Annual Review of Acquisition of Services Policy and Oversight

Defense Procurement and Acquisition Policy, Services Acquisition Directorate

Fiscal Year 2013

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Introduction

Fiscal Year (FY) 2013 was an exciting year in services acquisition for the Department of Defense (DoD) as improved acquisition oversight developed throughout the year with both prior initiatives and new initiatives. At the strategic level, the Under Secretary of Defense for Acquisition, Technology and Logistics (USD(AT&L)) issued Better Buying Power (BBP) 2.0 in November 2012 with BBP 2.0 Implementing Guidance following in April 2013. Like the original BBP, version 2.0 includes a section on improving the tradecraft in the acquisition of services. Much of what is contained in this report directly supports BBP 2.0, as well as other initiatives that will improve DoD services acquisition.

New in FY13, the Services Acquisition (SA) office was established within the Office of Defense Procurement and Acquisition Policy (DPAP). DPAP/SA is designed to provide DoD-level oversight to the acquisition of services, where a large amount of procurement dollars is executed in many, smaller transactions. SA is engaged with the Military Departments (MILDEPS) and the Other Defense Agencies to ensure consistent, coordinated oversight in the execution of services spending, which represented over half of all DoD contract obligations in FY13.

As required by DoD Instruction (DoDI) 5000.02, Enclosure 9, the Deputy Director for SA has conducted the FY13 Annual Review of the Acquisition of Services Policy and Oversight. The attached report highlights the DoD initiatives and accomplishments (both those completed and those on-going) regarding services acquisition improvement by DPAP/SA, Department of the Army (DoA), Department of the Air Force (DoAF), Department of the Navy (DoN), Defense Logistics Agency (DLA), and Missile Defense Agency (MDA). If you have questions or comments regarding this report, please e-mail osd.pentagon.ousd-atl.mbx.services-acquisition@mail.mil.

We look forward to building on the successes of FY13 in 2014 and beyond.

Stand-up of DPAP Services Acquisition Directorate

Contracted services continue to represent just over 50% of the DoD's total contract obligations. DoD recognized the need to develop more guidance, metrics, and oversight for services acquisition, and focused its effort through its BBP Initiatives. BBP 2.0 implemented several organizational changes to better manage and improve services acquisition. On April 24, 2013, BBP 2.0 appointed the Principal Deputy Undersecretary of Defense (PDUSD) (AT&L), The Honorable Mr. Alan Estevez, as the Senior DoD Manager for Services Acquisition. Shortly thereafter, on May 7, 2013, DPAP stood up the SA office in order to build on DPAP's initial work in services acquisition while increasing concentration of management and resources with a distinct directorate.

DPAP/SA is responsible for driving improvements in services acquisition by leveraging the services acquisition community to implement BBP 2.0's efforts to achieve greater efficiency and productivity in defense spending. BBP 2.0's implementation guidance focused on improving tradecraft in services acquisition, and includes these specific actions:

• Assign senior managers for acquisition of services

• Measure productivity using the uniform services market segmentation

• Improve requirements definition/prevent requirements creep

• Strengthen contract management outside the normal acquisition chain – installations, etc.

• Expand the use of requirements review boards and tripwires

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

Services Acquisition Functional Integrated Product Team

The Services Acquisition Functional Integrated Product Team (SA FIPT) gained new momentum in 2013 when the charter was rewritten to focus on Services Tradecraft, a major initiative in AT&L's BBP 2.0.   The SA FIPT will develop and disseminate training products and practical tools to support services acquisitions from requirements development to performance assessment. In addition, special focus shall be 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.

The SA FIPT has already addressed two recommendations from the Government Accountability Office (GAO) by establishing a criteria and a time frame for identifying non-DAWIA personnel with acquisition-related responsibilities, including requirements officials; and by assessing what critical skills non-DAWIA personnel with acquisition-related responsibilities might require to perform their role in the acquisition process and improve acquisition outcomes. Additionally, 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 the DoD services acquisition community involved in education, training, development and human capital planning of this diverse workforce.

