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FINAL REPORT

EVALUATION OF CONTRACTING AND
PRODUCTION ACTIVITIES AT:
THE DEFENSE LOGISTICS AGENCY'S
DEFENSE SUPPLY CENTERS

VOLUME IV DEFENSE FUEL SUPPLY CENTER REVIEW

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Coopers & Lybrand

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DEFENSE SUPPLY CENTERS**

VOLUME IV

DEFENSE FUEL SUPPLY CENTER

March 1, 1984

Contract No.: DLA 600-83-C-5001

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DEFENSE FUEL SUPPLY CENTER

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I. I N T R O D U C T I O N

I. INTRODUCTION

A. OBJECTIVE OF THIS REPORT

The objective of this report is to present Coopers & Lybrand's independent analysis and evaluation of the contracting and production functions performed at DFSC. The purpose of the evaluation is to determine: (1) whether the center's contracting and production activities are organizationally structured and operated in the most effective and efficient manner; (2) if lines/levels of authority and responsibility, assignment patterns, and other position management aspects are appropriate; and (3) whether management indicators used by DLA-P to determine the contracting and production performances of the defense supply centers (DSC's) are valid and responsive.

B. METHODOLOGY AND APPROACH

Following delivery of the draft final report on the hardware centers and completion of the draft final report on DPSC, the study team contacted the primary representative of DFSC. Mindful of the very different acquisition environment and procurement processes applicable to petroleum products and services contracting, the team prepared an interview guide and list of specific data requirements for its study of DFSC.

Over the course of the investigative period, we conducted interviews with the director and deputy director, other top-level managers, middle management supervisors, contracting officers, and supervisory procurement agents in the Directorate of Contracting and Production (DFSC-P). We also met with the director and deputy director, Directorate of Supply Operations.

C. ORGANIZATION OF THIS REPORT

Interviews, data collection, and internal analysis resulted in an assessment that is grouped into four study areas specified by DLA-P: organizational structure, staffing and personnel, workload, and management indicators. There are four distinct contract divisions and three major support activities within DFSC-P. Because of the unique nature of DFSC's mission, each of the seven elements is addressed in detail as to mission, alinement, personnel, and workload analysis. Study recommendations are presented as "Opportunities for Improvement" in each of the four major study areas.

The assessment and recommendations are supported by exhibits and appendices of essential illustrative data.

II. OVERVIEW OF THE DEFENSE FUEL
SUPPLY CENTER

II. OVERVIEW OF THE DEFENSE FUEL SUPPLY CENTER

The Defense Fuel Supply Center is charged with worldwide responsibility for integrated materiel management of bulk petroleum products. This includes procurement, ownership, accountability, and distribution of war reserves and peacetime operating stocks for base levels. DFSC is also responsible for the coordinated procurement of packaged petroleum products, coal, and petroleum services.

DFSC organizational structure is shown in Exhibit 1. Supply Operations (DFSC-O), Technical Operations (DFSC-T), Facilities Management (DFSC-F), and Contracting & Production (DFSC-P) are the primary mission-oriented directorates.

DFSC-P is responsible for the procurement and contracting for fuels and lubricant support to the military services, other Department of Defense (DoD) components, and Federal civil activities. Exhibit 2 is a list of some activities supported by DFSC-P.

The DFSC-P procurement function is different from other Defense Logistics Agency (DLA) centers in that the contracting environment:

- Basically involves one product -- petroleum -- in different raw or finished forms.
- Involves a product bought in huge quantities (220 million barrels in FY 1982, 239 million barrels in FY 1983) for which the price is so volatile that contracts provide for economic price adjustments (EPA's) and one or two cents per gallon in negotiated price can result in multimillion-dollar differences in final contract award.
- Belies normal workload measurement or indicators. For example, the FY 1984 domestic bulk fuels requirements

consisted of just one purchase request for each product, with delivery required at over 600 separate locations; it also involved solicitations to over 485 addresses, brought 92 separate offers -- each requiring negotiation -- and will result in contract awards in the billions of dollars.

The dollar value of DFSC-P procurements further illustrates the uniqueness of its contracting environment. In FY 1979, DFSC-P issued \$4.1 billion in contract awards; in FY 1982, it awarded \$10.7 billion, with FY 1983 awards exceeding \$9.5 billion.

A. ORGANIZATIONAL STRUCTURE

CURRENT OPERATIONS

DFSC-P is organized under a military O6 director and a GS-15 civilian deputy director, with four mission-oriented contract divisions and three support activities. The DFSC-P organization chart is shown in Exhibit 3. The four contract divisions are: Bulk Fuels, Ground Fuels, Services, and Special Contracts. The three support activities include: the Production Division, Management Support Office, and Operations Support Office. An individual examination of each division and activity follows.

Bulk Fuels Division (DFSC-PD)

DFSC-PD procures domestic and overseas requirements for the same products including:

- Jet fuels
- Propellant kerosene (bought for domestic only)
- Aviation gasoline
- Motor gasoline
- Diesel fuels
- Navy specials

- Fuel oils.

The division is headed by a GM-14 division chief and a military O4 assistant chief (each with Procuring Contracting Officer (PCO) unlimited warrant) and comprises four procurement/contracting teams. Each team is led by a GM-13 supervisory procurement agent/PCO (also with an unlimited warrant) and includes five or six procurement agents (grades GS-12 to GS-9) plus clerical personnel. The GS-12 agents function as team leaders, providing technical and training assistance to less experienced GS-1102 personnel.

DFSC-PD performs three functional requirements: procurement of domestic needs, procurement of overseas needs, and postaward contract administration of its own contracts. Instead of organizing the division in this manner, DFSC-PD simply functions as four separate buying teams -- three accomplishing domestic procurements and the other procuring overseas requirements (with shifts of personnel on a temporary basis as workload requires). In addition, in DFSC-PD, procurement agents function as buyers and contract administrators, which is discussed in more detail in Section II-C, workload.

DFSC-P prefers this alignment since it gives the division chief flexibility to move personnel to other assignments when workload requires. This is feasible since both domestic and overseas contracting teams are buying the same products. Personnel span of control appears to be adequate. The team leader concept is advantageous, and GM-13 supervisory personnel appear to be managing their overall responsibilities well.

Ground Fuels Division (DFSC-PE)

DFSC-PE contracts for fuels, oils, and coal to support posts, camps, and stations (PC&S) of DoD and civil activities in the United States and overseas. Domestic and overseas petroleum procurements included the following products:

price analysis. Overseas buying also requires a sense of business practice in other countries, an understanding of the general political events affecting suppliers, and a practical understanding of how the services will be provided. This kind of indepth knowledge is provided only by an experienced staff, which is difficult to maintain with high turnover.

DFSC-PE purchases coal and petroleum products for ground transportation worldwide. While contracts total about \$1.5 billion annually -- rather a small sum when compared to other DFSC divisions -- this division has the most line items to award each year. Approximately 80 percent of its contracts go to small-business regular dealers of petroleum products, a distinctive procurement feature. Many ground fuels contracts use formally advertised procedures, although all 8(a) set-aside contracts are negotiated. Additionally, most procurements for overseas delivery are negotiated, either by telephone or in person.

Division buyers are assigned to buying regions and are responsible for purchases within their regions. All buyers must have a thorough knowledge of their commodity and its industry. Basic commodity knowledge required tends to be somewhat the same as for other DFSC divisions. However, ground fuels sources require a different dimension of information and experience. Being mostly small businesses, they are highly vulnerable to swings in the supply of petroleum, and in any crisis situation, these sources would be the first to feel a tightness of supplies.

As elsewhere in DFSC, DFSC-PE is losing staff at the trained GS-9 and GS-11 levels -- a 50-percent turnover in 2 years. Since the current "journeyman" level at DFSC is GS-11, few promotions to GS-12 are possible. Although the division seems adequately staffed in terms of the number of authorized buyers, the workload of experienced buyers is unusually heavy, in part due to the larger proportion of inexperienced buyers. This press of work compounds the difficulties of the division's total effort since there is often no occasion for renegotiation. In addition, while

As with other DLA supply centers, our focus for this section was on the buyer and buying activity. Exhibit 4 displays the present buying staff in the four contract divisions and where vacancies exist as of 1 October 1983. The vacancy rate is approximately 20 percent. The following discussion summarizes the job content of the DFSC buyer positions.

DFSC-PD purchases jet fuels, propellant kerosene, aviation gasolines, MOGAS, diesel fuels, navy special, and fuel oils for domestic use and all of these except propellant kerosene for overseas use. Total annual contract value is \$7.3 billion. Most buying is through large oil companies. The work requires an extensive, indepth knowledge of the petroleum industry. Overseas buying also requires an understanding of the many differences in business practices throughout the world. Individual solicitations can be very large, involve many bidders, and provide fuel for U.S. forces for a large region of the world such as the western Pacific area (29.9 million barrels and \$1,315 million in FY 1982). Such solicitations require extensive negotiations by several senior buyers.

DFSC-PH procures aircraft refueling, terminal, into-plane, and bunker services domestically and overseas. Domestic into-plane procurements are in the \$100-million range and involve well over 100 locations. Overseas procurements exceed \$100 million and involve 47 locations in 34 countries. Domestically, the bunkers program involved 340 locations and close to \$106 million in FY 1982; 57 locations in 12 countries and approximately \$62 million were involved overseas in the same year. Storage terminal services procurements involve both contractor- and government-owned facilities, domestic and overseas. FY 1982 storage terminal services procurements covered 31 contractor-owned/contractor-operated (COCO) facilities holding nearly 18 million barrels and one Government-owned/contractor-operated (GOCO) facility of 320,000 barrels overseas; 19 COCO facilities (approximately 7.5 million barrels) and 17 GOCO facilities (11.5 million barrels) were involved domestically. The work requires extensive industry knowledge and considerable skill at cost and

While contract file control is essential, from the standpoint of work effectiveness and efficiency, the files should be immediately available to the procurement agent who conducts postaward contract administration. Therefore, we recommend that internal policy be amended and contract files assigned to the cognizant postaward procurement agent once a contract is awarded. DFSC-PO's Contracting Support Section should maintain file cards, signed by the cognizant administrator/buyer, as evidence of the file location. If file security is essential, DFSC-P should investigate the use of secured cabinets.

In addition, the practice of duplicate contract files, maintained by some personnel conducting contract administration, should be eliminated. Rather, contract administrators should have a complete file available to them to perform their job.

B. STAFFING AND PERSONNEL

CURRENT OPERATIONS

From a staffing viewpoint, DFSC's most remarkable features are the rapid pace of work, the intensive supervisory involvement in nonsupervisory technical work, and the effects of high staff turnover. The high turnover of GS-1102 buyers recently -- over 100 percent in the last 4 years -- has created a situation in which experienced buyers devote high proportions of their time to training new buyers and supervisors participate extensively in the technical work. Use of overtime and "comp" time to counteract the high vacancy and trainee levels has, in our view, become counterproductive, and continued use will only further decrease morale and add to turnover. We recognize the heavy responsibility that rests with DFSC's senior buyers and supervisory personnel. Our recommendations later in this chapter are aimed at arresting turnover and improving the effectiveness and quality of work life at DFSC.

positions to fill, and working with personnel offices to ensure that adequate recruiting action is in progress.

