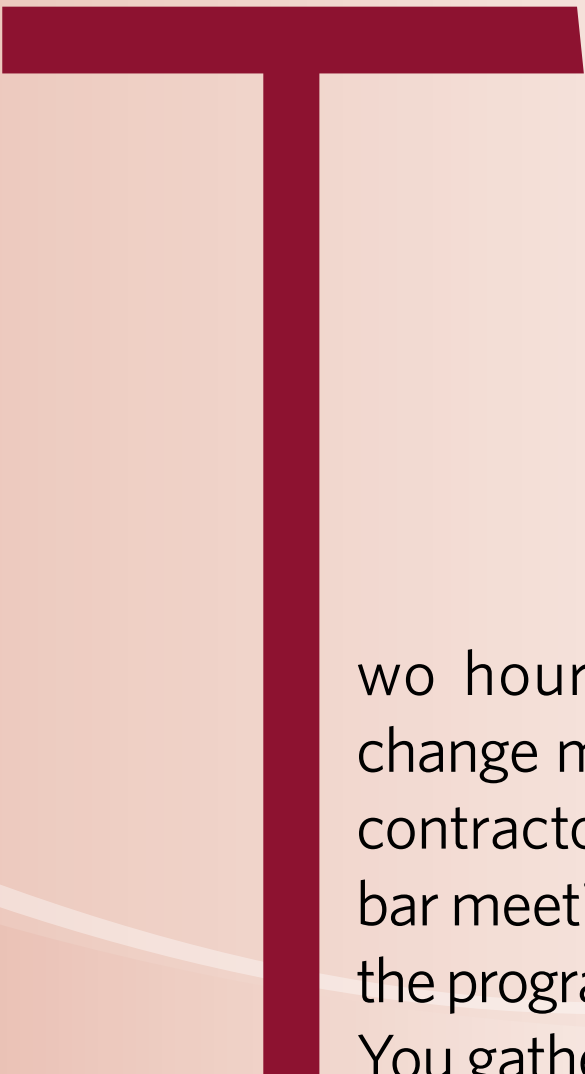




Contracting Made Easier

The Engineering Liaison Office

Kathy Loudin



Two hours of technical interchange meetings at your prime contractor's facility, three sidebar meetings with key players in the program office, and it's noon. You gather two colleagues from the systems engineering team

and then hit the road for the 45-minute drive back to your own office, where you hope to spend the rest of the afternoon catching up on phone calls and reports with your project team.

As you fasten your seatbelt, your PDA begins to vibrate. You pick it up, just in case it's your boss calling with a few quick questions about next week's technical review.

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"Tom here," you respond. Too late, you realize it's not your program office, but someone from your contracting shop.

"Hey, Tom! Just calling to remind you that we can't get your support contract in place this fiscal year—not unless you get us the procurement data package by close of business tomorrow! You know how it is. ... We got hammered with funding actions during the fourth quarter, so we had to establish an earlier cut-off date for new contracting actions."

"Tomorrow? Close of business?" You sigh audibly, muttering something about checking the evaluation criteria with your technical team and generating the funding document with your financial people.

After ending the call, you vent to your colleagues. "Just what I don't need right now: support contractor issues! If I don't have a cohesive team in place to start up the new fiscal year, we won't be able to meet the next milestone. What a feeble excuse! I can't exactly tell the program office that our support is gone just because I missed some administrative deadline. Paperwork, paperwork!"

Procurement Problems

As that scenario demonstrates, organizations face many real-world barriers to effective procurement. Balancing the often-competing values of project managers (getting

things done in a timely manner, with minimal distractions) and contracting professionals (working within the rules to assure decisions in the best interest of the government) is a challenge common to many organizations. In fact, the problem extends beyond the Department of Defense to confront a whole universe of bureaucratic organizations.

A 2007 study by Sanjay K. Pandey, David H. Coursey, and Donald P. Moynihan on barriers to effectiveness within bureaucracies ("Organizational Effectiveness and Bureaucratic Red Tape: A Multi-method Study," *Public Performance and Management Review*) identified procurement/purchasing rules as one of the top impediments to successful performance. (Other barriers were human resources rules, information systems constraints, budgeting processes, and communication problems.) The researchers concluded that a flexible, innovative (i.e., a learning) culture can overcome many of these problems.