- Provide recommendations for cross-functional/inter-disciplinary collaboration and integration.

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

Accomplishing these SA FIPT goals is the responsibility of the SA FIPT Working Group (WG). The WG 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.

Functional Domain Experts

In late FY 13, the Deputy Director, SA, staffed a memorandum to USD (AT&L) to appoint DoD Functional Domain Experts (FDEs), which was signed in early FY14. Each FDE will serve as the DoD-level lead for his or her respective Portfolio Group or Portfolio. Due to the size of the Knowledge Based Services (KBS) Portfolio Group, an FDE will be assigned for each individual KBS Portfolio. The FDEs will actively oversee the life cycle 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.

Following the appointment of FDEs, the Deputy Director, SA, held an initial kick-off meeting to discuss the strategic goals for FDEs in their role as managers of the services portfolios. The FDE roles and responsibilities were outlined in the appointment memorandum, and a chart outlining the FDE organizational structure was briefed as well.

DoDI 5000.XX for Defense Acquisition of Services

DPAP/SA is responsible for drafting and formally staffing a new DoDI on 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. (Currently, Enclosure 9 of DoDI 5000.02, "Operation of the Defense Acquisition System," December 8, 2008, provides guidance on services acquisition responsibilities, planning, and review. DPAP/SA's forthcoming DoDI on Defense Acquisition of Services is intended to supersede DoDI 5000.02 Enclosure 9.)

DPAP/SA drafted a proposed DoDI 5000.XX and is currently staffing the draft through the appropriate channels across the Defense community in order to allow stakeholders involved in services acquisitions the opportunity to provide comments and to draft relevant enclosures. Once signed by the USD (AT&L), the DoDI will serve as a definitive reference guide throughout the DoD for responsibilities and processes related to the acquisition of services. The DoDI's contents will 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 Defense Agencies, and all other organizational entities within the DoD. The DoDI will support effective strategic management of services across the DoD, contributing to the achievement of greater efficiency and productivity in Defense spending, as detailed in USD(AT&L)'s BBP 2.0 initiative.

Services Acquisition Workshop Process Effectiveness

In December of 2012, DPAP issued policy mandating the use of Services Acquisition Workshops (SAW) for acquisitions valued at greater than $1B; while recommending SAW use for acquisitions valued at greater than$100M. During FY13, 41 SAWs were facilitated, 15 of which were valued at greater than$1B. Per BBP 2.0 Implementing Guidance (see attachment 2,

pages 21-22), DPAP/SA commissioned an evaluation of the effectiveness of Defense Acquisition University's (DAU's) SAW and Acquisition Requirements Roadmap Tool (ARRT). Both the SAW and ARRT are used in developing services statements of work (SOW), Quality Assurance Surveillance Plans (QASP) and facilitating services acquisitions.

A team representing the MILDEPs, DAU, and DLA surveyed SAW participants and compared the results to initial evaluations completed immediately after SAW events. 23% of the target audience returned the voluntary assessment. 77% of those participants completed their SAW in FY13, and more than half were for recurring Knowledge Based, or Electronics Related Services.

SAW participants were positive regarding SAW outcomes; including improved SOWs, linking the QASP to the SOW, using multi-functional teams, and using the ARRT. However, without specific metrics, participants could not necessarily translate the use of a SAW into a reduction in procurement time or in cost.

The DoD Services Acquisition community has taken on improvement initiatives to develop meaningful process metrics, document savings (return-on-investment), and improve the SAW capability by reaching previously under-served audiences (specifically the non-DAWIA workforce involved in services). The full assessment presentation is available at http://www.acq.osd.mil/dpap/sa/docs/SAW_effectiveness_20131024_v1.1.pptx

Strategic Sourcing

DPAP/SA has made great strides in the area of strategic sourcing over the past year with the cooperation of the military service and defense agency strategic sourcing teams. The strategic sourcing teams have continued to analyze FY12 spend data to find those areas within their agencies that offer the greatest opportunity for savings and efficiencies. The teams have also worked to find requirements that could be purchased across the department. Wireless Services is one area of collaboration amongst the strategic sourcing teams. A DoD solution to replace MILDEP- and DoD Component-specific programs is anticipated by FY15.

