serves as the principal advisor to the SAE for all matters related to service acquisitions; develops the annual services acquisition planning guidance; provides and maintains governance structures for use by authorities responsible for services acquisitions; provides information and guidance to BSOs, HCAs, PEOs for the management and oversight of service acquisitions; creates, updates, and maintains templates, tools, and guides for use by authorities responsible for services acquisitions; performs enterprise-level analyses; evaluates delegations of responsibility; provides guidance on services acquisition policies and assesses compliance; assesses and manages the requirements approval process for service acquisitions by or for the DON; develops and uses data and metrics to support strategic management decisions and document trends and cost savings in the acquisition of services; compiles, maintains, and submits services acquisition forecasts as required; and acts as the DON liaison to the non-traditional acquisition workforce involved in service acquisitions and provides guidance that is appropriate for their training in service acquisition procedures. Non-traditional acquisition workforce

personnel are those involved in services acquisition but not in an acquisition coded position or acquisition related career field. The SSM establishes training criteria and certifications within DON services acquisition and fosters an appropriate service acquisition community within the DON by focused strategic messaging and conducting periodic service acquisition workshops, summits, training symposiums and conferences.

Additionally, the SSM conducts Services Health Assessments and Outreach for evaluating compliance with DON policy while compiling best practices and lessons learned to share across the services acquisition community of interest. The SSM appoints portfolio managers to support the efforts of the SSM and requiring activities to ensure effective management for services acquisitions within a specific portfolio/portfolio group. These portfolio managers also support the associated OSD FDEs and conduct periodic analysis of DON services acquisitions to gain insight and support strategic decisions pertaining to services acquisition.

Enterprise-Wide Contractor Manpower Reporting Application

In July 2013, the DON awarded a follow on contract for the sustainment of the DON eCMRA system to meet the reporting requirements of 10 United States Code (USC) § 2330a and DON policy. The solution continues to leverage and modify the Army eCMRA programming source code; key activities in FY 2015 include: sustaining the DON eCMRA application, complying with the information system accreditation process and achieving certification and accreditation authority-to-operate, loading the DON contract data, and testing and validating the operating DON eCMRA application and initiating planning activities for the application's transition to the Defense Manpower Data Center in Monterey, CA.

As of December 2015, approximately 1500 contractors and 700 subcontractors have active accounts in the DON eCMRA and are in the process of uploading the required data. For FY 2015, there are approximately 165,000 actions in the eCMRA. For FY 2016, there are approximately 100 actions in the eCMRA. The DON is in the process of validating the data for completeness and accuracy. This data will be used by the DON as a cross-check with Federal Procurement Data System–Next Generation (FPDS-NG) data for the FY 2015 Inventory of Contract Services.

Services Oversight

The services oversight processes implemented by the DON in FY 2015 are primarily covered in other sections of this report (e.g., paragraphs 5.0, 6.0, and 7.0). Those that are not otherwise covered are described below.

In 2015, the DON continued to support and implement the 2012 Navy Bridge Contract Policy to reduce the reliance on bridge contracts and promote real, effective competition. In addition to the justification and approval for the sole source requirement, the program manager must prepare a separate request for authorization to award a bridge contract. This determination must address the rationale for a bridge contract, certify to the urgency of the requirement, and be signed by both the program manager and the contracting officer. The approval authority is at the

Chief of the Contracting Office (CCO) level for bridge values of $5 million and less, and at the HCA level for over $5 million.

In FY 2014, the Department entered into 206 bridge contracts representing 4.0 percent of the $39.6 billion spend on Services. In FY 2015, the Department also entered into 206 bridge contracts, representing 4.0 percent of the $36.9 billion spend. Bridge actions increased in the fourth quarter of FY 2015 by 12 percent from fourth quarter of FY 2014 (75). The majority of the individual actions were less than $400,000. The primary reasons for the bridge contracts are: (1) requirements delays/changes/acquisition planning delays (52 percent); (2) delays during evaluation (33 percent); and (3) protests (14 percent). DASN(AP) is working with the HCAs and CCOs to reduce the number of bridge contracts where appropriate.

Service Requirements Review Boards

The Department has drafted a Secretary of the Navy Instruction (SECNAVINST) for the Acquisition of Services. This new instruction will require all BSOs to develop and implement a process and policy for the validation of Services requirements through a SRRB. In the interim, the Department has issued numerous policy memos requiring SRRBs.

In FY 2015, the SRRB process was fully implemented, in varying degrees, across all DON HCAs and BSOs. Over 60 individual review board sessions were held. In general, the SSRBs are having the desired effects and are driving the desired behaviors. Major findings included the need to: increase visibility into direct cite actions; increase emphasis on Contracting Officer's Representative (COR) responsibilities and expand COR training; improve the effective use of the Contractor Performance Assessment Review System; increase effective competition and small business opportunities; develop standard labor categories for comparative purposes; improve the Independent Government Cost Estimate process for services; and investigate potential savings/efficiencies by strategically sourcing common services and strengthen usage of existing vehicles.

Health Assessments

The annual Services Acquisition Health Assessment is the cornerstone process for the SSM to implement the requirements of 1) 10 USC 2330 to manage and oversee services acquisition and the DoD Better Buying Power initiative to improve tradecraft in services acquisition.

In FY 2015, the DASN(AP) Services Team visited 35 activities across the DON during the course of 10 trips, including commands located outside the continental United States. Special focus was given to non-HCA BSO activities and HCA activities located away from Command Headquarters. The SSM's objective for the Services Health Assessments was to gain mutual understanding of the people, processes, and practices involved in contract services acquisition; and gain insight into best practices, challenges and opportunities in the "real-world" of services acquisition across the Echelon II, III, and IV levels across the Department's 21 BSOs and 10 HCAs. Emphasis was placed on candid discussions among the requirement owners and acquisition and contracting personnel at the working level to increase the collective

understanding of the current state of the enterprise; these valuable exchanges helped shape the areas of emphasis within the draft SECNAVINST 5000.ac.