Recommendation II-5. Dedicate one procurement analyst in DFSC-PC's Plans, Programs, and Systems Section to monitor/coordinate DFAMS automation initiatives.

DFSC-PC's Plans, Programs, and Systems Section functions as the C&P coordinator for developing DFAMS requirements and data. Although each contract division has a DFAMS representative for division-specific needs, there appears to be little coordination with Plans, Programs, and Systems.

One analyst should be dedicated to this task, serving as the primary DFSC-P representative for all DFAMS needs and coordination. Also, close working relationships should be established between the section and the contract divisions to determine directorate-wide needs and ensure communication of these needs to data automation personnel.

Recommendation II-6. Transfer the contract data control function from DFSC-PO to DFSC-PC.

The contract data control function within the Operations Support Office is primarily concerned with DD350 data inputs into DFAMS. These data are forwarded to DFSC-PC for directorate data collection and reporting to higher authority. However, since DFSC-PC is the primary user of this information, it would be appropriate to place this function within its structure.

Recommendation II-7. Assign contract files following contract award to the procurement agent responsible for the postaward contract administration.

A current problem is disposition of contract files after the contract has been awarded. An internal directive specifies that after award, the files should be maintained by DFSC-PC, with personnel using a sign-in/sign-out system to obtain files as needed on a temporary basis.

provide cost and pricing analysis. Analysts assigned to and working directly in the contract divisions will likely receive more effective training and experience, thus enhancing their value to the directorate.

Regardless of what action DFSC-P takes to resolve this issue, section price analysts should participate on a regular basis in negotiations. The value of first-hand observation in this process is essential in a price analyst's training.

Recommendation II-3. **Establish a priority list of functions/tasks to be performed by DFSC-PC.**

In discussing DFSC-PC, several priority management support functions and tasks were outlined. At the same time, limited resources and extensive work assignments have prevented DFSC-PC from undertaking many of these tasks. Since this situation is likely to continue, it would benefit DFSC-P to establish a priority list of functions and tasks to be performed by this office. Target dates should be established as goals for task accomplishment, and milestone tracking should be instituted to encourage cognizant personnel to work toward meeting completion dates.

Recommendation II-4. **Dedicate one procurement analyst in DFSC-PC's Plans, Programs, and Systems Section to the contracting and production (C&P) personnel turnover problem.**

DFSC-P has been experiencing a general 35-percent turnover in personnel, but this problem is particularly acute among GS-1102 procurement agents (to be addressed in detail in Section II-B, Staffing and Personnel). This high turnover rate affects the DFSC-P mission so adversely that the director, deputy director, and all division chiefs consider it the directorate's primary problem. Therefore, we believe one person in DFSC-PC should be assigned primary responsibility to work on this problem. This effort should include maintaining a complete, current roster of all vacancies, having the director designate the most critical

- DFSC-PS's primary element is not clear. There are two GM-13 supervisory procurement agents authorized, but the division does not appear to be currently functioning in a two-team concept. (This may be due to the serious shortage of GS-1102 personnel; the division is currently operating at only two-thirds authorized strength.)

Although it is recognized that each division has distinctive missions, some common alignment in primary and secondary elements should be employed. We recommend that DFSC-P review current organizational alignments, determine common elements, and realine its contract divisions accordingly.

Recommendation II-2. Improve the relationship between the contract divisions and the Cost and Price Analysis Section.

The extensive turnover of personnel and lack of adequate experience or training of price analysts hampers the effectiveness of the Cost and Price Analysis Section. As a result, contract division personnel tend to disregard its price analyses and recommendations. In addition, price analysts have insufficient time to participate in price negotiations due to current workload demands. This denies the analyst vital professional experience and access to pricing information during negotiations, which could affect current and future analyses. These factors result in a waste of resources, a particularly acute problem in a directorate already short of needed personnel.

The study team recommends that DFSC-P consider one of two alternatives for near-term action. First, a more effective working relationship between the Cost and Price Analysis Section and the contract divisions should be mandated. The contract divisions, through their senior supervisors and technicians, can help train and enhance the experience level of section personnel, enabling analysts to become better qualified to help the contract divisions in the future. If this first (and preferred) alternative is unacceptable, DFSC-P should consider disbanding the section and placing these resources in the contract divisions to

The Contracting Support Section provides several necessary functions. It is the custodian of all incoming bids/offers and determines the status of "late" bids. It maintains the automated Bidders Mailing Lists, based on information provided by the contract divisions. The section also prepares and forwards all synopses to the Commerce Business Daily, handles Equal Employment Opportunity compliance of contractors, and coordinates printing/distribution of solicitations, contracts, and bulletins with the printing facilities.

The Contracting Support Section also maintains a central files repository where all files of contract awards are to be kept. Personnel needing these files are supposed to use a formal sign-in/sign-out process to withdraw them. However, procurement agents ignore current policy and either retain the files or sign the files out but rarely return them (see later recommendation).

OPPORTUNITIES FOR IMPROVEMENT

Recommendation II-1. Realine all the contract divisions so that each has the same organizational primary and secondary elements.

There is a lack of consistency in the alinement of contract divisions, particularly in the designation of primary and secondary elements. For example:

- DFSC-PD's primary element is the team. There are four teams, each headed by a GM-13 supervisory procurement agent.
- DFSC-PE's primary element is the group. There are four groups, each headed by a GM-13. Two groups each have two sections (not teams), and two groups each have one section.
- DFSC-PH's primary element is the team. Each team is headed by a GM-13, and further subdivided into lower elements for specifically assigned mission tasks.

- The Cost and Price Analysis Section has identified the need for a programing change in the DFSC-PE domestic PC&S evaluation procedures, which would greatly enhance evaluation accuracy and reduce the time required for some phases of domestic PC&S analyses. The section has been unable to pursue this task due to insufficient time.
- A comprehensive review of all DFSC solicitation and contract clauses is needed to simplify and clarify language. This is now done on a limited basis for specific clause categories, such as PC&S EPA provisions, but an overall review and changes are necessary.

These and other priority tasks not being accomplished point out the value in adequate staffing of an experienced Management Support operation. Study team recommendations address this issue later in the report.

Operations Support Office (DFSC-PO)

DFSC-PO provides administrative support to the contract divisions and DFSC-PC. The office is headed by a GS-9 and currently organized into three sections: (1) Document Preparation; (2) Contracting Support; and (3) Contract Data Control.

Since the contract divisions recently received word processing units, they have assumed tasks previously performed by the Document Preparation Section -- preparation of solicitations and amendments, contracts and contract modifications, and PC&S bulletins for customers. Consequently, the section will soon be disbanded.

The Contract Data Control Section's primary responsibility is inputting DD350 contract award data into DFAMS for DFSC-PC tabulation and reporting. Since DFSC-PC is the primary user of this information, there is merit in realining this section within the Management Support organization. (See the recommendation to this effect.)

detail in Section II-C, Workload.) Currently, there are two vacancies in GS-12 procurement analyst positions in the section.

DFSC is frequently tasked by DoD to perform indepth studies because of the cost, complexity, and high visibility of petroleum acquisition. Studies of this type are time consuming, often requiring 2 to 3 months, and involve all elements within DFSC-PC. As an example, DFSC-PC has completed the following studies within the past year:

- European Coal
- Trade Agreements Act
- NPR Exchange
- Cost and Price Applicability
- Casual Into-Plane Agreement with Shell Oil Company.

In addition to its current work, there are essential functions that DFSC-PC cannot at present accomplish, due to its heavy workload and constraints on assigned staff. Some of the more high-priority tasks include:

- Procurement personnel turnover and resourcing is a major issue requiring constant monitoring and action. Because of its adverse impact on mission effectiveness and efficiency, this issue should be a top priority in DFSC-PC.
- Office procedures in several functional areas are outdated and need revision. A primary deficiency is in contract administration; another is in the Cost and Price Analysis Section. Some new office procedures have been drafted but are stalemated due to workload and personnel turnover. These procedures would facilitate training new personnel and provide a sounder basis for performance appraisal discussions.
- Contract, offer, and publication data already available within DFSC (Supply Operations and Contracting & Production Directorates and the Office of Market Research and Analysis) should be comprehensively reviewed to ensure that DFSC-P is using all existing information in its procurement analyses. Also, DFSC-P should develop additional data sources for overseas operations analysis as only limited data are currently available.

Management Support Office (DFSC-PC)

DFSC-PC consists of a GM-14 chief (position currently vacant, in recruiting) and three sections (each headed by a GM-13): Plans, Programs, and Systems; Cost and Price Analysis; and Policy and Procedures.

Plans, Programs, and Systems assembles, analyzes, and reports DFSC-P procurement data to DLA HQ for the monthly management review processes. It processes all DD350 contract award data, determines functional requirements, and develops DFSC-P data needed for the Defense Fuel Automated Management System (DFAMS). Currently, only five of the section's seven authorized procurement analyst positions are filled.

The Cost and Price Analysis Section performs cost and pricing analyses of the reasonableness of contract prices. It tracks and provides to the contract divisions price trend reports, market statistics, or market data analyses. However, there is a serious problem in the quality of pricing support to the contract divisions, primarily due to personnel lack of experience and training in this section. Some of the analysts have little buying experience; others who have buying experience lack skills peculiar to buying petroleum. Constant personnel turnover is a significant contributing factor. (In fact, the GM-13 supervisory procurement analyst position is currently vacant.) As a result, buyers and contracting officers have problems using the section's price analyses or tend to disregard them. Negotiation objectives established by the Cost and Price Analysis Section are often revised prior to negotiations. Some recommendations to resolve this issue are presented later in this report.

The Policy and Procedures Section functions as the principal advisor to the head of contracting activity and to DFSC-P; it develops and communicates contracting policies and procedures throughout the directorate and obtains one-time deviations and blanket waivers to DoD or DLA procurement directives (one of its most essential functions). (This subject is discussed in more

(1) DFSC-P's workload has been so dynamic and extensive that mission tasks were given priority over a reorganization (especially since such realignments are initially disruptive to work effectiveness and efficiency), and (2) DFSC-P managers seriously doubt that such reorganization would produce more mission effectiveness or efficiency.

There is strong evidence to support this latter view. DFSC-P basically procures one commodity. Requirements are specified in relatively few purchase requests (PR's) in large quantities over well-defined time periods. Commodity and market knowledge at DFSC-P appear to be satisfactory to accomplish the mission. It is not clear how reorganizing in a domestic/overseas alignment or some other structure would improve mission effectiveness or efficiency.