In collaboration with the Office of Federal Procurement Policy (OFPP), DoD has been a contributing member of the Strategic Sourcing Leadership Council (SSLC). As a member of the SSLC, DoD has been able to conditionally commit to using future Federal Strategic Sourcing Initiatives (FSSI) in the areas of Janitorial Services, Maintenance and Repair, Office Supplies, and several Information Technology (IT)-related commodities. The goals of FSSI are to strategically source across federal agencies to achieve greater cost savings, while still recognizing the importance of socioeconomic participation. The benefits include access to common procurement vehicles that offer greater discounts, best practice solutions, and increased flexibility.

In continued support of BBP 2.0 initiatives, OSD AT&L updated and approved issuance of the DoD-Wide Strategic Sourcing (DWSS) Program Concept of Operations (CONOPS) in June 2013. The DWSS CONOPS facilitates the oversight of the Department's strategic sourcing programs while ensuring alignment with initiatives taking place across the Federal Government.

Post-award Peer Reviews of Services

In 2008, the DoD established policy for advisory peer reviews of procurements, both before and after contract award, in accordance with DoDI 5000.02 (Enclosure 2, paragraph 9.g.) and with Defense Federal Acquisition Regulation Supplement (DFARS) 201.170. The objective of peer reviews is to ensure that Contracting Officers are implementing policy and regulations in a consistent and appropriate manner, to continue to improve the DoD's contracting processes, and to facilitate cross-sharing of best practices and lessons learned. DPAP/SA has primary responsibility for conducting post-award peer reviews of DoD contracts for services. Post-award peer reviews address the statutory requirements in the FY08 National Defense Authorization Act (NDAA) (Section 808) for post-award independent management reviews of services contracts and for sharing lessons learned from those reviews.

At a post-award peer review, DPAP/SA representatives meet with the Contracting Officer and other stakeholders to discuss the contract, covering tenets such as how contractor performance is monitored and assessed, what performance incentives exist for the contractors, how subcontracts are managed, and how conflicts of interest are avoided. DPAP/SA has prepared memos for each of the participating acquisition teams that detail best practices and make recommendations for improvement in contract oversight, often based on best practices identified at previous peer reviews. For continuity, a single program will likely be reviewed several times at different points in its lifecycle in order to assess impacts of previously made recommendations. A database of best practices, lessons learned, and recommendations gleaned from peer reviews is published on DPAP's website as a resource for the services acquisition community.

Market Intelligence

Market Intelligence refers to our insight into the commercial markets that provide contract services to the DoD and how the DoD leverages that knowledge to buy those services in the most effective and efficient manner. Through robust market research, the process of collecting and analyzing information about capabilities within the market to satisfy DoD needs, we gain an understanding of the level of competition, pricing, complexity and any customary practices within that market. This market research information, coupled with data and metrics that provide a clear understand of what and how we are presently buying within a class of services leads to a winning acquisition strategy that will meet mission needs, reduce costs, while maintaining quality performance.

To better understand what we are buying, and how we are buying it within a class of services, the DoD is analyzing spend data and developing metrics as outlined in our section on Metrics Development. Additionally, DoD's efforts will be focused on developing and supporting our services acquisition teams and their efforts to conduct thorough market research,

To that end, the DoD continues to encourage use of DAU's Service Acquisition Mall (SAM) as a one-stop shop to guide the acquisition team through the 7 Step Framework for the Services Acquisition Process, other opportunities to educate and assist the requirements owners and acquisition workforce are actively being sought and/or developed. The DoD has begun reviewing both commercial and internal government data sources and initiatives from our MILDEPS and representative DoD Components to determine the data, tools, and information

that the FDE leadership teams will require to gain an overall understanding of the commercial markets serving our customers' specific needs.