Acquisition Plan/Strategy Approvals

DASN(AP) is the approval authority for Acquisition Plans (APs) that include individual contract actions with an estimated value of $100 million or more (including options), except if the contract action is included in a current acquisition strategy for an Acquisition Category (ACAT) program for which ASN(RDA) or USD(AT&L) is the milestone decision authority. DON policy requires that a Management and Oversight Process for the Acquisition of Services (MOPAS) Acquisition Strategy (AS) be completed and approved for all services over the simplified acquisition threshold. These documents (the AP and the MOPAS AS) are often combined. MOPAS strategies exceeding $100 million are approved at the DASN(AP) level, those above $1 billion are approved by ASN(RDA). Acquisition plans and MOPAS strategies are reviewed by the appropriate Services Portfolio Manager and comments are provided back to the acquisition team through the DASN(AP) action officer. The Portfolio Manager's review provides to the acquisition team an insight to the SSM's objective to improve services acquisition, including implementation of Better Buying Power 3.0.

In FY 2015, 75 MOPAS strategies were reviewed and approved at the DASN(AP) level; only one was above the $1 billion threshold. Naval Air Systems Command, Naval Sea Systems Command, and Naval Facilities Engineering Command comprised the majority of the strategies reviewed, with a broad spectrum of services covered, the largest of which included engineering and technical services in support of major weapons systems and comprehensive Base Operations Support. Key findings identified through these document reviews include: the need for more tailoring of the documents to the specific acquisition, as opposed to the use of standard "boilerplate" language; more timely submission of the documents so that milestone tables accurately represent current status to better identify potential risk areas; the need for more detailed rationale when performance based procedures are not being used; more in-depth discussion on market analysis/research, how it was conducted, the results and any consideration of the use of existing vehicles; the need to consider opportunities to increase small business participation; and the need to move toward "should cost" type discussions rather than historical cost estimates. The findings were shared with the HCAs to improve the quality of future submissions and to potentially reduce the number of staffing iterations. In addition, the DON Peer Review process is a validation that the approved plan/strategy is being followed.

Strengthening Contract Management Outside of the Normal Acquisition Chain

The SA FIPT continues to identify and address many of the concerns related to the service acquisition workforce, including properly identifying the appropriate personnel, including both DAWIA and non-DAWIA Workforce members involved in acquiring services (with acquisition-related responsibilities), identify unique training needs for this workforce, develop training courses and other resources, expand the utilization of SAWs, and evaluate the need for unique services acquisition professional DAWIA certifications. Collectively, improvements in each of these areas will greatly improve efficiency and strengthen the competency of the service acquisition community while fostering collaboration, sharing of best

practices and lessons learned. All these efforts will help deliver the most effective services acquisitions for DoD. The DON is an active participant on the SA FIPT and provides inputs into the proposed solution set from the Navy's perspective while ensuring their services acquisition improvements are aligned with DPAP's efforts. The DON also coordinates the majority of the instructor-led DAU courses being offered to the DoD and DON services acquisition workforce as a stop-gap training solution utilizing available DAWDF funds.

The oversight processes identified herein generally apply to organizations that fall outside the normal acquisition chain. However, the process mostly likely to strengthen and influence contract management outside the normal acquisition chain is the Services Requirement Review Board (SRRB), which is implemented in a tiered fashion, at various organizational levels where the requirements owner resides. Organizations that participate in the SRRBs and have their services acquisitions scrutinized include Echelon II, III, and IV commands (headquarters and subordinate commands world-wide), Program Executive Offices, Direct Reporting Program Managers, System Centers, Shipyards, Supervisors of Shipbuilding, Regional Maintenance Centers, Warfare Centers, Fleet Readiness Centers, and Fleet Logistics Centers. Results of SRRBs are discussed in paragraph 5.2. During the Health Assessment visits conducted in FY 2015, Contract Services Manager positions were identified as *the* best practice being implemented at both HCAs and BSOs as a direct report to senior leadership to be the key focal point for all matters related to services acquisition policy and procedures. With the growing emphasis and spend on services acquisitions, Commands see a need for a central responsible position.

During the FY 2015 Health Assessment cycle, the importance of information technology tools in support of services acquisition activities was profound across the enterprise, both within the Contiguous United States and Outside the Contiguous United States. Both HCAs and BSOs are using a variety of tools to assist with tracking SRRB results and as a business process validation tool. Large commands are continuously automating their processes and streamlining workflow in order to support services acquisition validation efforts and tracking requirements. During early FY 2016, the DASN(AP) services team will be reviewing services acquisition tools developed and implemented by HCAs and BSOs in order to potentially expand the use of key tools for all entities in order to gain more efficiencies.

Metrics, Data Collection and Tracking

In FY 2015, the SSM's efforts focused on alignment with title 10 requirements to support solicitation and contract awards, conduct contract tracking and oversight, and evaluate contract performance. The SSM developed DON Services Obligation Trend Reports to track obligations, contract efforts, quarterly spend, and top bridge actions by HCA and portfolio. The data in these reports, including comparison with previous year efforts, drove improvements such as decreases in bridge actions, realignment of services spend, and increased leadership awareness of contractual services within the Department. A major focus area has been on improving data quality for analysis and transparency to enable data-driven decisions support to leadership. Specific focus was placed on analyzing data from various data sources, including the FPDS-NG, the SeaPort electronic platform for acquiring support services, and the Standard Procurement System data through the U.S. Army Contracting Business Intelligence System. Efforts

reinforced the need for ongoing data validation, establishment of realistic metrics, and trends analysis.

ATTACHMENT 4

Defense Logistics Agency Report on Services Acquisition

Introduction

The Defense Logistics Agency (DLA) is an agency that primarily acquires supplies. DLA awarded $28.5 billion dollars in FY 2015 (this is net supplies and services). Out of that total approximately $1.7 billion was services (or 5 percent of total spend). This is as reported in the FPDS-NG. Thirty-five percent of the total services contracting dollars was awarded to small businesses. In 2015, DLA refined its acquisition of services processes and reviews to more thoroughly align it with overall DoD policy and ensure rigorous standards.