Production Division (DFSC-PP)

DFSC-PP is responsible for postaward contract administration for assigned contracts, production management, and industrial preparedness planning (IPP). The division is headed by a military O5 chief (with an unlimited purchase warrant) and consists of two branches, the Ground Fuels Postaward Branch and the Services Postaward Branch.

Each branch is headed by a GM-13 supervisory contract administrator (each with an unlimited purchase warrant) and consists of two teams. The two branches (and in essence, the entire division) are performing postaward contract administration. DFSC-PP does not perform either the production management or IPP functions.

DFSC-PP's organizational structure, its assigned manning, and the functions assigned but not being performed are all aspects of contract administration as carried out by DFSC-P. Since this is an integral part of workload analysis, this issue will be addressed in detail in Section II-C, Workload.

but does retain some internally, practices that will also be addressed in more detail in Section II-C.

Special Contracts Division (DFSC-PS)

This division is responsible for procuring crude oil for the Strategic Petroleum Reserve, contracting for isolated research and development efforts, and supporting some professional services activities for DLA Headquarters (HQ).

DFSC-PS is headed by a GM-14 division chief and military O4 deputy chief (each with an unlimited PCO warrant). Apparently, two procurement/contracting teams are designated, each with a GM-13 supervisory procurement agent/PCO (with an unlimited purchase warrant). There are nine GS-1102 procurement agents authorized (although three positions are vacant at this time) and two procurement clerks. The organizational structure appears to indicate that two teams clearly exist; however, the shortage of procurement agents and demanding workload of procuring crude oil for the Strategic Petroleum Reserve result in DFSC-PS functioning nearly as one team, sharing the whole division's workload.

Like the Services Division, DFSC-PS contracts for professional support for other local activities. These efforts should all be concentrated in one division. DFSC-PS also retains all its own contracts for administration, a somewhat ill-advised practice. Both of these subjects will be addressed later in this volume.

Extensive discussions were held with the DFSC-P director, deputy director, division chiefs, and GM-13 supervisor/PCO's about the most effective, efficient organizational structure. DFSC-P has planned and analyzed other possible structural alignments, particularly one that reorganizes the contract divisions by domestic and overseas responsibilities. There are two primary reasons why a reorganization has not occurred in recent years:

Services Division (DFSC-PH)

This division is responsible for contracting for worldwide petroleum-related services. DFSC-PH is headed by a GM-14 division chief (with an unlimited PCO warrant) and includes two procurement/contracting teams. Each team is headed by a GM-13 supervisory procurement agent/PCO (also with unlimited warrant), with two procurement clerks supporting each team.

Within each team, there are subelements; each subelement is assigned responsibility to contract for a single service within DFSC-PH's broad mission requirements (listed below):

- Aircraft refueling
- Storage -- domestic
- Storage -- overseas
- Bunkers/commercial activities
- Into-plane.

Each of these subelements consists of three or four GS-1102 procurement agents, with each subelement headed by a GS-12 team leader. Such a breakout of separate mission tasks appears reasonable, since each service is somewhat distinctive. It also appears that such an alignment enhances supervisor and technical span of control and at the same time gives supervisors the flexibility to shift buyers to meet temporary workload needs.

One of the second team's subelements contracts for commercial activities. The Special Contracts Division (DFSC-PS) also contracts for services that are not petroleum oriented. DFSC-P should review these workload assignments and consider placing all procurement responsibilities of this nature in one division (to be addressed in detail in Section II-C, Workload).

In terms of contract administration, DFSC-PH transfers most of its contracts to the Production Division for administration

- Motor gasoline
- Kerosene
- Diesel fuels
- Fuel oils
- Aviation fuels
- Lube oils.

DFSC-PE is headed by a GM-14 division chief and military O4 assistant chief, each with PCO unlimited warrant. The division is divided into four groups, with Groups A and B having two sections each and Groups C and D having one section each. (DFSC-PE uses the "section" alinement in the same manner as other divisions use the "team" alinement.) This organizational structure requires DFSC-P review and consideration for adjustments (subject matter for a later study team recommendation).

Each group is headed by a GM-13 supervisory procurement agent/PCO; each section is headed by a GS-12 team leader who provides technical and training assistance to less experienced procurement agents and assumes the most complex workload when necessary. Workload distribution and span of control appear well planned and adequate.

In December, the Lubricants and Specialty Products Division will be phased out. Contracting responsibility for packaged petroleum products and 13 personnel are being assigned to the Defense General Supply Center (DGSC). DFSC-PE will assume procurement responsibilities for bulk lubricants and seven additional personnel. Its supervisors are planning for this additional responsibility and do not expect any organizational hardships.

DFSC-PE retains its own overseas fuels contracts for administration. It transfers domestic fuels contracts to the DFSC Production Division and overseas coal contracts to the U.S. Army in Europe for administration. (This subject will be addressed in detail in Section II-C, Workload.)

training is often scheduled for anticipated slack periods, workload unpredictability often disrupts these plans.

DFSC-PS's main function is acquisition of crude oil for the Strategic Petroleum Reserve (SPR) on requirements from the Department of Energy. In addition, it handles other special energy-related procurements for DoD, particularly in the areas of synthetic fuels and research and development models; it also performs some studies. DFSC-PS is a highly visible and sensitive program, often the scene of Government Accounting Office audits and congressional investigations, in addition to the continuing policy interest of DoD.

Most SPR procurement is done at a rapid pace. A "continuously open" spot solicitation with closings biweekly results in negotiations with suppliers and an award within 2 weeks. Under this fast-paced schedule, buyers are constantly engaged in price analysis and such other activities as verifying the reputation of qualified bidders. To be effective, buyers must have a thorough knowledge of petroleum pricing, the variations of the spot market, and transportation factors; accuracy is also critical in this shortened procurement cycle. Contracts are generally around \$100 million, and there is heavy competition.

DFSC-PS has recently upgraded its journeyman level to GS-12 and is actively recruiting at that level. Present staffing is approximately 50 percent of planned staff (i.e., there is only one buying team of four GS-12's instead of two). The division also has no secretary, only two procurement clerks, and virtually no automated support for required calculations. This low staffing status has resulted in a large backlog of paperwork. Buyers are routinely about 10 to 12 closings behind -- a cause for some concern given the high-dollar contract volume -- and clerical document processing is slow. Word processing equipment has just been installed and should eventually improve this situation. For the present, however, it is our view that continued overtime to catch up on paperwork is not a satisfactory remedy.

OPPORTUNITIES FOR IMPROVEMENT

DFSC'S greatest potential for saving tax dollars lies not in the shaving of administrative costs but in improving the effectiveness of its buyers. Effective negotiating requires an experienced, trained negotiator; extensive, well-organized knowledge of the opposing negotiator's bargaining position, needs, and goals; and the ability to mask any weakness of DFSC's bargaining position from the opposing negotiator. The following recommendations are devoted to that goal.

Recommendation II-8. **Raise the grade level at which promotions must be through further competition (by one grade) and introduce more flexible and precisely targeted position management controls.**

It first should be noted that this recommendation does not mean that every buyer must be promoted to the GS-12 level in minimum time regardless of performance or the availability of GS-12 level work. Rather, Coopers & Lybrand believes there is sufficient GS-12 level work to warrant additional incumbents at that level and that line managers should be given more flexibility in promoting buyers to the GS-12 level as changes in workload and assignment patterns demand. Our analysis based upon the existing classification standard and the most recent available proposed standard (8/83) indicated that this could be accomplished through quite orthodox position classification and position management principles.

DFSC has a well-documented history of high turnover. Given the intentionally lean organizational staffing, this turnover erodes its negotiating effectiveness as junior members of the staff are forced by default into negotiating with highly experienced contractors. Discussions with managers and employees and documentation of the turnover all confirm that staff loss occurs primarily at the GS-11 level and below and that concern over the perceived lack of promotion opportunity to GS-12 at DFSC is the primary cause.

Junior negotiators are capable of negotiating and processing buys within prescribed procedures. However, they are less likely to know and get the optimum price and arrangements that could be achieved by more experienced negotiators. The potential tax dollar savings to be gained by raising the average experience of DFSC's negotiators is substantial. Retaining a buyer for even one additional year would be worth the "extra" cost of increasing the number of GS-12 level slots, and the recommendation probably would exceed that objective.

In determining how work should be organized, and therefore how many positions should warrant GS-12 full-performance levels, management has an obligation to consider such issues as the pattern of peak workloads, turnover, and training costs driven by employee turnover. In some Government organizations, it is best to concentrate the higher level work in a few positions -- in others to spread it over many. In DFSC, the perception of a dead-end at GS-11 contributes to turnover as much as the reality. Raising the level at which competition must take place by one grade will reduce or eliminate that perception while reducing paperwork and increasing management's ability to respond to changes in workload and assignment patterns. Raising the level at which further formal competition is required would reduce turnover and strengthen DFSC's effectiveness.

The rigidity of the current practice of requiring formal competition for promotion from GS-11 to GS-12 does provide two benefits which we would prefer not to lose and which can be supplied more effectively by other means. The two benefits are that the current practice: (1) imposes a strict discipline on management to live within planned limits and to choose its GS-12's well; and (2) makes it clear to employees that GS-12 grades are not completely free-for-the-taking regardless of performance or availability of work. Both of these benefits are important.

It is easy for both managers and employees in any organization to slip into the habit of assuming that career ladder promotions will be "automatic." Such an assumption gradually erodes

effectiveness. A better means of providing these benefits, however, would be a formal, annual planning session conducted jointly with top division line managers and the position classification staff together to estimate upcoming operational needs and to agree upon position management targets and ground rules for the coming year. Such structured planning would allow each year's position management to be tailored to that year's needs with a minimum of bureaucratic paperwork.

Recommendation II-9. Add support staff and enrich the support staff role by involving support positions more directly with the work of the individual buyers.

Effective negotiating requires extensive, well-organized information. Negotiating effectively in person requires absolute attention to what is being said by both sides, without concurrent responsibility for documenting the discussion during the session itself. The need to remember and document what is said is best done by an observer without responsibility for negotiating. For more effective negotiations, DFSC should add support staff for:

- Organizing, coordinating, and tracking the voluminous papers associated with the negotiations being conducted by each buyer.
- Attending face-to-face negotiating sessions to observe and document the reactions of the opposing negotiators and the concessions and claims made by both the DFSC and the opposing negotiator.
- Arraying and organizing background information for the DFSC buyer.

This strengthening of the support staff for negotiations would produce some beneficial side effects:

- It would add depth to one of the buyer recruiting sources (i.e., support staff) by increasing the number of staff from which to choose and by adding duties that better demonstrate the ability to perform buying work.

- It would provide a witness to face-to-face negotiating sessions, which would reduce any likelihood of collusion between the bidder and the DFSC buyer.

Recommendation II-10. Develop an expanded, comprehensive training program that includes intern experience, commodity knowledge and negotiation training, and structured, on-the-job (OJT) training.

