

Air Force Annual Report on the Acquisition of Services

1.0 Background on AF's Approach to Services

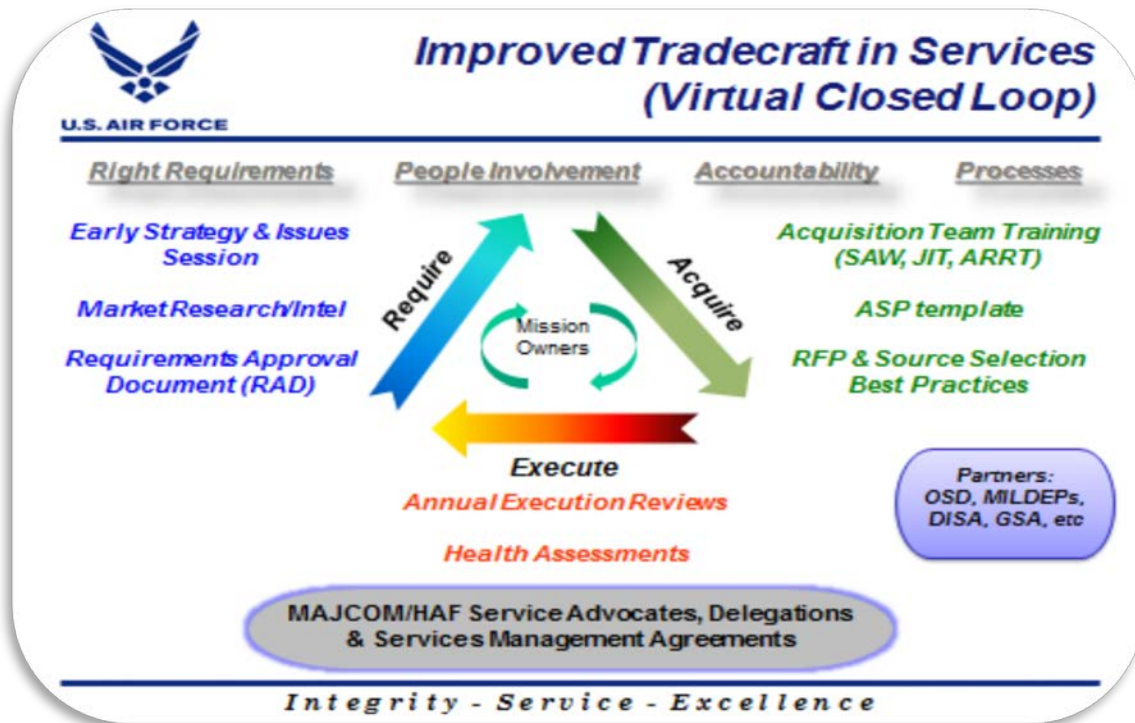
As this is the first comprehensive annual report on the acquisition of services, it is important to understand the history and rationale of the Air Force's approach. The AF recognizes this is a long journey (15+ years) that involves a wide variety of players in order to continuously improve the management and oversight of the acquisition of services.

In 2003, Congress requested DoD provide management/oversight of services acquisition. The AF established the Program Executive Officer for Combat and Mission Support (PEO/CM) who was the acquisition authority for services acquisition >\$100M or >300 Full-Time Equivalent (FTEs).

In 2007/08, the AF began developing a services acquisition model centered on the *mission owners* and involves four pillars: define the *right requirements*, *involve people*, provide *accountability* and develop *processes*. The AF approach works around individual acquisition efforts (programs) as these provide tangible actions and merits that can be used to educate ourselves and the community. As requirements are defined, capabilities acquired and services contracts executed, the AF must keep all of this in mind and build off of the advances made so far in improving the tradecraft. The following key elements were developed to bring more awareness and insight in this virtual closed loop process:

- Requirement Approval Document (RAD): The RAD is a periodic re-validation of the need and performed at the start of each acquisition. It is stratified based on value and engages mission owners (commanders), Major Command (MAJCOM) and Air Staff leadership to promote a discussion of priorities and needs versus desires relative to scope, funding, sourcing approach, in/out-sourcing, etc.
- Early Strategies and Issues Session (ESIS): An informal discussion (vector check) between the acquisition team and senior leadership held to share initial approach, strategy considerations, lessons learned, best practices, and process changes potentially impacting the acquisition strategy development.
- Acquisition Strategy Panel (ASP): A FAR-required discussion/decision in which the requiring activity and acquisition senior leadership formally reviews and approves the proposed strategy to address the requirement.
- Source Selection Process: Although there is a standard process, through training and mission ownership, services acquisition promotes a more involved senior leadership relationship with the acquisition team to track from the acquisition strategy to Request for Proposal (RFP) release through proposal evaluation and contract award.
- Annual Execution Review (AER): This forum and format promotes the critical examination of the execution of each contract and its contribution to the required mission. It provides feedback on the success of current approach and promotes continuous learning on the definition of future requirements, acquisition strategies and contract executions.