SSM Organization; SA Governance (Policies, SRRBs and other Services Oversight); Portfolio Management/Component Level Leads

Oversight of services acquisitions within DLA is the shared responsibility of requiring activities, contracting activities/offices, the SSM, and the Senior Procurement Executive (SPE). The focal point for oversight of services acquisition resides within DLA Acquisition (J7) and is led by the SSM. The SSM is appointed by and reports to the Director, DLA Acquisition. The SSM provides recommendations to the SPE management structure for the entire lifecycle to ensure effective implementation of this policy. While the SSM is responsible for developing overall policy for services acquisition, DLA Directive 1.690-1 identifies specific review responsibilities for designated approving officials.

When actions are below the SPE review threshold (or HCA threshold for activities for which the SSM also serves as the HCA), the applicable decision officials are responsible for addressing the oversight on behalf of the SSM (and ultimately the SPE). The SSM is the HCA for DLA Distribution, DLA Disposition Services, DLA Document Services, the DLA Contracting Services Office, and DLA Strategic Materials. These activities and offices award the majority of DLA's service acquisitions. DLA Energy is the only DLA activity outside of this listing that makes any significant acquisitions of services for DLA as a DLA activity.

The SSM, SSM's supporting staff, and Component Level Leads (CLL) are results-driven and focus on understanding the services acquisition investment, establishing oversight and accountability, and developing tools based on demonstrated best practices in order to move toward a more efficient, effective, and cost-conscious way of acquiring services. The SSM develops and manages an oversight structure and establishes processes for improved services acquisition. The overall approach is subject to SPE approval. The SSM is responsible for optimizing services acquisition through portfolio management, execution governance, and project management activities in the following areas:

(1) Defining requirements
(2) Enhancing market research

(3) Increasing competition
(4) Optimizing contract types
(5) Promoting best practices, lessons learned, and templates
(6) Capturing cost efficiencies

In addition, DLA's SSM is responsible for:

(1) Participating in and making recommendations to Acquisition Strategy Review Panels (ASRPs) and Integrated Acquisition Review Boards (IARBs). An ASRP is an oversight group that conducts a review after completion of the market research report and the Business Case Analysis and prior to development of the acquisition plan to analyze and approve the proposed acquisition approach. The HCA is the chairman and clearance authority unless the SPE requires an ASRP, in which case the SPE is the ASRP chair. An IARB is an oversight group that conducts a review at key decision points after the contracting approach has been approved by the ASRP. The IARB has the authority to continue the acquisition, modify the strategy, terminate the process, or determine how the next phases should proceed. As noted earlier, the HCA and the SSM are one and the same for most of the organizations in DLA that award acquisitions of services.
(2) Reviewing policies for the acquisition of services and assessing the enterprise's progress in achieving the purpose of the policy.
(3) Evaluating and coordinating strategic sourcing objectives for the acquisition of services.
(4) Directing and evaluating periodic spend analyses for services acquisitions.
(5) Ensuring services are being obtained at the most cost effective and efficient means and in accordance with DLA policy.
(6) Ensuring an adequately planned and resourced management approach to monitor contractor performance, including quality assurance surveillance and tracking procedures.
(7) Ensuring performance plans (contract management plans) effectively monitor contractor performance.

Portfolio Management and Component Level Leads

Three broad categories of services encompass the bulk of all services acquired by DLA. These three categories are:

(1) Knowledge Based Services
(2) Facilities Related Services
(3) Electronics and Communications Services

These categories account for 83.5 percent of all DLA service acquisitions when construction and research and development (R&D) are included. Without construction and R&D, they account for 93.6 percent of all of DLA's requirements based on FPDS-NG data. DLA has concentrated on these portfolios since 2012 when it instituted its process for portfolio management and appointed Portfolio Managers. DLA appointed its Portfolio Managers as its CLLs in response to the USD(AT&L) Memorandum dated October 28, 2013, entitled "Appointment of DoD Functional Domain Experts for Contracted Services Acquisition Management." In the second quarter of 2015, in response to anticipated guidance in the

forthcoming DoDI 5000.ac, "Defense Acquisition of Services," DLA appointed Senior Executives to be CLLs for all of DLA's major portfolios. To date, DLA also has not appointed a CLL/Portfolio Manager for Research and Development or Construction, since 10 USC 2330c exempts these two portfolio groups.

The SSM worked with DLA's requirements community to designate a CLL for each services acquisition portfolio group. CLLs are responsible for reviewing and validating requirements, in conjunction with the SSM, for those requirements that belong to their portfolio. A key part of review and validation of any requirement is ensuring that requirements are strategically sourced to the greatest extent possible for recurring requirements. CLLs and their staff work with DLA Acquisition and DLA Small Business personnel as necessary to accomplish these goals.

For their respective portfolios, CLLs attend ASRPs and IARBs for acquisitions of services that require review by the HCA and/or SSM and provide recommendations to the SSM. CLLs, and their action officers are included on the distribution of and review the minutes for each ASRP and IARB for a service acquisition in their portfolio.

A new initiative in 2015 raised the visibility of service acquisitions to an unprecedented level within DLA. In anticipation of the release of DoDI 5000.ac, "Defense Acquisition of Services," DLA has begun conducting service acquisition portfolio reviews to fulfill requirements for conducting Service Requirement Review Boards (SRRBs), which serves to review, validate, prioritize, and approve services requirements to accurately inform the budget and acquisition processes.

With the DLA SSM, the DLA Deputy Director has chaired briefs on every major portfolio group as of October 2015. Going forward, reviews of each major areas of spend are expected to be conducted twice a year, with the next review slated for January 2016.

For any acquisition of services that is reviewed by the SPE, or a higher-level threshold, the SSM and the applicable CLL are provided access to all program office services acquisition related documents, and packages.