We recognize that DFSC management has placed high priority on training. DFSC maintains a high personnel/training hours ratio, but this is caused in part by the high turnover rate. However, we suggest that DFSC expand their intern program to attract college graduates to the GS-1102 series. In addition, we recommend that DFSC management place even greater emphasis on training. A comprehensive training program should be established for all buyers and interns stressing both commodity knowledge and procurement procedures. Also, to make effective use of experienced buyers' time, we suggest a "structured OJT" program -- perhaps only 2 hours per week -- in which senior buyers would be available to help train new buyers. We are suggesting structured sessions so that senior buyers can schedule time for their own work as well as assuming training duties.

New buyers have a special need for negotiation training because generally they have no experience to rely on. However, classroom training is more effective when the student can build on a base of experience. A number of the buyers we interviewed expressed a need for such follow-up training in negotiating both for themselves and for others on the staff.

Recommendation II-11. Provide additional office space for the individual buyers.

Buyers are currently functioning with minimal work space, which causes a drain on their time and energy. We recommend that additional office space be provided for the individual buyers.

Recommendation II-12. Provide conference rooms for conducting negotiations that are more completely isolated from the buyers' offices.

During negotiations, the Government should project an image of directing all energy and importance to the subject of the talks. The actual buyers' work area is an inappropriate environment for projecting that image. Therefore, we recommend that conference rooms separated from the buyers' offices be provided for negotiations.

DFSC Prototype Position Descriptions - See Appendix A.

C. WORKLOAD

CURRENT OPERATIONS

The uniqueness of the DFSC-P contracting workload has already been mentioned. Any one of the DFSC-P procurement actions normally meet several months or a full year's mission requirements for DoD military and Federal civil activities. The solicitation process is predominately requests for proposal (RFP's), with significant dollar amounts set aside for small business. Contractors vary in size from suppliers with less than 10 employees to the largest oil companies in the world. Whereas the mode of transportation is normally insignificant in computing contract price, it is of paramount importance when acquiring petroleum. Contract specialists' knowledge of commodities, contractors, market prices, and supply environments is critical. This knowledge, combined with the experience and ability to conduct intense negotiations, are the most essential factors to the Government's realizing maximum cost savings while at the same time attaining product delivery. It is not unusual for journeyman-level GS-1102-11 procurement agents to conduct negotiations with officials at the highest corporate levels, often involving 1- to 2-cents-per-gallon price differentials that can change a contract total by millions of dollars.

There is no other product bought for DoD or other Federal agencies in which prices change so often and with such correspondingly major cost impacts. This factor is so important that most DFSC-P contracts are fixed price with EPA clauses. A complete procurement action can take as little as 2 weeks for spot market purchases of crude oil or over 6 months for a year's requirement of bulk fuels; collective awards can be in the billions of dollars. Exhibit 5 illustrates the dollar value of DFSC-P contract awards by product and services in the last 2 fiscal years. Exhibit 6 displays a 4-year performance summary of DFSC-P management indicators.

Workload distribution is generally well managed. Significant advanced planning is conducted, with managers' balancing current workloads against future requirements to determine individual assignments. Managers readily shift personnel to meet current or immediately forthcoming workload problems. The team leader/PCO concept used by the division provides experienced contract specialists to train and supervise less experienced GS-1102 personnel; however, personnel shortages and extensive workloads negate the full value of this system.

DFSC-P logged 11,816 overtime hours in FY 1983, compared to 7,550 hours the previous fiscal year. Of the FY 1983 hours, the contract divisions consumed 37 percent, the Production Division 32.5 percent, and the Operations Support Office 22 percent. Among the contract divisions, Bulk Fuels consumed 47 percent of that group's FY 1983 total. Collectively, the contract divisions consumed over 1,000 more hours of overtime in FY 1983 (4,351 hours) than in FY 1982 (3,235 hours).

DFSC-P has just completed installation of one word processing unit in each contract division. This has significantly enhanced workload processing, and, as discussed in a later recommendation, DFSC-P should closely monitor work flow progress for additional future benefits.

Unlike many other DLA supply centers, DFSC-P is not burdened with large quantities of different priority purchase requests (PR's) nor with the corresponding problem of establishing some priority work system. Customer emergency requirements are relatively few in number, and most changing requirements are satisfied by adjusting the quantities solicited.

DFSC-P has a very low PR cancellation rate; the FY 1983 rate was 4 percent or less for 7 months and averaged 5.5 percent over the entire year, as measured by purchase request line items (PRLI's). DFSC-P also does not have a serious overage problem (referred to as "delinquent PRLI's" at DFSC-P). The delinquency rate for FY 1983 was 4.5 percent.

Automation is used to some degree in DFSC-P, but opportunities to enhance current automation and automate what are now manual operations abound. The following examples are illustrative:

- A bid evaluation abstract is used for bulk fuels. It evaluates offerors for overall lowest cost; however, a major system enhancement is needed to rank small businesses not receiving their full volume for set-aside negotiations. This latter change would save 2 weeks of manual effort.
- A preaward system exists for ground fuels PC&S and bunkers services. It produces solicitations, ranks bids, and produces award documents. However, the same job numbers cannot be run the same night against more than one purchase program. Consequently, if buyers for more than one region need their award documents the same day, only one can be run on that night's processing.
- Economic price adjustment data are automated; price change modifications for bulk fuels and PC&S ground fuels are computerized and readily used.
- PR status reporting is available on a limited automated basis (e.g., for PRLI count and control of delinquent line items). Actions (awards/cancellations) against these PR's are manually noted on the PR and submitted for input into the PR status report to clear that PRLI. A systematic method of counting PRLI's and linking the PRLI received to the one awarded/canceled is needed so that DFSC-P can project goals more accurately and provide correct key management data to DLA HQ.

- Bidders Mailing Lists are available, but system enhancement is required to provide more contractor fact data.
- A DFAMS active contract file is available, which provides bulk fuels and into-plane services contract data to support the DFAMS accounting system. However, it is not responsive in terms of late awards, and the system needs to be expanded to include all ground fuels, services, and crude oil procurement actions.
- A postaward system consists of DD350 Procurement Action Report data, which splits the total award into the effective fiscal years that apply against that contract. However, the accuracy of petroleum statistics based on DD350 data has been questioned at DFSC for some time.
- A computerized system is required to give DFSC-PD the capability of producing solicitation schedules from requirements to eliminate manual effort currently expended and reduce delay time.

DFSC employs an elaborate, closely followed legal and contract review process. All contracts over \$300,000 are reviewed by the legal office. DLA Regulation 1-452 provides for precontract award reviews and approvals at various levels. Exhibit 7 provides a resume of the monetary review/approval levels necessary for DFSC-P contracts.

In the past, there have been several procurement laws and regulations that hampered the purchasing of petroleum products, primarily because companies refused to accept certain contractual clauses mandated by U.S. law or the Defense Acquisition Regulations (DAR). The problems experienced in negotiations and the subsequent review processes normally resulted in delaying contract awards and the delivery of products to end-item users. Following is a partial list of some DAR provisions contractors have contractually refused to accept:

- Responsibility for Inspection
- Default
- Disputes
- Changes

- Examination of Records by Comptroller General
- Limitation on Price and Contractor Obligations
- Price Reduction for Defective Cost or Pricing Data -- Price Adjustments
- Audit by DoD
- Subcontractor Cost or Pricing Data.

These problems have been resolved by approving a series of deviations and waivers such as those shown in Exhibit 8. One of the most commonly recurring problems has been contractors' unwillingness to meet DAR requirements for providing cost and pricing data. Waivers of cost or pricing data are generally sought when prices offered are outside the market range, or when sole bids/offers are received and a catalog or market exemption cannot be established.

This latter problem has been resolved by invoking a series of "company waivers" for cost and pricing data. These waivers apply for only 1 year to meet overseas requirements. They are provided by determinations and findings and allow the Commander to approve such a waiver on an individual case basis.

Since acquisition of each petroleum product has unique characteristics, an examination of each contract division and support activity follows.

Bulk Fuels Division (DFSC-PD)

DFSC-PD procures a wide variety of petroleum products (shown earlier in Section A), with jet fuel predominating. (DFSC-PD's FY 1982 contract awards equaled \$7.3 billion -- 68 percent of all DFSC-P dollar awards; FY 1983 contract awards were \$6.6 billion -- 69 percent of all DFSC-P dollar awards.) Domestic and overseas requirements involve somewhat different circumstances and are procured in 6-month cycles, as described below.

Domestic Requirements. Domestic requirements are divided among eight regions in the continental United States (CONUS), Hawaii, and Alaska. A PR is generated 6 months prior to required delivery for each of the seven specific products previously referenced. The PR stipulates the total annual quantity of each specific product required, by specific delivery location. These requirements are for finished products to be delivered to temporary storage areas, pending final user consumption.

At the beginning of each procurement cycle, an acquisition plan is developed by the senior buyer responsible for the solicitation. The plan provides a brief description of the purchase program, previous procurement history, proposed method of procurement, and milestones for all phases of the procurement cycle.

Contractors may submit either of two type offers: (1) "origin offer," whereby the U.S. Government leases ships or trucks to pick up the fuel at the contractor's facility; or (2) "determination offer," in which the contractor delivers directly to a designated point. Contract award is based on the cheapest price to the Government, including cost of delivery, for each product to each final location (holding point), regardless of offer type.

The magnitude and uniqueness of this procurement environment are demonstrated in the FY 1984 domestic bulk fuels procurement. Requirements involve approximately 2.7 billion gallons to be delivered to over 600 locations. Over 465 bidder addresses were solicited, bringing 92 offers, which will likely result in 50 to 60 contracts valued at nearly \$3 billion.

Domestic requirements of this magnitude are so immense that the procurements involve the coordinated efforts of all three domestic procurement teams. Workload is distributed by complexity, with the most difficult efforts assigned to the GS-12 team leaders. As the workload intensifies, individual contract specialists from the overseas team may be temporarily transferred

to assist in the procurements. This flexibility enables the division chief to maximize resources to meet immediate needs.

An automated Bidders Mailing List (BML) is used to solicit sources. Although DFSC-P expends some time and effort in keeping this list current and complete, this task should be given a higher priority and more attentive action.

The workload is somewhat aggravated by frequent changes in customer quantity requirements, often occurring after solicitations are released. This necessitates RFP amendments and also extends procurement leadtime.

An automated abstract system is used to determine bidder ranking and low bidder of all offers for each location/product. With the team leader concept in effect, GS-12 agents help in negotiation when workload permits. Unfortunately, this is seldom possible, often resulting in journeyman GS-11 procurement agents conducting negotiations for multimillion-dollar contracts. After contract negotiations are completed, best-and-final offers are invited and accepted. Again, an automated abstract is produced, showing the winning contractor for each procurement action. Most resulting awards are fixed price, Indefinite Delivery-type Contracts (IDTC's) with EPA clauses and requirements that the Government take delivery of at least 75 percent of the maximum quantity stipulated in the contract.

