



OFFICE OF THE UNDER SECRETARY OF DEFENSE
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ACQUISITION
TECHNOLOGY
AND LOGISTICS

AUG 16 2006

DPAP/P

MEMORANDUM FOR DIRECTORS, DEFENSE AGENCIES
DEPUTY ASSISTANT SECRETARY OF THE ARMY
(POLICY AND PROCUREMENT), ASA(ALT)
DEPUTY ASSISTANT SECRETARY OF THE NAVY
(ACQUISITION MANAGEMENT), ASN(RDA)
DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE
(CONTRACTING), SAF/AQC
DEPUTY DIRECTOR FOR LOGISTICS OPERATIONS (DLA)
DIRECTOR, ARMY CONTRACTING AGENCY

SUBJECT: Government Accountability Office High Risk Area of Contract Management

The Department continues to address the high risk areas identified by the Government Accountability Office (GAO) in GAO-05-207, dated February 2005. The Department's most recent Improvement Plan for the GAO High Risk Area of DoD Contract Management is provided as Attachment (1). Your representatives on the Services Contracts Working Group have provided valuable, continuing support.

This memorandum confirms the Department's coordinated approach to conducting self-assessments identified in the Improvement Plan. The Plan focuses on successful execution of current contracting policies, especially in the area of contracting for services. Accordingly, each Military Department and Defense Agency will self-assess the sound use of appropriate contracting and contract administration techniques and approaches, including each of the following subject areas - -

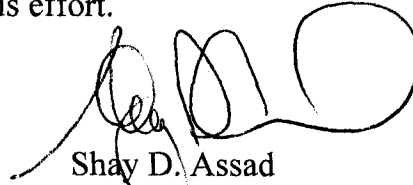
- Competition
- Pricing
- Quality assurance surveillance or written oversight plans
- Performance-based approaches

Attachment (2) contains sample questions for each subject area. The self-assessments may be incorporated into scheduled internal management reviews, and need not be limited to the subjects and questions we have provided. Results of the self-assessments are due to OUSD(A&T)DPAP/Policy no later than November 30, 2006. As many of your organizations have already begun this self-assessment process, we would appreciate receiving a status update/interim report by August 31, 2006. To the extent the results we receive in November identify any weaknesses, the Working Group will



develop recommendations for enhancements to policy, training or human capital strategic planning as appropriate.

Please contact Ms. Linda W. Neilson at 703-697-8334 or linda.neilson@osd.mil if you have any questions regarding this effort.

A handwritten signature in black ink, appearing to read 'Shay D. Assad', with a large circular flourish at the end.

Shay D. Assad
Director, Defense Procurement
and Acquisition Policy

Attachments:
As stated

High Risk Series: DoD Contract Management

DoD Improvement Plan Update #1, February 2006

OMB Contact: Mr. Rob Burton
Mr. David Muzio

DoD Owner: Mr. Kenneth Krieg
Mr. Domenic Cipicchio

DoD Contact: Mrs. Linda Neilson

GAO Contacts: Mr. Tim DiNapoli
Mr. David Cooper

Scope: DoD Contract Management with a focus on implementation of current policies.

Overall: Develop a long-range strategic vision and department-wide coordinated approach to improve the effectiveness of DoD contract management, with specific emphasis on contracting for services including information technology and management support services; application of appropriate commercial best practices; use of appropriate contracting techniques and approaches; enhanced training; and development of a human capital strategic plan for its civilian workforce.

Short-Term: Develop outcome-oriented goals, including savings targets that measure the success of contract management reform and produce significant improvements within two years to put DoD on a path to removing DoD Contract Management from a “high risk” level to a lower level and then to a no risk level.

Focus Areas:

1. Contracting for Services: Strategic Approach.
 - Develop DoD guidelines on application of commercial best practice for taking a strategic approach to acquire services across the Department.
 - Perform DoD-wide spend analysis, including collection of joint-level spend data;
 - Establish commodity teams for strategic sourcing implementation and evaluate establishment of a commodity team for strategic acquisition of IT and management support services.
 - Develop a DoD Enterprise Acquisition Model which includes the processes, business rules, data, requirements and governance structure for applying a strategic approach to acquiring services.
 - Greater management focus on opportunities to capture savings through the purchase card program without sacrificing the ability to acquire items quickly or compromising other goals.