SA Health Assessments

On July 31, 2015, DLA Manual 5025.03 DLA Contract Quality Review (CQR) Program Manual was issued. This manual supersedes the Procurement Management Review Handbook of October 2011 and applies to the management of contract quality review and improvement practices at all DLA Contracting activities and offices. This manual applies to both supplies and services and is the guidance applicable for Services Acquisition (SA) Health Assessments. The CQR program is a formal data-driven evaluation of quality performance to predetermined standards, and it uses that evaluation to induce change toward improved contract quality. It is a structured way of measuring the conformance of actions to CQR program standards.

For each procuring organization, an annual review requirement is generated. A monthly plan is then established that outlines which contracts require review, by whom, and when. Each

DLA procuring activity/office is provided with standard evaluation tools, including checklists, templates and reports. CQR program activities are independently measured, and the results from that measurement are shared across DLA. The DLA CQR Program Manager (PM) conducts a routine independent review of each procuring organization to assess compliance. The procuring organization CQR PM shares results of the review through a standard DLA reporting format. Corrective action plans are developed as appropriate and tracked by the activity/office CQR PM and the DLA CQR PM.

SA Health Assessment for organizations that primarily award services will determine how effectively those organizations are executing in services acquisitions.

Metrics, Data Collection, and Tracking

For all acquisitions of services, a summary of every review (for example, at time of ASRP, or any local Acquisition Strategy Reviews, if held concurrently) held by each contracting activity must be provided to the responsible CLL. Reviews are required above the simplified acquisition threshold prior to solicitation and again prior to option award.

SA Training and Tools (including SAW execution)

DLA held one SAW in FY 2015. DLA follows DoD guidance requiring SAWs to be held for actions over $1 billion. Use and/or consideration of a SAW has been stressed in ASRPs held at the DLA Headquarters level.

Strategic Sourcing Initiatives

DLA has a total of 47 Strategic Sourcing Initiatives for services. These initiatives cover a variety of requirements, from material disposal to fuel services to information technology support. These services are also provided to DLA sites located around the globe. The total contract value for these initiatives totals $6,925,115,948. The total savings to date from FY 2014 through FY 2015 is $114 million.

Communications and Reporting

The DLA SSM participates regularly in the DoD SA FIPT, as well as in SA FIPT Working Group meetings and taskers. DLA personnel communicate as necessary with the Office of the Under Secretary of Defense for Personnel and Readiness (OUSD (P&R)) office at the working level regarding service contract policy and eCMRA. DLA reports yearly on its portion of the Federal Activities Inventory Reform (FAIR) Act inventory and FAIR inherently governmental inventory to OSD.

Communication on DPAP Service Acquisition initiatives and DLA service acquisition initiatives to the field is provided to the Chief of the Contracting Offices for those activities/offices that primarily award services, to DLA's CLLs, and their action officers as appropriate. The Portfolio Group briefings referenced earlier is one method used to communicate with leadership.

Each year DLA initiates a two-step process that begins with the submission of DLA's ICS for the previous fiscal year (obtained mainly from FPDS-NG to OUSD (P&R)). Following this initial submission, the ICS is reviewed by functional and organizational alignment. For this year's submission (which will cover FY 2014), DLA's ICS contains 1,599 contracts with total dollar obligations of $1.706 billion. These contracts represent the effort of 11,668 full-time equivalent (FTE) contractor employees. Of the 11,668 FTEs, 1,594 were obtained via inputs to eCMRA (contractors submitting actual manpower data) whereas the remaining 10,074 FTEs were estimated based on OSD-supplied rates and factors. This compares with $1.749 billion and 12,969 FTEs for FY 2013. This year's (FY 2014) review was completed on October 16, 2015. The review provided insight into the functions contractors are performing and whether any of these functions warrant conversion to DoD civilian performance. For example, this year's review indicated that about 346 FTE contractor employees were performing "closely associated with inherently governmental work" support services. DLA is examining various mitigation strategies to reduce this number. Some of the major areas in which there is contractor support are operation/maintenance of fuel storage facilities, information technology and telecommunications, and support to management.

Issues/Impacts/Challenges

DLA has encountered a challenge in the use of FPDS-NG. Money sent outside of DLA via Military Interdepartmental Purchase Requests for award by another agency was not always tracked well in prior years. In FY 2014, the process was changed, and DLA Acquisition took responsibility for the tracking. When DLA wants to review current service acquisition requirements to assist in forecasting future requirements, tracking these older actions is difficult. With expanded SRRB processes and as older awards expire, this issue is expected to diminish considerably.

ATTACHMENT 5

Missile Defense Agency Report on Services Acquisition

Introduction

      The MDA is charged with designing, developing, and fielding a ballistic missile defense capability to defend the United States, its deployed forces, allies, and friends from ballistic missile attacks of all ranges in all phases of flight. To carry out the mission, the MDA relies heavily on contracted services to help deliver capabilities to the Warfighter. To that end, MDA is continuing its focused efforts in services acquisition, in direct support of Department of Defense Better Buying Power (BBP) 3.0 initiatives and in anticipation of the Defense Acquisition of Services policy under DoDI 5000.ac.

      In FY 2015, MDA made significant advances in implementing the initiatives outlined in the April 2015 Implementation Directive for Better Buying Power 3.0 - Achieving Dominant Capabilities through Technical Excellence and Innovation. This report highlights MDA's achievements in support of several BBP 3.0 tenets that include: highest annual award value ($405 million) of services contracts to small businesses, exceeding the small business prime contracting goal by 2.25 percent, advancing competition in the services arena, and improving the requirements definition process for services acquisition throughout MDA.

Services Acquisition Organization

      The Director for Acquisition is the SSM for MDA, providing oversight of all MDA acquisition and contracting matters, including services acquisition, in support of the Ballistic Missile Defense System (BMDS). The Director for Acquisition is responsible for developing, maintaining, implementing, and advocating the MDA acquisition framework and underlying policies and process.