Overseas Requirements. Overseas requirements involve procurements for two areas: the Atlantic/Europe/Mediterranean (AEM), and the Western Pacific (WESTPAC). The procurement cycle for each area is 6 months, each consisting of the annual requirements for that area. In January, DFSC-PD receives two PR's for the AEM requirements (one PR for all jet fuel requirements, one for all ground fuel requirements). All awards are planned to be completed by the end of June. In July, two PR's are received for WESTPAC, again for all jet and ground fuel requirements. This cycle runs until awards are made by the end of December, at which point

the AEM cycle starts again. The basic overseas procurement requirements are supplemented by as many as five additional smaller acquisitions per area during the remainder of the year.

An automated BML is used to identify sources. Less than satisfactory attention is devoted to keeping this list current, and buyers must screen the sources carefully. All solicitations are through RFP's. An automated abstract system is used to determine the ranking and winners among offerors. Contract awards involve IDTC's with EPA clauses and the same minimum delivery requirements described for domestic procurements.

There are some distinctive characteristics to overseas procurement. First, obtaining adequate cost and pricing data from foreign national contractors is a major problem, requiring numerous blanket waivers or one-time deviations to U.S. procurement law and regulations (as shown in Exhibit 8). Second, the provisions of EPA clauses are applied differently in overseas contracts. In domestic procurement contracts, the U.S. Government uses prices from the Bureau of Labor Statistics and the Oil Price Information Service for current applicable fuel prices. These prices are applied monthly to EPA provisions, and contract prices are adjusted up or down accordingly. In overseas requirements contracts, price adjustments are applicable only at the time a delivery is made to a designated location.

Postaward Contract Administration. The Bulk Fuels Division performs postaward contract administration for all its awards. (This subject will be addressed in detail later in this section.)

Ground Fuels Division (DFSC-PE)

DFSC-PE procures motor gasoline, fuel oils, and diesel fuels to support: (1) PC&S within CONUS, Hawaii, and Alaska; (2) overseas PC&S; and (3) the Cool Barge and North Star areas. It also procures coal in CONUS, Alaska, and Germany. DFSC-PE's FY 1982 contract awards totaled over \$1.6 billion, with FY 1983 awards at \$1.5 billion.

Automated BML's are used and normally kept current for all division procurements. Solicitations may be by Invitation for bids (IFB) or RFP, depending on the nature of the procurement and sources in the marketplace. An automated abstract is used to determine winning offers (low bidders). Contract awards are almost all IDTC's.

DFSC-PE's domestic procurements are to support military, other DoD, and Federal civil activities in PC&S throughout CONUS, Alaska, and Hawaii. To accomplish this, CONUS is divided into eight regions, with one buyer assigned total responsibility for each region. This provides a smooth flow to incoming workload, with requirements per region spaced out into separate months. Each buyer's workload may involve 1,000 to 1,500 PRLI's. Workload is assigned by complexity and experience, using GS-12 team leaders to handle the most complex procurements and provide technical guidance to less experienced buyers. Domestic contract awards of PC&S procurements have been \$1.2 billion and \$1.1 billion, respectively, over the last 2 fiscal years.

DFSC-PE also supports overseas PC&S by procuring heating oil, motor gasolines, and small quantities of jet fuel. The workload is divided somewhat equally among buyers, depending on complexity, dollar amount, and competition anticipated. An automated BML is used to solicit sources through RFP, and the location of the PC&S ordinarily dictates the degree of competition. For example, solicitations in England will result in multiple offers (perhaps 25 to 30), whereas as few as 2 or 3 offers would typically be received from solicitations in Guam.

DFSC-PE's overseas contracts are all IDTC's, ranging from \$300,000 to \$50 million in awards. Awards in support of overseas PC&S exceeded \$500 million for the last 2 fiscal years combined. Once overseas awards are in place, U.S. military activities use DD Form 1155 delivery orders to obtain requirements against the IDTC.

We recommend that these types of contracts be assigned to the DFSC-PH. All are of a similar nature and involve procurement techniques and practices drastically different from buying crude oil for the SPR program. Additionally, DFSC-PS is now under strength (with three GS-12 vacancies) to perform the procurement of crude oil. In contrast, DFSC-PH is more adequately staffed to assume responsibility for these types of contracts, and the additional burden would be minimal.

Recommendation II-17. Make a concentrated effort to review all BML's, purge inapplicable contractor names, and ensure that current qualified offerors are listed.

During interviews with supervisory personnel in each contract division, there were varying opinions regarding the currency of automated BML's. Some division personnel believe that some lists may be only partially useful. Considering how vital suppliers are to the DFSC-P marketplace, and the problems often encountered in not receiving adequate offers (requiring resolicitation efforts), it would be prudent for DFSC-P to make updating the BML's a high priority. However, the intensity of the normal workload may result in this function remaining as a less-than-top priority item. Therefore there is merit in seeking contractor assistance to maintain BML currency. A small business concern dedicated to this function could ensure such currency more effectively than DFSC-P.

DFSC-P could verify the effectiveness of the contractor's efforts by making this subject a major item in DFSC-P's periodic internal review.

Recommendation II-18. Implement the DFAMS requirements of C&P on a priority basis.

A sample of DFSC-P's automation requirements is discussed in this section. Many of these requirements are essential to more effective evaluation of bids/offers, to determination of contract prices, and to better contract administration.

procurement QA and quality surveillance programs for fuel. As a result, the following functional responsibilities were established: DCAS would be responsible for Petroleum Quality Assurance (PQA) of refined products in CONUS, and (2) DFSC would be responsible for Petroleum Quality Surveillance (PQS) of refined products in CONUS (including GOCO's and pipelines). Furthermore, DLA HQ stipulated that DFSC must use DCAS services liberally to ensure the most economical and efficient use of resources in executing PQS responsibilities.

Ordinarily, DCAS is responsible for field contract administration where onsite work is required by a contract, such as at a manufacturing plant. However, it is recognized that some DFSC-P contracts are inappropriate for DCAS administration. For example, in bulk fuel contracts, the majority of contract administration functions are changes in contract terms and consequently do not require field representation. There does not seem to be economic justification for transferring contract administration responsibility to DCAS when onsite field representation is not required.

Nevertheless, since the Production Division is currently having difficulties meeting all its functional responsibilities, and in line with the consideration to dissolve the division entirely, there is merit in reviewing current postaward functions for possible assistance from DCAS.

Recommendation II-16. Assign all procurement/contracting responsibilities for requirements other than petroleum to the Services Division.

There are at least three types of procurements in DFSC-P that are not directly related to the acquisition of petroleum products or services. These include: (1) research and development contracts for synthetic fuels or acquisitions of synthetic crude oil from shale, procured by DFSC-PS; (2) commercial activity contracts, such as for graphic arts to support local activities, procured by DFSC-PH; and (3) study contracts to support DLA HQ and other local activities, procured by DFSC-PS.

2. Assign contract administrators directly to the individual existing teams, so that each team would have personnel dedicated to administering that team's contracts.

There are advantages and disadvantages to both of the above structures. One of the primary concerns for either structure is that the division chief will start assigning buying functions to postaward personnel, and such a practice will reach the point that postaward functions become secondary in importance. This is a concern that DFSC-P management will have to deal with on a constant basis.

Which of the above structures to adopt for each contract division should be an internal DFSC-P decision. Neither structure may be ideal for all divisions. Nevertheless, whichever is adopted, each buyer will continue to devote his/her effort to making awards, and personnel performing the postaward function will still be able to concentrate on contract administration. Splitting each division into separate preaward and postaward functions allows for expanded cross-training and enables the manager to utilize his/her resources to the best advantage. This more effective use of personnel should result in manpower economies, which can be applied to other neglected functions.

Recommendation II-15. Review current postaward contract administration functions transferred to DCAS; where practical, transfer additional functions.

DFSC-P now transfers some postaward functions to DCAS. These include:

- Quality Assurance (QA) inspection of coal at source.
- Safety and fuel inspections of contractor operations for into-plane services.
- Bulk lubricant quality.

A little over a year ago, DLA HQ determined that the split in responsibilities between DFSC and DCAS was adversely affecting

2. Assign each contract division responsibility for administering its own contracts (to the extent that DFSC-PP is now performing those tasks). Assign DFSC-PP resources to each contract division and postaward responsibilities to each division for its respective functions. For example, each contract division should assume responsibility for the following:
 - Tracking contract delivery and performance.
 - Follow-up on contractor delinquencies.
 - Processing modifications.
 - Pursuing preaward surveys and coordination with DCAS.
 - Maintaining contractor general files and contractor performance history.
 - Locating additional sources of supply.
 - Performing contract closeout.
 - Conducting IPP functions, to the extent necessary in each division.
3. To the extent DFSC-P determines that some functions cannot or should not be performed in the contract divisions, assign postaward functions to either the Management or Operations Support Offices.

Once the reorganization is determined, DFSC-P should formalize the realignment and publish specific procedures/guidelines for internal operation.

Recommendation II-14. Organize the postaward functions in the contract divisions according to the alignment that best enhances workload effectiveness and efficiency.

If the Production Division is dissolved, postaward functions would be assigned to each contract division. There are two structures under which postaward functions can be aligned:

1. Add a new team, section, or other like element to the division, and assign personnel strength according to the postaward workload. For example, if a contract division now has four buying teams, the postaward contingent would become the fifth team.

OPPORTUNITIES FOR IMPROVEMENT

Recommendation II-13. Dissolve the Production Division; reassign postaward contract administration functions among the contract divisions and the Management and Operations Support Offices.

As discussed earlier, postaward contract administration functions are fragmented. The Production Division does not have adequate staffing (in either numbers or experience) to perform production management or IPP functions. Consequently, several essential requirements are not being accomplished. From organizational, managerial, and mission standpoints, it does not appear to be good judgment to have part of the contract administration functions performed in contract divisions and part in a production division, while some functions simply are not done.

At the same time, there are strong arguments -- from the standpoint of mission effectiveness and efficiency -- for retaining contract administration functions in some contracting divisions, particularly Bulk Fuels and Special Contracts (for the crude oil purchases only). Preaward and postaward functions appear to be enhanced when total control is retained by the contract divisions. It is possible to combine the preaward and postaward functions in a single division because the commodities are limited in scope, the numbers of contractual actions issued annually are relatively small, and the present span of control within each contract division is structured adequately to accept another group or team.