2. Use of appropriate contracting techniques and approaches.
 - Review and update, if necessary, guidance on contract vehicle selection, use of task orders, competition, and price reasonableness determinations.
 - Establish goals for competitive award of task orders under multiple award contracts. Military Departments self-assess percent of task order dollars awarded competitively and report findings to Defense Procurement Acquisition Policy (DPAP).

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- Participate on the Interagency Contracting Working Group under the separate High Risk Series Area, Inter-Agency Contracting.
 - Military Departments self-assess sound use of pricing techniques, including determinations of price reasonableness, and report findings to DPAP. To the extent weaknesses in the use of pricing techniques are identified, provide additional guidance/training as appropriate.
 - Military Departments self-assess sound use of performance-based acquisition of services, and report findings to DPAP. To the extent weaknesses in the appropriate use of performance-based approach are identified, provide additional guidance/training as appropriate.
3. Contract administration concerns.
- Use Wide Area Work Flow (WAWF) to ensure that contractors are paid promptly, properly and accurately.
 - Contracts for services:
 - Review, and update if necessary, policies relating to cost and schedule management, quality assurance surveillance or written oversight plans.
 - Provide appropriate training for Contracting Officer Technical Representatives (COTRs).
4. Right skills and capabilities in the acquisition workforce.
- Conduct Contracting Career Field Functional IPT review to baseline skills, capabilities, workforce resources and metrics specifically needed (or that may already exist) to address high risk aspects of contract management.
 - Provide inputs, as appropriate, to DoD(AT&L) and component human capital strategic and performance planning efforts.
5. Implementation of Public Law 109-163, National Defense Authorization Act for Fiscal Year 2006, section 812, Management Structure for Procurement of Contract Services.
- Issue updated policies, procedures and best practices for the acquisition of contract services by October 2006.
 - Establish updated contract services acquisition categories consistent with statute by June 2006.

Processes:

1. Review pertinent acquisition policies and guidance. Update if necessary.
2. Communicate new policies to workforce.
3. OUSD/AT&L/DPAP annually issue a memorandum identifying “High Interest” subject areas for inclusion in Military Department self assessments. These “High Interest” areas will consider areas identified by DOD components in their self assessments and GAO in their continuing assessment of high risk areas.
4. Military Departments conduct self-assessments to ensure workforce compliance and provide semi-annual reports on metrics/compliance. For those areas without specific metrics, to the

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extent weaknesses are identified in the self-assessments, identify appropriate remedial actions such as provide additional guidance/training to workforce.

5. Implement FY06 NDAA, section 812, Management Structure for Procurement of Contract Services.

Responsible Organizations: The Under Secretary of Defense (Acquisition, Technology, and Logistics) is responsible for identifying the goals and overseeing the initiatives cited in the Plan, but relies on the Military Departments and Defense Agencies to implement the initiatives and measure and report their results.

Goals: DoD's goals under this plan are to enhance the effectiveness of contract management, including planning, awarding, and administering contracts and task orders.

Metrics and milestones:

Metrics and Milestone Events	Date
<p>Strategic Sourcing:</p> <ul style="list-style-type: none"> • Develop DoD guidelines on application of commercial best practice for taking a strategic approach to acquire services across the Department – update existing enterprise-level concept of operations (CONOPS) for DoD strategic sourcing. • Initial deployment of Acquisition Spend Analysis Service (ASAS) to support DoD-wide Strategic Sourcing by providing an enterprise-wide spend analysis capability. This system uses Business Intelligence Data to enable commodity teams to make more strategic decisions. • Obtain Advanced Requirements Management Pilot data to provide visibility into demand data across DoD. • Develop program metrics goals and thresholds (Program metrics have already been identified, and include <ul style="list-style-type: none"> • Total spend volume covered by commodity team; • Compared to the spend volume, savings identified; • Total impact on small business spend, for commodities being strategically sourced through commodity teams • Members of workforce trained in strategic sourcing) • Complete review of individual service acquisitions at \$2 billion or more. At the conclusion of the review we will consider the effectiveness of existing policy and where necessary suggest changes to appropriate policy documents. 	<ul style="list-style-type: none"> • May 2006 • November 2005 • April 2006 • January 2006 • 3rd Quarter 2006