      The MDA uses Functional Managers in an organizational construct to support program execution. The SSM relies on the expertise of the Functional Managers to validate requirements that support the design and development of the BMDS components. Each Functional Manager is assigned to a respective functional domain and supports the CLLs for knowledge based services as well as facilities related services. They actively oversee the forecasting and budgeting, requirements definition and validation, procurement, and delivery processes for contracted services that support the program elements. The Functional Managers have actively supported the development of MDA advisory and assistance services, research and development, and information technology contracts. (Supports BBP 3.0 Initiative: Eliminate Unproductive Processes and Bureaucracy)

MDA acquisition of services is supported in four distinct areas:

- Advisory and Assistance Services (A&AS)—The Consolidated Support Program Office is responsible for the MDA Engineering and Support Services (MiDAESS) and its follow-on

acquisition, the Technical, Engineering, Administrative, and Management Support (TEAMS) acquisition. The MiDAESS program consolidated the majority of contracted services support into 36 competitively-awarded indefinite delivery/indefinite quantity (IDIQ) contracts with 57 task orders.

The TEAMS acquisition realigns A&AS contracts with MDA functional manager organizations to further improve synchronization of requirements with the necessary domain expertise. This revised construct provides for effective management of the A&AS workload across the enterprise programs and projects. The TEAMS acquisition is valued at ~$450 million per year and will contain 31 A&AS "C"-type contracts, each with a base period and options that provide for a maximum 5-year period of performance. The TEAMS construct is projected to save approximately $29 million per year. (Supports BBP 3.0 Initiatives: Eliminate Unproductive Processes and Bureaucracy and Improve Tradecraft in Acquisition of Services)

- Research and Development (R&D) and Information Technology (IT) Services—The MDA Joint Research Development Contract (JRDC) supports integrated BMDS testing, Warfighter training, and operations requirements at the Missile Defense Integration and Operations Center in Colorado. The JRDC follow-on effort, entitled the Integrated Research and Development for Enterprise Solutions (IRES) contract, valued at ~$300 million per year, will be a single award, IDIQ contract, providing R&D and IT services.

  IRES is an integrated and concurrent test, training and operations capability for the BMDS. IRES requirements align to three portfolio groups: Engineering and Technical Services, Electronics and Communication Services, and Facility Related Services. To validate and verify IRES requirements and limit duplication of work, MDA leadership actively engaged in the development, review, and coordination of the IRES acquisition strategy, acquisition plan, source selection plan, and draft solicitation content.

- Inter/Intra-Agency Agreements (IAA)—The MDA sends approximately $1 billion (12 percent of its annual budget) to Other Government Agencies (OGAs) via the IAA process for BMDS products and services. Approximately 40 percent of the MDA IAA budget was obligated for services. The MDA Support Agreement Management Office provides consolidated administration support to help PMs develop and process IAAs for required products and services to avoid duplication of effort and to reduce costs. Each PM and Director of Contracts validates OGA support requirements, fair and reasonable costs, complete market research, and that Government property is accounted for and documented. The MDA Director for Small Business programs is formally involved in the Program Inter-Intra Agency requirements review and approval process. (Supports BBP 3.0 Initiative: Improve Tradecraft in Acquisition of Services)

- Research, Development, Test, and Evaluation (RDT&E)—Our developmental programs obtain contracted services in direct support of RDT&E of specific BMDS elements and capability. PMs and acquisition teams are required to identify and implement methods to incentivize contractors to reduce RDT&E costs associated with program development. (Supports BBP 3.0 Initiative: Achieve Affordable Programs)

Services Acquisition Governance

MDA Acquisition Management Instruction (MDA 5013.02-INS) was updated in FY 2015 to address SSM expectations for the acquisition workforce. The instruction identifies the SSM responsibility for the governance in planning, executing, and managing service contracts and outlines SSM decision authority for the acquisition of services. It also addresses the acquisition team responsibilities for the use of performance-based, competitive acquisition of services to the maximum extent practicable and in compliance with applicable statutes, regulations, and policies. (Supports BBP 3.0 Initiative: Improve Tradecraft in Acquisition of Services)

Acquisition Strategy Panels (ASPs) and Acquisition Strategy Boards (ASBs) are employed across the enterprise to review and approve annual MDA requirements, including services acquisitions. All new MDA acquisitions are vetted through an ASP chaired by the appropriate Program Executive or Functional Manager for review and approval, and then to an ASB chaired by the Director. The Director of Acquisition/SSM chairs all ASPs for the acquisition of services, which are based on clear, performance-based requirements captured in a performance work statement to the maximum extent practicable; exceptions to this must be separately approved. The MDA ASP and ASB processes ensure services are acquired using a strategic, enterprise-wide approach that is applied to both the planning and execution of the services acquisition. (Supports BBP 3.0 Initiatives: Eliminate Unproductive Process and Bureaucracy and Promote Effective Competition)

MDA has centralized management of most acquisition of advisory and assistance services under a centralized Consolidated Support program office. The PM for the acquisition of services validates program requirements and sourcing strategies to support identifiable and measurable cost, schedule, and performance outcomes consistent with customer needs. Resulting business arrangements must be in the best interest of both MDA and DoD, while being compliant with applicable statutes, regulations, policies, and other requirements, whether the services are acquired by or on behalf of DoD. (Supports BBP 3.0 Initiative: Eliminate Unproductive Processes and Bureaucracy)

In FY 2015, the SSM issued an Interim Guidance Memorandum on Policy and Procedures for the FY 2016 IAA Review Process to clarify policy and improve processes for acquiring support from other Government agencies. The MDA Acquisition Policy and Program Support Directorate provided training and support to all MDA program elements to improve stakeholder understanding of the new framework and implementation objectives. (Supports BBP 3.0 Initiative: Improve Tradecraft in Acquisition of Services)

Services Acquisition Training and Tools

In FY 2015, DAU conducted a Services Acquisition Workshop (SAW) with the MDA Consolidated Support Program Office acquisition and contracting personnel at our Huntsville, AL location. The SAW training included: Team Composition, Team Charter, Communication Plan, Stakeholder Analysis, Risk Analysis, Government Furnished Property/Government Furnished Material, Vision, High Level Results, Project Management, Conducting Market

Research, Writing a Performance Work Statement, Writing Performance Tasks, Measuring Performance, and various other topics required to complete the Performance Work Statement and the definition of requirements. The TEAMS acquisition construct was greatly enhanced as a result of this workshop.