- Health Assessments: These are conducted with each MAJCOM/FOA/DRU to provide measures of overall success across six categories. It also facilitates feedback on how to continuously improve the overall acquisition of services across the AF.



As these process elements were developed, there were also governance relationships established. PEO/CM provided a methodology to earn delegation authorities with Services Management Agreements (SMA) and identified appropriate Services Advocates (SA) in the MAJCOMs. PEO/CM encouraged cross-talk between the Services Advocates and uses mentoring via “left-seat/right-seat” on-the-job (OJT) for those who do not have a strong acquisition background. Through this, the MAJCOMs and mission owners have become more engaged and, on their own, are beginning to drive improvements in services acquisitions.

2.0 AF Implementation of Better Buying Power (BBP)

In terms of BBP 2.0 *Improve Tradecraft in Acquisition of Services*, the AF had begun many actions captured in the existing processes. Particular improvements and 2013 actions are noted below.

2.1 Assign senior managers for acquisition of services: The AF assigned a Single Manager for Services (SMS) in 2012 for policy/guidance for all services acquisitions across the AF. The SMS reports directly to Service Acquisition Executive (SAE) and the SMS is dual-hatted as PEO/CM. The SMS advises the SAE and other acquisition authorities (such as weapon system PEOs) on services acquisitions. The SMS has dedicated a subject matter expert to expressly provide advice on services acquisition outside of PEO/CM authority. In 2013, the SMS continued to advise the other PEOs on efforts covering launch operations, training systems, engine maintenance support and nuclear missile sustainment a variety of efforts (e.g., LISC, TSA III, F117, ISC) and had received notes of appreciation for the insight. The SMS also evaluated

the “Contracts Court” approach adopted by the Navy’s acquisition of services and provided an assessment to the SAE. The SMS authorities and responsibilities were codified in the new AF Instruction 63-138 Acquisition of Services published 21 May 2013.

2.2 Adopt uniform services market segmentation: The AF began using Product-Service Codes (PSC) and Portfolio group taxonomy in 2009 and uses the Federal Procurement Data System-Next Generation (FPDS-NG) for data analysis and insight. PEO/CM recognizes the similarities/differences among acquisitions within portfolio groups and encouraged cross-talks between MAJCOMs and acquisition project teams. In 2013, the AF saw a reduction of 8-23% in obligations across key portfolio groups when compared to FY2010. The Air Force is finally at a maturity point to go beyond the top-level analysis and began an effort to dive more deeply into each portfolio group. One of the improvements in 2013 was the broader understanding that the obligation data should be organized by the funding sources (vice contracting activity) as the funding source best represents the origins of AF requirements. Tracking by contracting activity provides information about who conducted the acquisition (e.g., AF, GSA, Navy) itself but does not reflect the organization that actually has the services requirement. As the AF continues to focus efforts around the mission owners, it is important that we organized our analysis to give the mission owner the best information possible about how his/her funds are spent.

2.3 Improve requirements definition/prevent requirements creep: Although the AF established the Requirements Approval Document (RAD) process previously, it continues in 2013 to mature this key process. The simplicity of the RAD process is understood in most AF organizations, however PEO/CM continues to work with particular organizations who currently interpret more expectations (such as ASP level documentation) from it. PEO/CM is also exploring methods to appropriately apply the same principles to OSD and COCOM requirements. Over the past year, the AF saw the initial completion of the Authorizing RAD (ARAD) process intended to provide a control on the funds executed for services so not to exceed 2010 funding levels. Towards the close of 2013, the AF began analysis on the amount of funds transferred to other organizations via Military Interdepartmental Purchase Request (MIPR) and determined approximately one-fifth ($\frac{1}{5}$) of AF services requirements are addressed with MIPR’d funds. To better understand the efficiency and effectiveness, PEO/CM added a MIPR reporting requirement to the MAJCOM Health Assessments for 2014 reviews.