While we have examples of individual and organizational efforts to understand the markets that shape our acquisition strategy, we are in the early stages of building the structure and management processes needed to systemically collect, share, and implement these efforts.

Moving forward, the DoD will begin providing support to the FDEs and their portfolio leadership teams by providing the tools and data necessary to understand the commercial markets associated with their portfolios and promulgating policy and guidance related to the lessons learned and best practices gleaned from our acquisition experts. Ultimately, the goal will be to provide a suite of data and metrics to describe both the way the DoD buys within that marketplace and the health of the marketplace serving DoD needs. This will provide insight into such things as competition within that market, small business capability and presence, as well as pricing.

Metrics Development

In preparation for the appointment of FDEs early in FY14, DPAP/SA took the necessary steps to establish an initial set of baseline enterprise metrics by Services Portfolio Group. These metrics will assess the health and productivity of the DoD's contracted services, a BBP 2.0 initiative.

The overarching goal of metrics development is to provide leadership at all levels within a Services Portfolio Group access to relevant data needed to effectively and efficiently understand and manage service acquisition spending. The DoD's initial set of metrics will provide the FDEs and their leadership teams an understanding of how the DoD purchases services through a top level overview of service acquisition spending within an FDE portfolio. To produce metrics, the DoD will use Federal Procurement Data System – Next Generation (FPDS-NG), which is a database common and available to all the military departments and defense agencies. The inaugural set of eight metrics will baseline service acquisition activities for each FDE portfolio.

Providing baseline metrics for each services portfolio group will allow for comparison over time and identification of trends, moving forward. These baseline metrics are focused on overall dollars obligated and actions awarded within a portfolio group, as well as demographic information useful to all portfolio groups, such as types of contracts awarded, rates of competition, and small business awards.

The initial eight metrics are:

	Category	Metric	Description	Purpose	Goal
1.	Financial	Total New Awards	Total new contract awards in current fiscal year	Capture and understand new contract awards	Establish baseline for new contract awards over time and identify trends
2.	Financial	Total Amount Obligated	Total financial amount of contract obligated	Capture and understand contract amounts obligated	Establish baseline for obligations over time and identify trends

	Category	Metric	Description	Purpose	Goal
3.	Demographic	Percent of Dollars Competed	Percent of contract dollars that were competed by portfolio	Capture and understand extent of contract competition	Establish baseline for competition over time and identify trends
4.	Demographic	Contract Types	Total mix of contract types (e.g. Fixed Price, Cost plus fixed fee, etc.)	Capture and understand mix of contract types within portfolio	Establish baseline for contract types over time and identify trends
5.	Demographic	Percent of Actions Competed	Percent of eligible actions that were competed by portfolio	Capture and understand extent of contract competition	Establish baseline for competition over time and identify trends
6.	Demographic	Percent of Dollars awarded to Small Business	Percent of eligible small business dollars obligated and awarded to small business	Identify trends in small business awards	Establish baseline for the percent of small business awards and identify opportunities to increase small business (SB) set-asides
7.	Demographic	Percent of actions awarded to Small Business	Percent of eligible small business dollars awarded to small business	Identify trends in small business awards	Establish baseline for the percent of small business awards and identify opportunities to increase SB set-asides
8.	Demographic	Funding Agency	Identification of funding source	Capture and understand agency contract transactions	Establish baseline for funding agencies over time and identify trends
The data source to produce these metrics can be found using Federal Procurement Data System – Next Generation (FPDS-NG).					

As the understanding of service acquisition spending develops, FDEs will develop tailored metrics that will address the specific needs of their portfolio. DPAP/SA will provide ongoing metrics development support for each portfolio group and will partner with FDEs to refine existing metrics and facilitate tailoring metrics to meet the needs of individual portfolios.