The acquisition planning for the IRES acquisition commenced in FY 2013. SAW training was conducted for the IRES acquisition team in June 2013 for the Planning Stage, Phase I SAW, and again in August 2014 for the Defining Requirements, Phase II SAW. (Supports BBP 3.0 Initiatives: Promote Effective Competition and Improve Tradecraft in Acquisition of Services)

For every formal source selection, each member of the acquisition team scheduled to complete formal MDA Source Selection Training. The objective is to educate new and inexperienced source selection participants, provide refresher training to experienced source selection participants, and baseline MDA expectations for the source selection team. (Supports BBP 3.0 Initiative: Promote Effective Competition)

The MDA Comprehensive Acquisition Process (CAP), an MDA portal tool initiated in FY 2013 to document the entire procurement process and supplemented by checklists, policy guidance, instructions, and "drill down" training links to assist MDA program management offices in managing the process, continues to be used and updated with changes in processes, guidance and policy. The CAP tool is a standardized procurement methodology used MDA-wide. (Supports BBP 3.0 Initiative: Eliminate Unproductive Process and Bureaucracy)

As part of the steps taken by MDA to comply with the Financial Improvement and Audit Readiness Act, the MDA Audit Readiness team developed and conducted a series of training seminars designed to properly identify and select the appropriate Product Service Code (PSC) for each contract line item on current and future contracts. The DPAP PSC Selection Tool was demonstrated at each training session. (Supports BBP 3.0 Initiative: Improve Tradecraft in Acquisition of Services)

Strategic Sourcing Initiatives

The MDA Office of Small Business Programs (OSBP) is a key organization supporting the enterprise acquisition of services. The OSBP is intricately involved with the comprehensive market research used in developing acquisition strategies for services acquisition, including providing market research services, acquisition planning support, Request for Proposal (RFP) development support and post-award performance assessments in order to maximize the use of small businesses on all MDA service acquisitions.

The OSBP conducted comprehensive market research in support of developing the IRES acquisition strategy and acquisition plan. Their comprehensive market research revealed extensive subcontracting opportunities; therefore the RFP reflects substantive small business goals and objectives (40 percent of total contract value) on this multi-billion dollar acquisition.

Of the 31 TEAMS acquisitions, 21 are being set-aside as either small business set-asides (18) or service-disabled veteran-owned small business set-asides (3). The previous Missile Defense Agency Engineering and Support Services (MiDAESS) effort acquired these services under 10 multiple award IDIQ efforts, 4 of which were set-aside for small businesses. As compared to the former MiDAESS construct, the TEAMS strategy: anticipates a 6.6 percent contract savings ($29 million/year); and, provides approximately $4.1 million in Government cost avoidance opportunity through reduced allocation of Government resources.

In FY 2015, the MDA awarded more small business prime contracting dollars than ever before, increasing prime contracting dollars awarded from $385 million in FY 2014 to $405 million this fiscal year. In addition, MDA's small business posture in A&AS service contracting increased from 30 percent of the effort under MiDAESS to 69 percent of the effort under TEAMS. This achievement was accomplished by breaking up formerly bundled multiple award IDIQ efforts into smaller individual "C"-type contracts. (Supports BBP 3.0 Initiatives: Promote Effective Competition, Increase Small Business Participation, including More Effective Use of Market Research and Improve Tradecraft in Acquisition of Services)

The OSBP maintains an extensive database of small businesses and catalogs their capabilities and core competencies. The database assists with acquisition planning and market research to support timely, relevant data to evaluate alternatives to existing strategies in the acquisition of supplies and services across MDA. The OSBP is expanding its database utility by capturing and cataloging all small business contacts and linking them to pre-defined capabilities to improve MDA outreach program at association and industry events. This improvement helps identify and target needed small business capabilities to satisfy MDA requirements. (Supports BBP 3.0 Initiatives: Promote Effective Competition, Eliminate Unproductive Processes and Bureaucracy Promote Effective Competition and Improve Tradecraft in Acquisition of Services)

Communications and Reporting

The MDA Senior Services Manager employs a variety of methods to disseminate information and guidance within MDA and to the acquisition workforce. Some examples include: the MDA Communications Roundtable that circulates emails to the workforce to identify specific training opportunities, announces source selection actions, and provides updates to ongoing services acquisition activities; bi-monthly acquisition Functional Lead/PM meetings at which they discuss issues and share lessons learned; the Contract Policy Compliance and Review office promptly disseminates Federal Acquisition Regulation and Defense Federal Acquisition Regulation Supplement changes and MDA applications to the acquisition workforce. (Supports BBP 3.0 Initiative: Improve Professionalism of the Total Acquisition Workforce)

The SSM developed an internal portal site on the internal MDA website for use as a central repository for all information, guidance, and policy related to services acquisition. It also provides a single location for lessons learned, best practices, Department and MDA policies, and training resources. (Supports BBP 3.0 Initiative: Improve Professionalism of the Total Acquisition Workforce)

Issues/Impacts/Challenges

MDA continues working across the enterprise to improve its management of services acquisitions. The following are continuing focus areas:

- Developing MDA-specific compliance measures to wholly align with the DoD 5000.ac requirements for a Services Requirements Review Board process and the associated program management across the services portfolio.
- Improved and timely data capture and procurement metrics across the enterprise services acquisition portfolio for required Department reporting, including eCMRA data validation, analysis and utility, and quality assurance surveillance planning.

ATTACHMENT 6

Defense Health Agency Report on Services Acquisition

Introduction

The Defense Health Agency (DHA) assumed responsibility for services acquisition from the TRICARE Management Activity on October 1, 2013, and began a two-year evolution toward Full Operational Capability (FOC). DHA reached FOC on October 1, 2015, as a joint, integrated Combat Support Agency that enables 666 military treatment facilities (as of FY 2013) across the Military Health System (MHS) to provide care to 9.4 million beneficiaries (as of FY 2016) and provides a medically ready force and ready medical force to Combatant Commands. DHA integrates a $42 billion dollar budget and exercises management responsibility for 10 joint shared services, a $28 billon dollar TRICARE Health Plan, and MHS process integration. DHA also serves as the enhanced Multi-Service Market Manager for medical care provided to MHS beneficiaries in the National Capital Region.

