



ACQUISITION,  
TECHNOLOGY  
AND LOGISTICS

## THE UNDER SECRETARY OF DEFENSE

3010 DEFENSE PENTAGON  
WASHINGTON, DC 20301-3010

FEB 17 2006

### MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS (ATTN: ACQUISITION EXECUTIVES)

SUBJECT: Government Accountability Office (GAO) High Risk Area: Contract Management

The Department of Defense (DoD) continues to be committed to aggressively addressing the High Risk Areas identified by the Government Accountability Office (GAO) in GAO-05-207, dated February 2005. I actively monitor our activities on each High Risk Area goal and milestone under my purview and provide the Deputy Secretary with periodic updates on our progress.

In the High Risk Area of DoD Contract Management, my staff has initiated periodic meetings with representatives of the Government Accountability Office and the Office of Management and Budget to ensure that our efforts remain closely aligned.

We recently updated the Department's Improvement Plan dated August 12, 2005, to incorporate implementation of section 812, Management Structure for Procurement of Contract Services, of the National Defense Authorization Act for Fiscal Year 2006, Public Law 109-163. We anticipate updating the Improvement Plan periodically to keep it current, and plan to do so in coordination with your representatives. Our goal is to implement a DoD-wide strategy for effective contract management. The updated Improvement Plan is enclosed, along with the most recent status update, to facilitate your support of these efforts.

I appreciate your support and oversight of these efforts as it is critical for success. Many of these issues will require you to effectively implement policies addressed in the plan.



Kenneth J. Krieg

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).

## **High Risk Series: DoD Contract Management DoD Improvement Plan Update #1, February 2006**

- 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

## High Risk Series: DoD Contract Management DoD Improvement Plan Update #1, February 2006

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><b>Strategic Sourcing:</b></p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• Obtain Advanced Requirements Management Pilot data to provide visibility into demand data across DoD.</li> <li>• Develop program metrics goals and thresholds (Program metrics have already been identified, and include               <ul style="list-style-type: none"> <li>• Total spend volume covered by commodity team;</li> <li>• Compared to the spend volume, savings identified;</li> <li>• Total impact on small business spend, for commodities being strategically sourced through commodity teams</li> <li>• Members of workforce trained in strategic sourcing)</li> </ul> </li> <li>• 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.</li> </ul>	<ul style="list-style-type: none"> <li>• May 2006</li> <li>• November 2005</li> <li>• April 2006</li> <li>• January 2006</li> <li>• 3<sup>rd</sup> Quarter 2006</li> </ul>

## High Risk Series: DoD Contract Management DoD Improvement Plan Update #1, February 2006

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

# High Risk Series: DoD Contract Management

## DoD Improvement Plan Update #1, February 2006

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

# GAO High Risk Area: Contract Management

Progress Update: January 2006

Domenic Cipicchio, Acting Director,  
Defense Procurement and Acquisition Policy

# DoD Improvement Plans – Integrated to Facilitate Strategic Solutions

GAO High Risk Area:  
Contract Management

- Focus: Implementation of current DoD policy
  
- Goal: DoD-wide approach to improve effectiveness of DoD contract management
  
- Emphasis on Contracting for Services
  - Commercial Best Practices
  - Contracting Techniques
  - Contract Administration
  - Workforce skills & capabilities



# Status: Commercial Best Practices –

## Strategic Sourcing

<b>Action</b>	<b>Original Milestone</b>	<b>Lead</b>	<b>Current Status</b>	<b>Comments</b>
Develop CONOPS for DOD Strategic Sourcing	May 2006	Transferred from DPAP to ADUSD for SS&AP – January 2006	Complete	Initial Strategic Sourcing Plan provided to OMB, January 2006. Will report status annually per OMB direction.
Obtain Advanced Requirements Management Pilot data - visibility into DOD-wide demand data	April 2006	Transferred from DPAP to Business Transformation Agency (BTA)	Ongoing	
Initial deployment of Acquisition Spend Analysis Service (ASAS)	November 2005	ADUSD for SS&AP/BTA	Pilot Complete	Evaluating follow-on activities
Develop Program metrics goals and thresholds	January 2006	ADUSD for SS&AP	Initial metrics developed	Initial Metrics included in the Initial Strategic Sourcing Plan provided to OMB, January 2006.

# Status: Use of Appropriate

## Contracting Techniques

<b>Action</b>	<b>Original Milestone</b>	<b>Lead</b>	<b>Current Status</b>	<b>Comments</b>
Review guidance for use of task orders, competition, price reasonableness.	1 <sup>st</sup> Quarter 2006	DPAP/Policy	Ongoing	Working group established with MilDep/ODA representatives
Establish goals for competitive award of task orders under multiple award contracts.	1 <sup>st</sup> Quarter 2006	DPAP/Policy	Ongoing	Working group established with MilDep/ODA representatives
<ul style="list-style-type: none"> <li>■ MilDep/ODA self assess sound use of pricing techniques, PBSA.</li> <li>■ PBSA used for 50% of dollars awarded on covered services contracts in FY 2005.</li> </ul>	Start 1 <sup>st</sup> Quarter 2006	DPAP/Policy	<ul style="list-style-type: none"> <li>■ PBSA policy memo issued 02/01/06</li> <li>■ Component reports due 02/28/06</li> <li>■ Self assessment task ongoing</li> </ul>	<ul style="list-style-type: none"> <li>■ Working group established with MilDep/ODA representatives 4</li> </ul>