Based on the above factors and on data presented earlier in this section, we recommend the following actions:

1. Dissolve the Production Division as an organizational entity.

- The Bulk Fuels postaward function was assigned to the Production Division for a year (November 1980 to October 1981); due to major problems, it was determined that the Bulk Fuels Division was in a better position to manage and perform the contract administration in a more effective manner.
- Day-to-day changes in customer demands, destinations, shipping disruptions, refining problems, and shifting transportation patterns resulting from rate changes and carrier availability all require intricate coordination with refiners through the PCO. Timing of the coordination process is critical, particularly when quality problems arise. The process of obtaining and authorizing or denying waivers, resolving responsibility for demurrage, and other liabilities can best be accomplished in DFSC-PD.
- In market supply shortage circumstances, contract terms and conditions are often different for individual contractors. These terms involve significant contractual issues such as EPA allocation and delivery conditions. In shortage situations, close coordination between DFSC-PD, DLA, and DoD is necessary to determine appropriate changes in procurement methodology; information concerning the effect of unique contract conditions is required but difficult to determine if administration were split from the contracting function.
- Even though the administration may be assigned to a contract administration division, the buyers become involved when problems arise. Contractors often call the buyers directly for help; contract administrators often need assistance from the buyers. It is more effective to have the authority to resolve problems than act as "middle man."
- The buyer becomes more knowledgeable about the contractor when he performs his own contract administration. This gives the buyer a big advantage when planning strategy for future negotiations with the same contractors.

Many of the same arguments cited above were given for DFSC-PS's retaining its crude oil contracts in support of the SPR program.

Considering the above factors and the current situation, DFSC-P management must determine which production functions need to be performed and where, organizationally, it is best to assign these responsibilities. It must then ensure that these functions are adequately defined and realistically staffed.

oriented. Most problems involve market peculiarities and difficulties in the acquisition of petroleum products. To assure fulfillment of program requirements and provide bases for negotiation, pricing, and other determinations, buying personnel must keep abreast of current market activities. A postaward function that is separated both physically and functionally does not permit ready access to this information without constant close coordination, often resulting in duplication of efforts. Therefore, these contracting divisions are reluctant to relinquish control of contracts and in many instances believe they cannot do so and still function effectively.

For example, the three most common problems in DFSC-PD are: (1) adjusting the price of petroleum on the first day of each month, in accordance with the contractual EPA clause; (2) processing petroleum specification waivers when contractors cannot meet the required quality of fuel or the fuel becomes contaminated in shipment, and (3) handling demurrage claims, wherein vessels are delayed or for other reasons do not deliver on time and when fuels in ships are contaminated. The division's contract administration workload amounts to about 100 contracts per year, or about 7 per procurement agent.

The DFSC Office of Planning and Management performed a DIMES organization/manpower study of DFSC-PD earlier this year. The DIMES team noted that the current fragmentation of contract administration violates the separation of duties concept of internal control. It further recommended that the contract administration process be separated from the procurement process and moved to the Production Division, stating that this move would be in compliance with the recommended organizational structure of the Organization of DLA Field Activities manual (DLAM 5810.1).

DFSC-P's response to this DIMES study provided the following reasons why DFSC-PD should retain its own contracts for administration:

In addition to the above physical fragmentation, there is a lack of specific guidelines, procedures, or requirements within DFSC-P describing the current postaward situation or split functions. The primary issue to be determined now is, given the current situation, should DFSC-P continue to function in this manner -- with some contract divisions and DFSC-PP performing postaward functions -- or should either DFSC-PP or the contract divisions perform all contract administration.

DFSC-PP was established as a result of recommendations by DLA HQ and the Defense Integrated Management Engineering System (DIMES) study on bulk fuels in 1978. Although the entire postaward function was meant to be assigned to DFSC-PP -- and the DFSC Manual 5810.1 assigns all postaward responsibility thereto -- full functional responsibility has actually never been shifted. One of the primary reasons is the lack of sufficiently trained and experienced people in the division. When DFSC-PP was first organized, it was staffed with a minimum number of people to begin operating and with predominately inexperienced/untrained personnel. Of the 24 contract administrators/specialists authorized in DFSC-PP, only 14 now assigned are at the GS-11/12 levels. The three GS-12 administrators now assigned (one position is vacant and being recruited) are all new ACO's and supervisors. DFSC-P managers feel that there are insufficient numbers of people and inadequate experience to perform the production management and IPP functions properly. However, they recognize that these functions are essential and must be performed within the directorate.

There are two contract divisions that retain all contracts for total administration: Bulk Fuels and Special Contracts. DFSC-P managers strongly support Bulk Fuels' retaining all its contracts for administration and Special Contracts' retaining its contracts supporting SPR.

The contract administration problems of these two divisions are primarily petroleum oriented and not procurement/contracting

- Services Division -- Retains own commercial activities contracts (in support of local DLA agencies) for administration. Most overseas contracts in Europe are assigned to the Defense Fuel Region-Europe (DFRE) for administration. All other contracts are transferred to DFSC-PP.
- Special Contracts Division -- Retains its own contracts for administration.
- Production Division -- Performs contract administration for ground fuels domestic contracts and services contracts, except for commercial activity awards and those transferred to DFRE. For the contracts it administers, it acts in the capacity of administrative contracting officer (ACO) and successor PCO, performing all contract administration functions applicable as outlined in DAR 1-406. Some functions are delegated to the Defense Contract Administration Services (DCAS), including:
 - Coal: Quality assurance inspection at source.
 - Into-plane: Safety/fuel inspections of contractor operations.
 - Storage contracts (GOCO/COCO): Currently, split administration, but it is programed to move under DFSC.
 - Bulk lubricants and specialty products: Quality assurance.

There are specific functions assigned to DFSC-PP that it is either not performing or only partially performing. These include:

- Contract closeout
- Industrial preparedness
- Termination for default
- Preaward survey/contractor history files
- Completion of negotiation actions
- ACO inspection of terminals.

fuels for DoD; synthetic crude oil produced from shale and converted into usable military applications; and tar sand, in attempts to obtain petroleum products in this manner. On occasion, DFSC-PS also supports DLA HQ by contracting for special studies.

In FY 1982, DFSC-PS contract awards equaled \$1.2 billion; FY 1983 awards were \$893 million.

DFSC-PS performs postaward contract administration of all its contracts. There is justification for its administration of crude oil contracts; however, all other contract administration should be assigned as discussed later in this section.

Due to the magnitude of the SPR program (its ultimate goal is a billion barrels of crude oil in storage) and the dollars involved, there are numerous congressional inquiries, continuing GAO oversight, Freedom of Information Act requests, and numerous offers from new companies. This workload is managed within DFSC-PS and its limited resources.

DFSC-P Postaward Contract Administration

Postaward contract administration is fragmented in DFSC-P. Two contract divisions retain all their own contracts for administration, one contract division retains some and transfers some contracts to the Production Division (DFSC-PP), and one contract division transfers all its contracts to DFSC-PP. Specifically, postaward contract administration functions are divided and performed as follows:

- Bulk Fuels Division -- Retains its own contracts for administration.
- Ground Fuels Division -- Retains its own overseas fuels contracts for administration. Transfers domestic fuels and coal contracts to DFSC-PP for administration; transfers coal contracts for Europe to the U.S. Army procurement office in Frankfurt, Germany.

To enter the spot market for crude oil, DFSC-PS developed a unique RFP. Under this solicitation, offers are received every 2 weeks, with awards made within 7 days thereafter or sooner. Every other Tuesday, there is a closing, and the division accepts offers, which are abstracted and analyzed. DFSC-PS conducts briefings within DFSC, establishes a negotiation range, and performs its own preaward surveys, relying on information from U.S. embassies overseas, banks, and other customers who have done business with the offerors.

The workload is complicated by submission of many unreliable bids, requiring time to evaluate such sources. DFSC-PS negotiates with reliable bidders within 3 to 5 days of receiving offers. During negotiations, market information may change three or four times; requirements may also change. Each change results in having to renegotiate price and delivery with each offeror. Best-and-final offers are requested on Tuesdays, with the latest offers abstracted again by automation. Factors that must be considered in evaluation include:

- Price at origin and destination.
- Delivery time frames (difference depending on origin or destination offers).
- U.S. Flag Ship transportation possibilities (to permit compliance with the Cargo Preference Act).
- Final market trends.

Contract award is made the following Monday, 2 weeks after the initial closing.

DFSC-PS has been procuring crude oil since the SPR program began in 1977 and at the time of this writing had awarded about \$8 billion in support.

The division's other contracting responsibilities include procuring such research and development requirements as synthetic

meet immediate overload work situations. Workload priorities are established according to the dates on which services are required, but there are rarely critical situations that necessitate contingency workload action.

The DFSC-PH procurement process normally requires about 6 months and results in RTC awards in the millions of dollars. The most significant factors affecting procurement leadtime are solicitation periods, number of offers received, negotiations, and the contract review process.

Most postaward contract administration for DFSC-PH contracts is conducted by the Production Division. However, DFSC-PH retains and administers contracts for local commercial purchases.

Special Contracts Division (DFSC-PS)

DFSC-PS has several responsibilities, the most essential of which is the purchase of crude oil for the U.S. Strategic Petroleum Reserve (SPR) operated by the Department of Energy (DOE). The program operates under a DoD/DOE interagency agreement, with the DFSC ACO functioning as program manager.

DOE generates procurement requirements through an Oil Acquisition Order (OAO), which functions like a PR. DFSC-AC furnishes the OAO with funds from DOE. DFSC-PS procures crude oil by either of the following methods:

- Term Purchase -- This is a 90-day award cycle in which DFSC-PS conducts a normal procurement process, including a single RFP for a specified period (designated by DOE). Award is through a fixed price contract.
- Spot Market Purchase -- This is a 2-week process and is the primary method used to acquire crude oil for the SPR. It results in a multimillion-dollar procurement every 2 weeks, with a typical award consisting of four to five million barrels of crude oil, valued at between \$128 to \$160 million at current prices.

- Terminal storage, either in GOCO or COCO facilities. GOCO facilities are used in CONUS only, whereby the U.S. Government hires contractors to operate and maintain these storage facilities. COCO facilities are used for worldwide storage; the Government leases contractor facilities to store jet and ground fuels. COCO facilities are also used to store prepositioned war reserves for ships and aircraft. Contracts for GOCO and COCO facilities are firm fixed price without EPA clauses.
- Into-plane services provide for worldwide refueling and associated servicing of military aircraft landing at commercial airports. Awards are requirement-type contracts (RTC's).
- Bunkers services provide worldwide refueling and servicing of U.S. ships in ports (the same as for aircraft at commercial airports). These are also RTC awards. DFSC-PH contracts for all requirements except Europe. Into-plane and bunkers needs there are awarded and administered by the Defense Fuels Region-Europe.

DFSC-PH also contracts for other requirements, such as commercial laboratories' (worldwide) testing of fuel qualities (quality assurance program) on a firm fixed price basis. The division is currently becoming involved in contracting with commercial business to perform such functions as graphic arts services in support of local DLA requirements. (Since the Special Contracts Division is also procuring services of a somewhat similar nature, DFSC-P should concentrate all these similar-type procurements in one division.)