Senior Services Manager Organization

The DHA Component Acquisition Executive (CAE) also serves as the SSM for DHA. The CAE is responsible for the acquisition of all DHA services contracts, with the exception of the Defense Healthcare Management System Modernization program, an ACAT IAM program reporting through the PEO for Defense Healthcare Management Systems directly to the USD(AT&L). Annually, the SSM validates the ICS for DHA certification. As CAE, the SSM exercises direct control over DHA's contracting activities and the program management of strategic sourcing projects.

Services Acquisition Governance (Policies, SRRBs, and other Services Oversight)

DHA created a new services acquisition policy that requires CAE approval of all acquisition strategies between the Simplified Acquisition Threshold and $1 billion. Acquisition strategies for Health Information Technology (HIT) Services between $500 million and $1 billion must also be approved by DoD's Chief Information Officer. Acquisition plans involving services less than $25 million are approved one level above the contracting officer, while acquisition plans with a total value above $25 million are approved by the HCA. The increased attention on services contracts by senior acquisition leadership identified gaps in requirements development efforts and inspired the creation of a SharePoint portal for requirements development oversight. Resources for requirement development support were consolidated into a single branch reporting directly to the CAE/SSM, where training can be focused to ensure better outcomes.

As part of a shared service initiative, staff members from Air Force's Medical Services Commodity Council were transferred into DHA to build a foundation of strategic sourcing for DHA. This group of experienced strategic sourcing professionals was chartered as an Oversight and Performance Management Committee (OPMC) to oversee the creation of MHS-wide strategic sourcing initiatives using the DoD seven-step sourcing model. The OPMC, in turn,

charters sourcing teams made up of representatives from DHA and the Military Services to strategically source services programs that are common amongst MHS customers.

The DHA Acquisition of Services policy will be released subsequent to publication of the pending DoD 5000.ac policy. The CAE is working directly with DHA leadership to implement DHA's Services Requirements Review Board (SRRB) process in the second quarter of FY 2016.

Portfolio Management

The Principal Deputy Assistant Secretary of Defense for Health Affairs is the Functional Domain Expert (FDE) for medical services. DHA initiatives to improve portfolio management include:

1) DHA recommended a revision to Federal Product Service Codes (PSCs) for medical support services. These services included professional and knowledge-management services that are specific to hospitals, such as medical coding, transcription, and referral management. The revised PSCs will improve the acquisition of these services through better data quality in the Federal Procurement Data System.
2) DHA leads the metrics development process for professional medical staffing. These staffing services provide direct health care support in military hospitals. The FDE reviewed metrics development efforts as well as efforts to standardize labor category descriptions across the Military Services.

Services Acquisition Training and Tools

DHA fully supports DoD policy for implementation of SAWs. DAU provided direct, onsite SAW training for DHA's next generation TRICARE acquisition program, T2017. DAU also provided SAW training support for professional medical staffing. Based on the experience of the OPMC in implementing SAWs, DHA received a SAW equivalency from DPAP for strategic sourcing contracts and for implementation of SAWs internal to DHA. Some OPMC best practices include use of the Air Force's Probability/Consequences Screening risk tool, a requirements roadmap process (pre-cursor to the Defense Acquisition University's Automated Requirements Roadmap Tool), and expertise in market research using commercial survey tools and reports.

Strategic Sourcing Initiatives

DHA has three ongoing strategic sourcing initiatives designed to improve and standardize the acquisition of key services across the MHS. DHA will carry out the Office of Management and Budget's mandate to maximize the use of strategic sourcing while building sustainable business models.

In executing its MHS, a shared service mission, DHA is the lead organization for development of strategies for health care professional staffing (PSC Category Q-Services). The DHA strategy directly addresses Government Accountability Office findings (GAO-13-322) that the Department of Defense does not have a consolidated, agency-wide acquisition strategy for

medical services and that, in the absence of such a strategy, contracting for health care professionals is largely fragmented. In June 2014, DHA chartered an integrated product team (IPT) to consolidate sourcing strategies from the Army, Navy, Air Force, and DHA into a common sourcing multiple-award, task order contract for Q-coded services. The team is on schedule to award a contract by the fourth quarter of FY 2017.

In addition to health care professional staffing, DHA is strategically sourcing medical support services after revision to the product service codes. The current effort is at an early stage in the sourcing model.

Also as a shared service, DHA chartered a DoD team to develop a sourcing strategy for professional and knowledge management services (PSC Category R-Services) across the MHS. Goals of this team are to reduce variation of R-Services, standardize labor categories, and develop common metrics for measuring performance that can be used to improve future performance.

HIT services are a critical area for DHA, with nearly $1.3 billion in annual spending. Under the HIT shared service, DHA is now responsible for execution of HIT for the MHS. After requirements development, DHA published a business case analysis in Max.gov in accordance with the Office of Federal Procurement Policy guidance. DHA carefully analyzed the responses received and developed a common strategy leveraging DHA's spending. DPAP approved DHA's acquisition strategy to purchase HIT through GSA's Government-Wide Acquisition Contracts (GWACs) at a reduced contract access fee. GSA will also develop a new Special Item Number for HIT under the Information Technology-70 schedule to allow for innovation to be quickly brought into military hospitals. In addition, GSA will develop a common portal for DHA to use that integrates all available GWACs and provides a sourcing platform for DHA HIT spending.

Communications and Reporting

1) The SSM provides services acquisition briefings to DHA's senior and mid-level leaders.
2) The SSM meets regularly with the Agency's Requirements and Resourcing Board to guide it in developing DHA's SRRB process.
3) The SSM coordinates closely with DHA's Director of the Office of Small Business Programs to ensure staff in requiring offices are apprised of the requirement to give due consideration to small businesses when developing strategies for acquisition of services.
4) The SSM provides briefings to industry at DHA's Small Business Forums to appraise small businesses of DHA's processes for acquiring services.
5) The SSM leads DHA in developing the required Annual Inventory of Contracts for Services.