2.4 Increase use of market research: The AF uses market research for each acquisition to identify sources, increase competition and determine small business opportunities. Discussed at both the Early Strategy and Issues Session (ESIS) and Acquisition Strategy Panel (ASP), market research is useful to challenge assumptions about the acquisition strategy. PEO/CM encourages the use of Sources Sought Synopsis, Industry Days and other sources (such as similar acquisitions) as well as more open communication with industry. In 2013, the PEO/CM analyzed commercial opportunities for multiple specific requirements and acquisitions as well as provided particular market and corporate insight for senior leadership. A few examples of these analysis includes pension issues at Arnold Engineering Development Center, labor rates for Andrews Air Force Base, and review of Business Case Analysis for an engine sourcing decision.

2.5 Increase small business participation: Like the rest of DoD, the AF had fallen behind in meeting the Small Business (SB) goals in recent years. Although it is challenging to get SB credit on large weapon system acquisitions, the AF looked to services acquisition to identify more SB opportunities. Through market research, PEO/CM challenged underlying perspectives (such as technical risk, depth of support, and incumbent dependency) which resulted in more SB companion contracts and determining that many Knowledge Based Services (KBS) needs could be met by SB contractors. For example, in 2013 the AF successfully justified to Congress and OSD the decision to re-compete the Advanced Technical Exploitation Program (ATEP) KBS acquisition as a SB set-aside (although it was previously an unrestricted competition won by large businesses). Although FY13 resulted in 19% of AF services obligations going to SB, there was potential that MIPR'd funds could increase that percentage. For example, the SB percentage for MIPR'd AF Materiel Command KBS requirements was almost double the SB percentage awarded by the AF itself, yet MIPR'd effort did not give AF credit towards SB goals. To partially address this, the AF engaged with GSA in establishing the One Acquisition Solution for Integrated Services (OASIS) Multiple Award IDIQ contract for complex federal services. Using an implementation guide developed by the AF, the OASIS SB pool addresses up to \$5B in AF KBS requirements over the next five years. The OASIS contract provides for decentralized ordering, so the AF will be able to take credit for all of these SB awards. PEO/CM is also aware that, due to on-going budget reductions, the AF requirements addressed by SB providers may be easier to cut which could adversely impact the AF reaching the SB percentage goals in the future.

2.6 Strengthen contract management outside normal acquisition chain: This goes to the heart of the services acquisition model that the AF has been using since 2008 – get the mission owners more involved, give them better tools and expand their training. Over the last 5 years, PEO/CM has engaged the MAJCOM mission owners (Civil Engineers, Base Commanders, CIOs, Operators, Comm Groups, HQ staffs, medical, maintenance, etc.) on all types of requirements (KBS, Equipment-related, Facility-related, Medical, IT, etc). When the AF began the Annual Execution Review (AERs) in 2008, the contracting officers were usually the briefers of the AER program status. In 2013, it was interesting to note the mission owners predominantly briefed the AER program status and by better understanding of impact on mission, they can be more engaged in the requirement definition of the follow-on acquisition. This has been helpful in controlling the appetite for requirements, measuring contractor performance and ensuring the contractor officer's representatives are adequate and skilled to meet the task.

The tools available to the mission owners include the AERs as well as the requirements validation process, the Early Strategy and Issues Session, and involvement throughout the source selection process. In 2013, PEO/CM in conjunction with the MAJCOMs began examining the MIPR process and will likely develop a tool to give mission owners better insight into the acquisition and performance of services obtained through non-AF organizations. To this end, PEO/CM has worked with Navy, DISA and GSA to align their processes with AF objectives and model. The AF has shared the tools and looks to conduct AERs with these organizations on the respective programs they support.

On the training aspect, the AF has worked closely with Defense Acquisition University (DAU) and the University of Tennessee (UT) to develop courses/workshops for our services acquisition teams. In anticipation of concluding the UT contract in Jun 14, PEO/CM encouraged DAU senior leadership to take

on an even larger role – that of coordinating the training opportunities for the spectrum of services training for the whole of DoD. This includes the transfer of the UT developed Just-in-Time workshop as well as other courses developed by UT. Using the AF experience on reaching to the non-DAWIA workforce, the AF successfully recommended the Services FIPT address the need for getting initial training for services acquisition teams organized first before trying to establish qualification/certification standards for these career fields.