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<p>Use of appropriate contracting techniques and approaches:</p> <ul style="list-style-type: none"> • Review guidance for use of task orders, competition, and price reasonableness determination. Update if necessary. • Establish goals for competitive award of task orders under multiple award contracts. <p>(Initial goals under discussion are</p> <ul style="list-style-type: none"> • 2006: 60% of dollars awarded for task orders under multiple award contracts. • 2008: 65% of dollars awarded for task orders under multiple award contracts. • 2010: 70% of dollars awarded for task orders under multiple award contracts.) <ul style="list-style-type: none"> • Military Departments self-assess sound use of pricing techniques, including determinations of price reasonableness, and report findings to DPAP/Policy. • Military Departments self-assess sound use of performance-based acquisition of services, and report findings to DPAP. To the extent weaknesses in the appropriate use of performance-based approach are identified, provide additional guidance/training as appropriate. <ul style="list-style-type: none"> • 50% of dollars awarded on covered services contracts 	<ul style="list-style-type: none"> • 1st Quarter 2006 • 1st Quarter 2006 • Start 1st Quarter 2006 • Start 1st Quarter 2006 • FY 2005
<p>Contract Administration Concerns:</p> <ul style="list-style-type: none"> • Review policy regarding quality assurance surveillance or written oversight plans. Update if necessary. • Defense Acquisition University new on-line training for COTRs in addition to the basic COTR training module available online today, and existing classroom COTR training provided on an as-requested basis. • 51% of invoices applicable to each Military Department/Defense Agency processed through WAWF. 	<ul style="list-style-type: none"> • 2nd Quarter 2006 • February 2006 • October 2006
<p>Right skills and capabilities in the acquisition workforce:</p> <ul style="list-style-type: none"> • Conduct Contracting Career Field Functional IPT review to baseline skills, capabilities, workforce resources and metrics specifically needed (or that may already exist) to address 	<ul style="list-style-type: none"> • Final Report: December 2005

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<p>high risk aspects of contract management.</p> <ul style="list-style-type: none"> • Provide inputs, as appropriate, to DoD(AT&L) and component human capital strategic and performance planning efforts. 	<ul style="list-style-type: none"> • March 31, 2006
<p>Implementation of Public Law 109-163, section 812.</p> <ul style="list-style-type: none"> • Issue updated policies, procedures and best practices for the acquisition of contract services. • Establish updated contract services acquisition categories consistent with statute 	<ul style="list-style-type: none"> • October 2006 • June 2006

<p style="text-align: center;">DoD Improvement Plan for GAO High Risk Area of Contract Management Self-Assessment Sample Questions</p>

1. Competition.

- Is competition being used appropriately?
- To what extent (percent of actions, and percent of dollars) are task orders under multiple award contracts awarded competitively? ¹
- To what extent (percent of actions, and percent of dollars) are purchases of commercial items awarded competitively?
- Are waivers for competition appropriate and consistent with current law and regulations?

2. Pricing.

- Are pricing techniques used in procuring services, including determinations of price reasonableness, used appropriately and consistent with current policy and regulations?

3. Quality assurance surveillance or written oversight plans.

- Do contracts and orders for services contain appropriate quality assurance surveillance or written oversight plans consistent with current policy and regulations?

4. Performance-based approaches.

- Do actions for services that have been coded as “performance-based” actually express the requirements in performance-based terms consistent with current law and regulations?
- Are these performance-based contracts actually performed and administered as performance-based arrangements?

¹ Notwithstanding DD350/FPDS-NG codes applied to task orders, and in accordance with Public Law 107-314, section 805, Performance goals for procuring services pursuant to multiple award contracts, only include as “competitive” those task orders for which two or more offers were received.