In FY 1982, DFSC-PH contract awards totaled \$376 million; FY 1983 awards equaled \$374 million. Typically, PH contracts provide for aircraft into-plane services at approximately 140 domestic and 50 overseas locations; ships' bunkers services are provided at approximately 350 domestic and 55 overseas locations.

DFSC-PH normally receives a smooth and continuous incoming workload, void of saturation levels and peaks or valleys of new work. A team leader concept is employed here also, with GS-12's providing technical training but not supervisory administration. There is emphasis on advanced and milestone planning, and procurement agents are temporarily moved from one team to another to

Delinquent (overage) PR problems are caused when there are insufficient contract offers to meet all requirements. This requires resolicitation by DFSC-PE, though some requirements can never be fulfilled due to a lack of offerors.

Coal procurements are on a smaller scale, with the entire workload handled by three procurement agents. Of domestic coal customers, nearly 85 percent are military. All overseas requirements are for the military. Procurements for coal over the last 2 fiscal years combined have totaled nearly \$225 million.

Contract administration for domestic ground fuels and coal is conducted by the Production Division. The overseas ground fuels team administers its own contracts, except for PC&S in Germany, which are administered by the Defense Fuels Region-Europe. The U.S. Army in Europe administers coal contracts for that area.

In December, the Lubricants and Specialty Products Division will be disbanded. Procurement responsibilities and 13 authorized positions for packaged lubricants will be transferred to the Defense General Supply Center. With the addition of seven personnel, DFSC-PE will assume responsibilities for the bulk lubricants. Division managers do not foresee any problems associated with this change.

Services Division (DFSC-PH)

DFSC-PH contracting responsibilities involve providing for worldwide petroleum-related services. This includes the following specific functions:

- Aircraft refueling services for naval air stations (and some Army facilities) in CONUS only. Services may include moving jet fuel from temporary storage tanks to onsite facilities and actual refueling of aircraft. Funds for these services are provided by military interdepartmental purchase requests (MIPR's). Resulting contracts are normally firm fixed price with or without EPA provisions.

Apparently, C&P additional requirements for DFAMS are planned in the long-range future (perhaps sometime in late 1984 or 1985). When considering the monetary impact of DFSC-P contract awards on DLA and DoD, it appears advisable to enhance C&P's automation capabilities on a priority basis. It is recommended that DLA HQ and DFSC adopt this as a joint, primary goal.

Recommendation II-19. Closely monitor and document workload enhancement realized by installing word processing units in contract divisions.

The implementation of word processing units normally enhances workload effectiveness and efficiency. DFSC-P should conduct an analysis for a specified time (such as 1 month) of the numbers of documents produced and time saved. These data should in turn be converted to a specific dollar savings due to word processing. Results could then be used to weigh the appropriateness of requesting word processing units for other DFSC-P activities or additional units for the contract divisions.

D. MANAGEMENT INDICATORS

CURRENT OPERATIONS

The peculiarities of the DFSC contracting environment make normal DLA workload count and management indicators difficult to compare to other centers. As cited earlier, when single one-time requirements involve few PR's for delivery at hundreds of locations and involve over 90 separate negotiations of 50 to 60 contracts at collective awards amounting to \$3 billion, simple counts by PR's or line items are totally inadequate and misleading. In fact, there are only two DLA-wide performance goals applicable to DFSC-P:

- Rate of Formal Advertising (percent of total dollars awarded) -- DFSC-P attained 10.5 percent against a goal of 12 percent.

- Rate of Competition (percent of total dollars awarded)
-- DFSC-P attained 82 percent against a goal of 75 percent.

Exhibit 6 displays DFSC-P contract award data for the last 4 fiscal years. The reduction in contract dollars awarded and line items processed in FY 1983 is due to a reduction in customer demand and changes in the price of petroleum.

As stated earlier, DFSC-P does not have a serious overage (delinquency) problem. Meeting milestone schedule award dates depends on many factors beyond DFSC-P's control, such as inadequate number of offerors in one or more areas (requiring new procurement cycles), contractor refusal to accept certain provisions of U.S. law and the DAR, and the nature of negotiations.

Considering the nature of its mission and actual accomplishments in the face of a 35-percent turnover in personnel, DFSC-P appears to be satisfactorily accomplishing its mission.

OPPORTUNITIES FOR IMPROVEMENT

Recommendation II-20. **Develop goals and management indicators commensurate with the procurement mission.**

DFSC-P should analyze its internal operation and establish internal performance goals and management indicators commensurate with its unique operation. Although it is agreed that almost all performance goals that DLA applies to other supply centers are inappropriate for DFSC, the directorate should nevertheless employ some management tools to judge its internal performance.

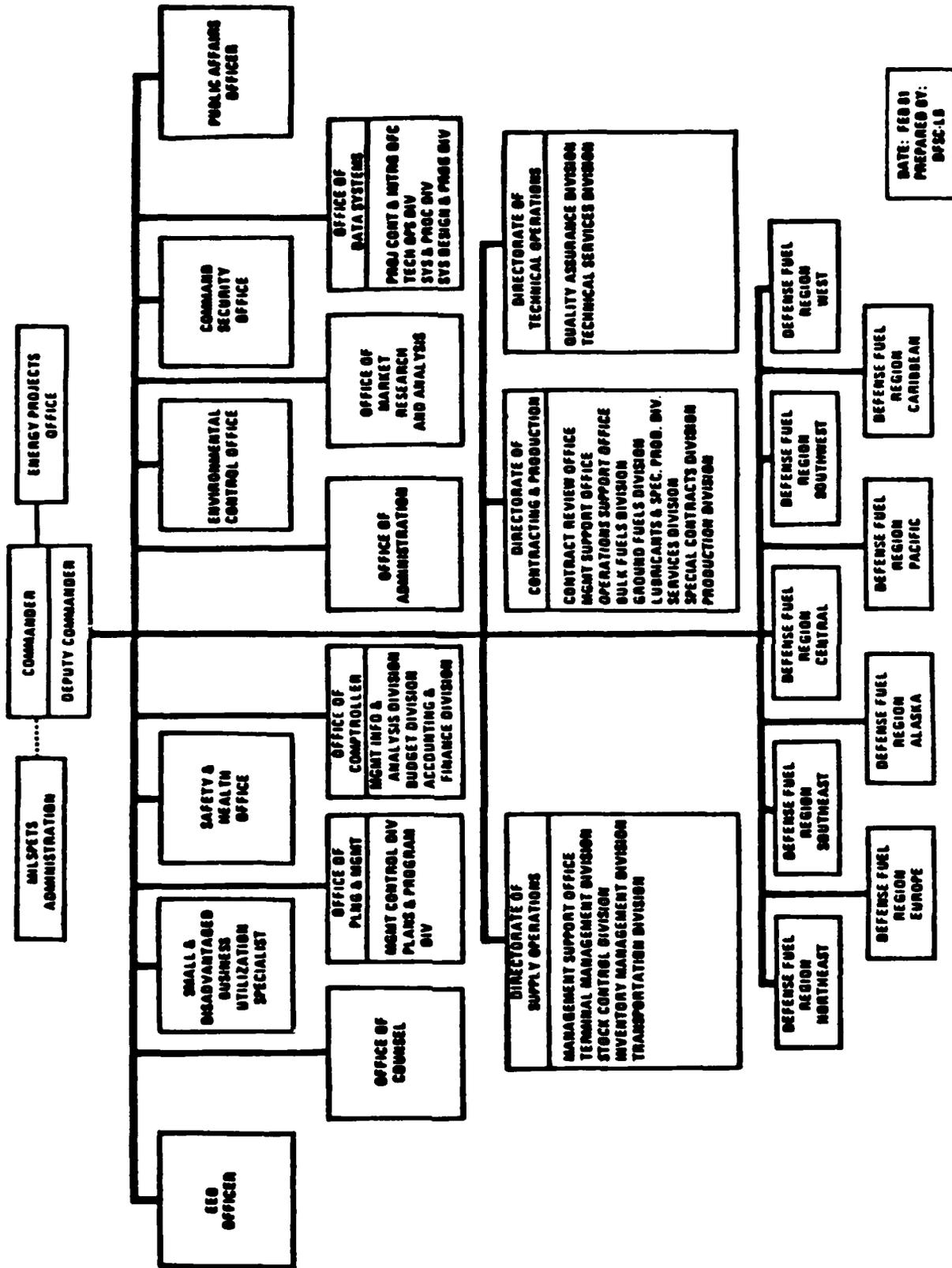
Goals and indicators should be more than mere workload counts. Rather, they should enable DFSC-P to measure the effectiveness and efficiency of the contracting and production function. The following are illustrative of the types of management indicators applicable to DFSC-P:

- ● Progress of the procurement cycle as measured by milestone tracking.
- Adequacy of competition.
- Quality of cost and price analysis.
- Effectiveness of negotiations.
- Contractor performance.

We recommend that this task be assigned to the Plans, Programs, and Systems Section of DFSC-PC.