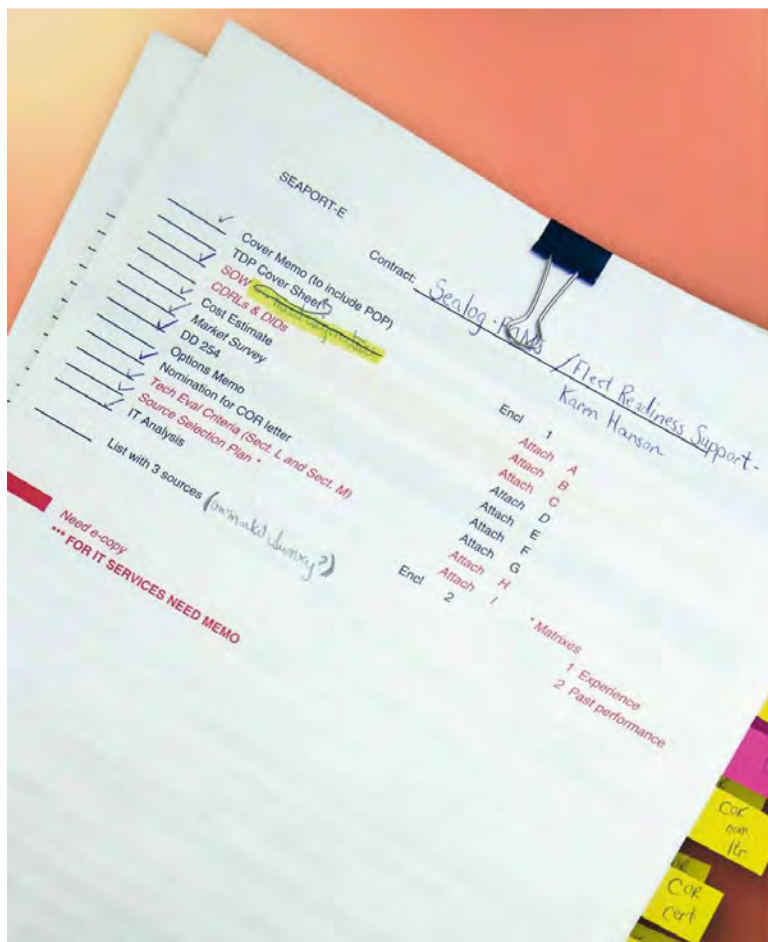
The Indian Head Division (IHDIV) of the Naval Surface Warfare Center, a research laboratory specializing in energetics and weapons development, is just that sort of flexible organization—one capable of using hard-won knowledge to improve its procurement processes, increase customer satisfaction, and save money.

The Engineering Liaison Office

In April 2006, the laboratory's leaders conducted a rapid-improvement event, which revealed that every time a new contract exceeding the simplified acquisition threshold was required, IHDIV's Procurement Department expended an average of 80 hours per customer (i.e., the requiring activity) on basic education. Even training for procurements using simplified acquisition procedures (in accordance with FAR Part 13) averaged 14.5 hours per customer.

Providing upfront training and education of customers was only the beginning; and producing an acceptable, contract-worthy package could take eight months or more in some cases. As discovered by project managers like the one in the opening narrative, the collateral duty of generating statements of work, justifications, and the other documents vital to moving the procurement process forward could consume a great deal of time, possibly even jeopardizing timely contract awards.

Motivated by the rapid-improvement event findings, IHDIV elected to establish an Engineering Liaison Office chartered to take over the extensive pre-award activities that had pre-



viously drained technical professionals' resources. Rather than training a new customer every time the requirement for a new contract vehicle emerged, IHDIV leadership reasoned, why not set up a small liaison office—one that could specialize in preparing procurement data packages and realize great efficiencies—for everything from routine task orders to complex, multimillion-dollar contracts? Indeed, since the ELO was established in the autumn of 2006, it has proven to be a win-win solution for all players in the acquisition process.

"The ELO, composed of just four full-time equivalents, has had a wonderful effect. The first-pass accuracy of the procurement data packages has gone from about 37 percent to as high as 97 percent. We've also reduced the time to do procurement actions, and we estimate that we've saved more than \$1.7 million in procurement costs. That figure captures only the labor savings from the Procurement Department. We've probably saved at least that much more in scientists' and engineers' time," said Dr. Robert V. Gates, the technical director at IHDIV.

That \$1.7 million savings figure is impressive. According to ELO's team lead, Michele Gilroy, and her staff, the figure was calculated using the "band 3" National Security Personnel System rate—which is the composite billing rate for administrative professionals such as contract specialists—and multiplying it by the number of hours saved during the pre-award period for all of the procurements they handled. It should be noted that the analysis was performed only for the procurement functions and reflects procurement hours saved. It does not include engineering (customer) hours saved; and according to Gilroy, those cost savings are likely at least as much and probably more.

What follows is an overview of how the ELO conducts its operations. The information was pulled from interviews from Gilroy and her staff, who willingly shared their experiences and recommendations.