In previous years, the AF has successfully conducted Services Acquisition Workshops which brought more than 250 attendees together to exchange lessons on improving services acquisition. With the curtailment of the travel, PEO/CM moved to using Defense Connect Online (DCO) virtual workshops to accomplish the same learning objectives. In 2013, the AF invited over 800 individuals across the AF to each of six DCO sessions on services acquisitions covering: DAU Services Acquisition Tools; Small Business in Services Acquisition; Air Force Procurement Fraud Remedies Program; new AFI 63-138; Senior Leader Perspective on Services Acquisition; and Cost Realism and Price Realism: “What is the difference and when should each be used?”. This has been a valuable tool as it provides an on-line forum for learning without the expense of an in-person conference/workshop, for both the acquisition professional as well as the non-acquisition related mission owners.

3.0 Process/Tool Improvements:

As Better Buying Power (BBP) starts to construct a management/oversight structure for the whole of DoD, the AF does not want to disrupt the successes achieved so far under the AF model. While this model continues to be refined and improved, new ideas and concepts are constantly evaluated against the model for the potential impacts and benefits. For example, the Navy’s tripwire concept facilitated the AF writing a Stresspoints memo that will help the MAJCOMs and their Services Advocates (SAs) better execute services acquisition. The Navy’s Contracts Court was evaluated in 2013 for adaptation to the AF to address an unique aspect not previously achieved. The AF also reviewed the Army’s use of DAU’s Train-the-Trainer program to expand the availability of instructors for services acquisitions. The AF hosted a cross flow discussion with Army and Navy counterparts in Nov 2013 to exchange insight into each other’s processes and focus areas. However, as the AF better understand specific ideas, some could have unintended impact on the AF services acquisition model which has been in place for the last 5 years, so the AF needs to remain diligent in assessing their impacts before adapting the AF model.

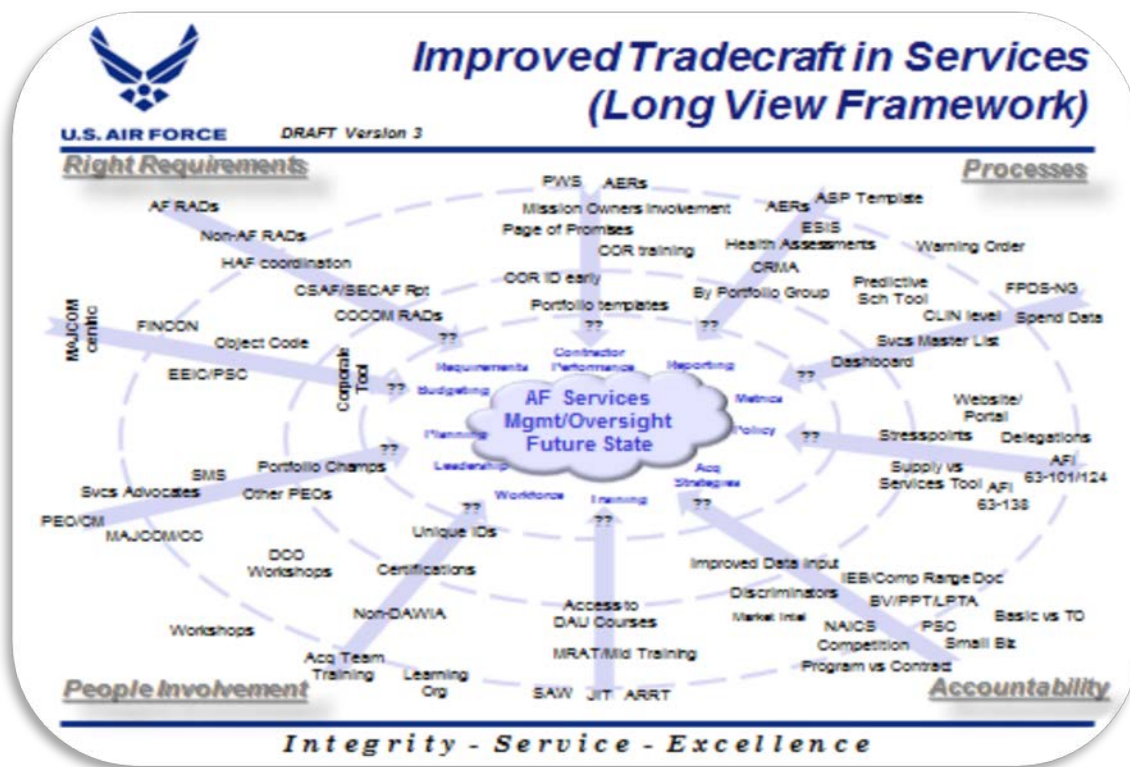
With the stand-up of AF Installation Contracting Agency (AFICA) on 1 Oct 2013, the structure and access points within the MAJCOMs changed. The Services Management Agreements (SMAs) with the MAJCOMs are being updated to reflect the rebalanced roles and responsibilities between PEO/CM, MAJCOMs, and AFICA. To further facilitate this transition, the Annual Execution Reviews for FY13 will include AFICA senior leadership.