Other Initiatives as Required

DHA has several ongoing initiatives in the services acquisition area:

1) To improve the capabilities of DHA's acquisition workforce, all of DHA's acquisition position descriptions are being reviewed and standardized to ensure that personnel are adequately trained for acquisition-coded positions.
2) DAWDF funds are used to improve the acquisition workforce. For example, DHA is funding a Program Management Institute "Boot Camp" to increase the number of professional project managers in the organization.
3) The Acquisition Division's Business Operations Branch is developing goals, objectives, metrics, and tools to measure and improve the DHA procurement process. From this data, services contract procurement processes can be analyzed and improved throughout DHA.

Issues/Impacts/Challenges

DHA has several challenges as it implements service acquisition policy. First, DHA is primarily staffed by medical professionals with varying degrees of acquisition experience. The number of DHA staff members well-experienced in acquisition program management and functional service management is quite limited. DHA employs targeted training to mitigate this shortage of acquisition experience. Second, changes in services acquisition policy are challenging due to years of acquisition process improvement inertia within the former TRICARE Management Activity staff, many of whom lacked the acquisition training and experience needed to acquire services strategically. Gaining new momentum in services acquisition will continue to be a struggle for DHA. Third, the sheer volume of services contracts, along with inflow of services contracts from outside MDA and a hiring freeze, continues to overwhelm the DHA acquisition staff. To mitigate this issue, DHA signed assisted acquisition agreements with other agencies that provide oversight and reporting of services contracts and allow DHA maximum flexibility to meet its acquisition goals.

ATTACHMENT 7

List of Acronyms

A&AS	Advisory and Assistance Services
ACAT	Acquisition Category
AER	Annual Execution Review (Air Force)
AF	Air Force
AFI	Air Force Instruction
AFIMS	Air Force Installation and Mission Support Center
AP	Acquisition Plan
ARRT	Acquisition Requirements Roadmap Tool
AS	Acquisition Strategy
ASB	Acquisition Strategy Board
ASP	Acquisition Strategy Panel
ASRP	Acquisition Strategy Review Panel
ASN(RDA)	Assistant Secretary of the Navy, Research Development and Analysis
AT&L	Acquisition Technology and Logistics
BBP	Better Buying Power
BMC	Base Maintenance Center
BMDS	Ballistic Missile Defense System
BSO	Budget Submitting Office
CAE	Component Acquisition Executive
CAP	Comprehensive Acquisition Process
CCO	Chief of the Contracting Officer
CLL	Component Level Lead
CM	Combat and Mission (Support)
COR	Contracting Officer's Representative
CQR	Contract Quality Review
DASA(P)	Deputy Assistant Secretary of the Army, Procurement
DASN(AP)	Deputy Assistant Secretary of the Navy, Acquisition and Procurement
DAU	Defense Acquisition University
DAWDF	Defense Acquisition Workforce Development Fund
DAWIA	Defense Acquisition Workforce Improvement Act
DCMO	Defense Chief Management Officer
DFARS	Defense Federal Acquisition Regulation Supplement
DHA	Defense Health Agency
DLA	Defense Logistics Agency
DoD	Department of Defense
DoDI	Department of Defense Instruction
DON	Department of the Navy
DPAP	Defense Procurement and Acquisition Policy
eCMRA	Enterprise-Wide Contractor Manpower Reporting Application
EPASS	Engineering, Professional and Administrative Support Services
FDE	Functional Domain Expert

FIPT	Functional Integrated Product Teams
FL	Functional Leader
FOC	Full Operational Capability
FPDS-NG	Federal Procurement Data System – Next Generation
FTE	Full-time Equivalent
FY	Fiscal Year
GAO	Government Accountability Office
GSA	General Services Administration
GWAC	Government-Wide Acquisition Contract
HAF	Headquarters Air Force
HCI	Human Capital Initiatives
HIT	Health Information Technology
IAA	Inter/Intra-Agency Agreement
IARB	Integrated Acquisition Review Board
ICS	Inventory of Contract Services
IDIQ	Indefinite Delivery, Indefinite Quantity
IPT	Integrated Product Team
IRES	Integrated Research and Development for Enterprise Solutions
IT	Information Technology
JRDC	Joint Research Development Center
KBS	Knowledge-Based Services
MAC	Multiple Award Contract
MAJCOM	Major Command
MDA	Missile Defense Agency
MHS	Military Health System
MiDAESS	Missile Defense Agency Engineering and Support Services
MILDEP	Military Department
MOPAS	Management and Oversight Process on the Acquisition of Services
NDAA	National Defense Authorization Act
NetCents	Network-Centric Solutions
OASIS	One Acquisition Solution for Integrated Services
OCS	Operations Contracting Support
ODA	Other Defense Agency
OGA	Other Government Agency
OMB	Office of Management and Budget
OPMC	Oversight and Performance Management Committee
OSBP	Office of Small Business Programs
OSD	Office of the Secretary of Defense
OUSD	Office of the Under Secretary of Defense
OUSD (P&R)	Office of the Under Secretary of Defense, Personnel and Readiness
PEO	Program Executive Office; Program Executive Officer
PM	Program Manager
PMR	Program Management Review
PSC	Product Service Code
R&D	Research and Development

RAD	Requirements Approval Document
RDT&E	Research, Development, Test and Evaluation
RFP	Request for Proposal
RRB	Requirements Review Board
S-CAT	Services Category
SA	Services Acquisition
SAE	Senior Acquisition Executive (Navy); Services Acquisition Executive (Air Force)
SAW	Services Acquisition Workshop
SB	Small Business
SGHA	Services Governance Health Assessment
SPE	Services Procurement Executive
SRP	Senior Review Panel
SRRB	Services Requirements Review Board
SSEC	Strategic Sourcing Executive Committee
SSM	Senior Services Manager
TEAMS	Technical, Engineering, Administrative and Management Support
USD	Under Secretary of Defense