# Status: Improve Contract

## Administration

Action	Original Milestone	Lead	Current Status	Comments
Review policy on quality assurance surveillance or written oversight plans.	2nd <sup>t</sup> Quarter 2006	DPAP/Policy	Ongoing	Working group established with MilDep/ODA representatives
Provide updated training for CORs.	2/2006	DAU	Deployed 12/2005	
51% of invoices processed via WAWF	October 2006	BTA	Ongoing	
Review of DoD component data for "Top 20" services acquisitions	3 <sup>rd</sup> Quarter 2006	DPAP/PAIC and Policy	<ul style="list-style-type: none"> <li>■ Component data received and analysis in process.</li> </ul>	<ul style="list-style-type: none"> <li>■ Working group established with MilDep/ODA representatives</li> </ul>

# Status: Acquisition Workforce –

## Right Skills and Capabilities

Action	Original Milestone	Lead	Current Status	Comments
Conduct Contracting Career Field Functional IPT review to baseline skills, capabilities, workforce resources and metrics to address high risk areas.	Final Report: December 2005	DPAP/Policy DAU	<ul style="list-style-type: none"> <li>■ October 13, 2005 - preliminary review, confirmed general alignment of learning tools and needed skills.</li> <li>■ January 2006: begin in-depth review; milestones being developed now.</li> </ul>	On track.
Provide inputs, as appropriate, to OSD(AT&L) and component human capital strategic and performance planning efforts.	March 31, 2006	DAU	<ul style="list-style-type: none"> <li>■ DAU to publish AT&amp;L Workforce Human Capital Strategic Plan 120 days after QDR (approx 1 July 2006)</li> </ul>	On track.

# Status: FY06 NDAA Section 812 – Management

## Structure for Procurement of Contract Services

Action	Original Milestone	Lead	Current Status	Comments
<ul style="list-style-type: none"> <li>▪ Establish updated contract services acquisition categories consistent with statute</li> <li>▪ Issue updated policies, procedures and best practices for the acquisition of contract services</li> </ul>	<ul style="list-style-type: none"> <li>▪ 06/01/2006</li> <li>▪ 10/01/2006</li> </ul>	DPAP/PAIC	<ul style="list-style-type: none"> <li>▪ Working group established 01/10/2006 to draft revised policy</li> <li>▪ Policy revision on track—will encompass acquisition categories, procedures, best practices</li> </ul>	<ul style="list-style-type: none"> <li>▪ On track</li> </ul>



ACQUISITION,  
TECHNOLOGY  
AND LOGISTICS

THE UNDER SECRETARY OF DEFENSE

3010 DEFENSE PENTAGON  
WASHINGTON, DC 20301-3010

FEB 17 2006

Mr. Clay Johnson, III  
Deputy Director for Management  
Office of Management and Budget  
Washington, DC 20503

Dear Mr. Johnson:

The Department of Defense (DoD) continues to be committed to aggressively addressing the High Risk Areas identified by the Government Accountability Office (GAO). As I mentioned in my letter dated August 15, 2005, I am actively monitoring our activities on each High Risk Area goal and milestone under my purview. I provide the Deputy Secretary with periodic updates on our progress.

In the High Risk Area of DoD Contract Management, my staff has initiated periodic meetings with your representative to ensure that our efforts remain closely aligned. We have updated the Department's Improvement Plan dated August 12, 2005, to incorporate implementation of section 812, Management Structure for Procurement of Contract Services, of the National Defense Authorization Act for Fiscal Year 2006, Public Law 109-163.

We anticipate updating the Improvement Plan periodically to keep it current, and plan to do so in coordination with your representatives and the GAO. Our goal is to implement a DoD-wide strategy for effective Contract Management.

The updated Improvement Plan is enclosed, along with the most recent status update. I have also provided the Military Department Acquisition Executives with copies of the updated Improvement Plan and the status update to facilitate their support of these efforts, as many of the issues involve improving the implementation of sound policies.

Sincerely,

Kenneth J. Krieg

Enclosures:  
As stated





ACQUISITION,  
TECHNOLOGY  
AND LOGISTICS

THE UNDER SECRETARY OF DEFENSE

3010 DEFENSE PENTAGON  
WASHINGTON, DC 20301-3010

FEB 17 2006

The Honorable David M. Walker  
Comptroller General  
U.S. Government Accountability Office  
441 G Street, NW  
Washington, DC 20548

Dear Mr. Walker:

The Department of Defense (DoD) continues to be committed to aggressively addressing the High Risk Areas identified by the Government Accountability Office. I am actively monitoring our activities on each High Risk Area goal and milestone under my purview. I provide the Deputy Secretary with periodic updates on our progress.

In the High Risk Area of DoD Contract Management, my staff has initiated periodic meetings with your representatives to ensure that our efforts remain closely aligned. We have updated the Department's Improvement Plan dated August 12, 2005, to incorporate implementation of section 812, Management Structure for Procurement of Contract Services, of the National Defense Authorization Act for Fiscal Year 2006, Public Law 109-163.

We anticipate updating the Improvement Plan periodically to keep it current, and plan to do so in coordination with your representatives and the Office of Management and Budget. Our goal is to implement a DoD-wide strategy for effective Contract Management.

The updated Improvement Plan is enclosed, along with the most recent status update. I have also provided the Military Department Acquisition Executives with copies of the updated Improvement Plan and the status update to facilitate their support of these efforts, as many of the issues involve improving the implementation of sound policies.

Sincerely,

  
Kenneth J. Krieg

Enclosures:  
As stated