Based on the MAJCOM maturity in managing services acquisitions, the SMS and PEO/CM office re-structured itself in 2013 from MAJCOM-centric oversight to Portfolio-based management. Potential benefits include developing common templates (e.g., Performance Work Statement, evaluation criteria, measures) and gaining better insight on the portfolio itself (funding, obligations), which could lead to stronger sourcing strategies. However, during this conversion, the AF cannot lose the engagement of

MAJCOM mission owners and senior leadership as their involvement lies at the core of success of the AF model. Concurrent with this transition, the AF identified Air Staff senior leaders as Portfolio Champions so they could better understand how functional policies/guidance drives mission owners' requirements for services acquisition. Although the AF will initially ensure requirements are coordinated through the Portfolio Champions, there is potential for expanded insight and involvement in the AF model.

In Sep 2013, PEO/CM conducted a Rapid Improvement Event to find large, yet not obvious impediments to improving the efficiencies and effectiveness of services acquisition. Three main opportunities were identified: Streamline the formal, strategy and document reviews; Update the single entry point on the web for all things AF services; and Provide access to tools, training, and resources to enable mission owners to appropriately define requirements. Efforts are underway to improve each of these areas.

During 2013, two fundamental diagrams were developed to capture the AF approach to services acquisition. The first is the Virtual Closed Loop model (shown in section 1.0) describing the players, tools and continuously improving nature of AF services acquisition. Although the overall AF model had been utilized for 5 years, it had not been adequately and cleanly captured on a single chart until 2013. The second diagram captured the Long-Term Framework to improve AF services acquisition. Along vector lines, it identifies a number of initiatives taken so far, activities currently under development, and the opportunities and unknowns that lay in the future. The diagram has concentric rings showing that jumping to the solution in the center along a particular vector line causes the overall system to be out of balance with other vectors. This framework has been vetted in AF services acquisition and has been shared outside the AF.



4.0 Data and Information Analysis

As USD(AT&L) reminds the acquisition workforce, decision making needs to rely on better data and informed analysis. PEO/CM has undertaken a major effort to develop better access to information and make it more interconnected. The first part examined in 2013 is aligning the contract obligations (using Product Service Codes) with AF budgeting information (Element of Expense Identification Code). OSD is examining a similar linkage between the Product Service Codes and Object Class codes used in the budgeting process. At Hanscom AFB, a financial/contracting tool (FINCON) was developed to link these two systems and the AF is looking at expanding this tool AF wide. Other elements of this expanded system include the Services Master Tool and the Executive Dashboard, both of which are in development.

5.0 Particulars of PEO/CM activities in 2013:

PEO/CM pays significant attention to 55 Pre-Award programs worth \$59B. The PEO/CM staff: assisted in defining and coordinating requirements (RADs) with MAJCOM and Air Staff; working acquisition strategies (including discussion on scope, market research, performance work statement, performance measures, contract type, decision methodologies, competition, small business), and reviewing documentation (including Acquisition Plan, Evaluation Notices, Final Decision Briefs). This commitment of resources is an investment in improving the acquisition of AF services. PEO/CM also engages in the post award efforts through the Annual Execution Reviews, J&A extensions, and Health Assessments.

In 2013, PEO/CM worked over 21 acquisition planning efforts covering all portfolio groups for AF and non-AF customers. These include IT support for the National Capital Region, Knowledge Based Services for Acquisition, base operations support in the US and Europe, sustainment of weapon systems and engines, maintenance of Alaskan radars, research support for Defense Technical Information Center, civil engineering support for the Air Force Academy, IT operations for the AF Weather Agency, and various support for COCOMs. Also in 2013, PEO/CM was asked to expand its involvement in the management of Federally Funded Research and Development Centers (FFRDCs) to better understand all of the providers of Knowledge Based Services.

Conclusion

The Air Force in 2013 began a marked shift in advancing the management and oversight of services acquisition. The processes have matured over the last 5 years. Mission owners are more engaged in defining their needs and participating in the acquisition. MAJCOMs are using the tools to better manage the effectiveness of how they are spending their decreasing funds. Sourcing strategies encourage more competition and utilization of small business. All of this is important in the current budget environment where critical efficiencies are needed while minimizing mission degradation.