A Close-Knit Team

Buy-in from the Procurement Department was essential to getting the ELO successfully launched. The head of the Procurement Department and three of her procuring contracting officers were part of the rapid-improvement event team, and they identified the need for help. During the rapid-improvement event, there was a conscious decision made by all participants to keep the ELO separate from the Procurement Department, and to have the office perform in a true liaison role.

Although a separate organization, the ELO must still keep the Procurement Department apprised of ELO projects and upcoming requirements so the department can anticipate future workloads. The ELO works with the Procurement Department on a daily basis, as the procuring

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contracting officers are the recipients of the packages the ELO prepares for the customers. Both offices are located in the same building, which makes communications more convenient; and they share management databases and tracking sheets, which allows both the Procurement Department and the ELO to track who's doing what and report the information back to the customer. Additionally, ELO staff members attend training and policy update meetings with the Procurement Directorate. The two teams are very close-knit.

The ELO's working relationship with the procuring contracting officers is very important, as Gilroy pointed out. The procuring officers can exercise discretion, and individual preferences do exist with respect to the documentation; however ELO staff members work with the officers and fulfill their needs, adapting as necessary.

How it Works

ELO's customers come mainly from repeat business and word of mouth, and the Procurement Department also directs customers to the office. Once a customer requirement is confirmed, ELO representatives sit down with the appropriate customer representatives and determine what needs to be done.

Typical activities for ELO include generation of the independent government cost estimate, conducting market research, ascertaining salient characteristics (for a competitive buy) and obtaining estimates from vendors, writing statements of work, refining source selection plans, and editing justifications and authorizations. Contract review boards are no longer held at IHDIV, so the ELO also interfaces with legal counsel on many of the matters formerly discussed in that forum.

When the ELO staff conduct market research, they look at sources such as the U.S. General Services Administra-

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tion Advantage for labor rates and the nature and availability of supplies.

"We try to promote full and open competition by looking for additional sources based on our market research," said Gilroy.

The ELO and the Procurement Department train their customers to create effective proposal evaluations and source selections. It's very important to invest solid effort on the front end; this makes all proposal evaluation processes easier, according to Gilroy. "We only get involved in proposal evaluations or source selections when we are the contracting officer's representative for the resulting contract," she added.

Gilroy and ELO employee Susan Simpson serve as CORs for on-station-supported contracts (i.e., those that benefit the base as a whole, such as test support, comptroller and administrative assistance, and environmental support). Duties include contract modification requests, liaison meetings, contractor assistance, invoice certification, etc. The COR duty is very case-dependent.

The ELO is funded by a service cost center, which can lead to the perception that it is a "tax." However, all programs that contract out for goods and services are subject to service cost center charges, and not just those that use ELO services. The cost is nominal—just 1.1 percent of the number of dollars obligated. The ELO's staff is partially funded by that 1.1 percent fee, which would be charged whether the ELO's services were used or not. The fee also supports legal counsel, the comptroller, the Defense Finance and Accounting Service, and many other services. Each year, the ELO provides input to the Procurement Department when they are preparing their budgets, and as a result, the percentage may vary slightly from year to year.

There was some resistance to the ELO initially. Change is always a challenge, Gilroy acknowledged; however, most of the scientists and engineers quickly came to recognize the ELO's value, particularly with its ability to rapidly get large contracts under way.

Lessons Learned

ELO-type arrangements are also in place at the Naval Surface Warfare Center-Panama City Division and the Naval Surface Warfare Center-Crane Division, Ind. Representatives from Crane have visited with IHDIV to compare functions and obtain lessons learned.

When asked what advice she would offer to a large DoD organization interested in emulating the ELO model, Gilroy responded, "Although we know DoD contracting thoroughly, every day brings changes and challenges. It's important to have reachback capability. If you can go back to your files and find a purchase or procurement with requirements similar to the new one that just landed on your desk, you can streamline the whole process considerably. Whether you are conducting market research, developing contractual documents, engaging in a broad ordering agreement, or structuring options on a major contract, make sure that your management database provides enough visibility to guide you to the histories of those similar buys, to the competition environment, to past performance data, and to the contract specialist's files if necessary. Not only can you learn from the pre-award documentation prepared for similar procurement, but you can also learn to avoid some of the pitfalls that may have been encountered in previous contracts."

NOTE: In May 2009, eight individuals involved in the establishment and operation of the ELO at IHDIV received a Continuous Process Improvement Award from the Naval Sea Systems Command for promoting collaboration and innovative teaming arrangements that culminated in tangible improvements in cost, quality, and process time.

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