EXHIBIT 1

DEFENSE FUEL SUPPLY CENTER



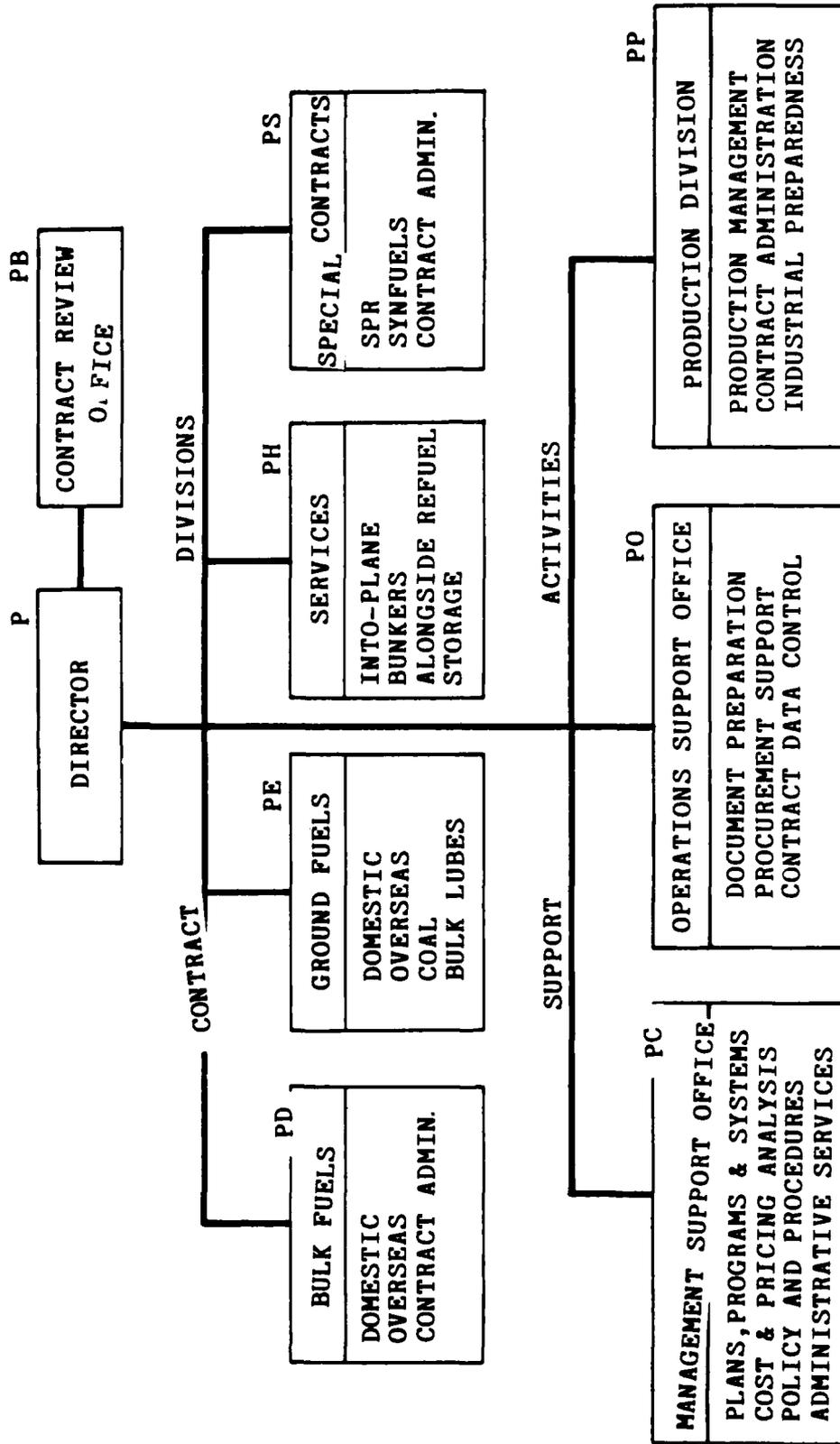
DATE: FEB 81
PREPARED BY:
DFSC-1B

EXHIBIT 2
DEFENSE FUEL SUPPLY CENTER
DEFENSE AND FEDERAL CIVIL ACTIVITIES
SUPPORTED BY DFSC

U.S. Army	Postal Service
U.S. Air Force	Veterans Administration
U.S. Navy	General Services Administration
U.S. Marines	Department of Interior
Department of Energy	Department of Agriculture
Department of Treasury	Department of Transportation
Department of Justice	National Aeronautics and Space Administration
Department of Commerce	
Health & Human Services	

EXHIBIT 3

DEFENSE FUEL SUPPLY CENTER
DIRECTORATE OF CONTRACTING & PRODUCTION*



* Organization arrangement after the Lubricants & Specialties Division is deleted in December 1983.

EXHIBIT 4

DEFENSE FUEL SUPPLY CENTER
CONTRACT DIVISIONS

BULK FUELS

1 GM 1102-14
1 O-4
1 GS-1106-5

4 GM-1102-13
7 GS-1102-12 + (3 vacancies)
3 GS-1102-11 + (2 vacancies)
4 GS-1102-9/11 + (2 vacancies)
1 GS-1106-6
4 GS-1106-5

GROUND FUELS

1 GM-1102-14
1 O-4

4 GM-1102-13
7 GS-1102-12
11 GS-1102-11
2 GS-1102-9/11
3 GS-1102-7/11 + (1 vacancy)
1 GS-1102-5/11 + (1 vacancy)
7 GS-1106-5

SERVICES DIVISION

1 GM-1102-14

2 GM-1102-13
6 GS-1102-12
5 GS-1102-11
1 GS-1102-9/11
0 GS-1102-7/11 + (3 vacancies)
1 GS-1102-7/9
4 GS-1106-5

SPECIAL CONTRACTS

1 GM-1102-14
1 O-4

2 GM-1102-13
4 GS-1102-12 + (5 vacancies)
1 GS-1102-7
2 GS-1106-5

EXHIBIT 5

DEFENSE FUEL SUPPLY CENTER

DOLLAR VALUE OF CONTRACT AWARDS
BY PRODUCTS & SERVICES

FY 1982 and 1983

<u>Product & Service</u>	<u>1982</u> <u>\$ Millions</u>	<u>1983</u> <u>\$ Millions</u>
Jet Fuel	\$5,825	\$5,227
Distillates	2,317	2,151
Special Contracts	1,281	893
Residuals	484	462
Motor Gasoline	443	402
Packaged Products	111	94
Coal	109	114
Petroleum Services & Misc.	87	82
Aviation Gasoline	<u>28</u>	<u>38</u>
	<u>\$10.7 Billion</u>	<u>\$9.5 Billion</u>

EXHIBIT 6

DEFENSE FUEL SUPPLY CENTER
PROCUREMENT AWARD SUMMARY
COMPARISON OF FY 1980 THROUGH FY 1983

	<u>FY 1980</u>	<u>FY 1981</u>	<u>FY 1982</u>	<u>FY 1983</u>
Contract Awards (\$ Billions)	\$6.9	\$12.8	\$10.7	\$9.5
Purchase Request Line Items (000's)	17	19	22	17
Small Business Awards (\$ millions)	\$1,265	\$2,745	\$3,147	\$3,099
Competitive Procurements (% of total dollars)	21%	68%	74%	82%
Formal Advertising (% of total dollars)	7.5%	7.5%	10.5%	10.5%

DATE: 15 JAN 1981

NEGOTIATED ACTIONS

	REVIEW LEVEL	PD		PE			PG		Ser	PH (DLA)					PS		
		D	O	D	O	C	D	O		DIP	OIP	DR	ICR	Con	CR	CA	
DLA**	\$100,000,000 and Over	X	X														
	10,000,000 and Over				X												
	5,000,000 and Over			X**		X	X	X		X	X	X	X				
	500,000 and Over								X								
	200,000 and Over															X	
	100,000 and Over																X
	Sole Offer \$1,000,000 & Over (Total Contract Value)									X							
	Sole Offer \$1,000,000 & Over (Individual Line Item)											X					
	Sole Offer \$300,000 & Over (Individual Line Item)				X**												
	Sole Offer \$250,000 & Over (Individual Line Item)					X											
	Sole Offer \$200,000 & Over (Total Contract Value)							X									
	Sole Offer-Except (a)(b) \$100,000 & Over (Total Contract Value)				X			X			X		X	X	X	X	X

All proposed actions requiring review and approval by DLA shall be reviewed by the Director, C&P. All other proposed actions shall be subject to review and approval as follows:

	REVIEW LEVEL	PD		PE			PG		Ser	PH					PS		
		D	O	D	O	C	D	O		DIP	OIP	DR	ICR	Con	CR	CA	
DIRECTOR	\$50,000,000 and Over	X	X														X
	5,000,000 and Over				X												X
	1,000,000 and Over			X					X	X	X	X					
	500,000 and Over					X											
	200,000 and Over						X	X									
	Sole Offer \$500,000 & Over (Individual Line Item)											X					
	Sole Offer \$500,000 & Over (Total Contract Value)								X								
DIVISION CHIEF	\$100,000 to \$49,999,999.99	X	X														
	100,000 to 4,999,999.99				X												
	100,000 to 999,999.99			X					X	X	X	X					
	100,000 to 499,999.99					X			X								
	100,000 to 199,999.99						X	X								X	
CONTRACTING OFFICER	0 to \$99,999.99	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X

- * The requirement for DLA review and approval has been waived for Purchase Program 2.33, Service Stations (Credit Cards).
- ** Contracts negotiated with the SBA pursuant to Section 8(a) of the Small Business Act, and each exercise of an option where the basic contract was reviewed and approved by DLA, do not require DLA Review and approval.
- o The requirement for DLA pre-award review and approval has been waived for all spot buys of crude oil and all actions involving transshipment of crude oil under the SPR Program.

(DLA) - Thresholds for DLA's Boundaries & Into-Phase Same as PM

EXHIBIT 8

DEFENSE FUEL SUPPLY CENTER
CONTRACT BLANKET DEVIATIONS/WAIVERS

<u>SUBJECT</u>	<u>EXPIRATION DATE</u>
1. Small Business Set-Aside Procedures for Bulk Procurement	Indefinite
2. Computerized Format for SF-30 to Process Price Change Modifications	Indefinite
3. Overseas and Domestic Product Allocation -- Deviation to Defaults Clause	30 June 1986
4. Deviation to DAR Changes Clause	Indefinite
5. Deviation to Allow for Submissions of Offers in Other than U.S. Currency	31 May 1985
6. Streamlined Solicitations For Petroleum Products Contracts (Including Deviation to DAR Uniform Contract Format)	Indefinite
7. Streamlined Solicitations for DFSC Nonpetroleum Contracts (Services or Coal)	30 May 1983
8. Fast-Pay Procedures for Overseas Procurements	1 July 1983 (Requesting Extension)

EXHIBIT 8 (cont'd)

ANTICIPATED BLANKET DEVIATIONS/WAIVERS

<u>SUBJECT</u>	<u>SUBMITTED</u>
1. Deviations to Case-by-Case Criteria for Exception to the Trade Agreements Act of 1979	August 1983
2. Deviation to DAR Requirements for Cost or Pricing Data on Negotiated Petroleum Contracts	Pending (Being Coordinated in DFSC)
3. Deviation to Raise the Small Purchase Threshold for Petroleum Products to \$100,000	Being Drafted into Legislation by DoD

APPENDIX A
POSITION DESCRIPTIONS

PROTOTYPE POSITION DESCRIPTION

PROCUREMENT AGENT, GS-1102-11

JOB SUMMARY

This position description applies to buyer positions in the Directorate of Procurement and Production. The position's primary purpose is to perform a full range of procurement work associated with the centralized purchase of petroleum products and related services for Federal military and civilian agencies nationally or worldwide. The work may be performed independently or as a member of a team.

DUTIES:

The position is assigned complex solicitations or portions of extremely large solicitations. Major duties include:

1. Analyzes purchase requests and prepares solicitations for procurements including those of such scope that several procurement agents may be required to carry out the procurement.
2. Reviews cost and pricing data. Data include contractor costs and marketing information which are difficult to assess because of the complexity and interrelationships of the various items or because of the need to use indirect indicators in lieu of the usual cost and pricing data. Determines whether contractor submissions are complete and meet requirements. Reviews audit reports submitted by the Defense Contract Audit Agency and by cost/price analysts to identify weaknesses in contractor costs. Prepares pre-negotiation plans.
3. Plans and performs the full range of procurement functions for assigned programs (including negotiating with potential

in high unemployment areas, and on the needs of the Government. The work requires careful and well coordinated planning, innovative solicitation development, development of new contract clauses, development of new sources, identification of Government-wide needs, and the practical and effective resolution of problems that arise during administration of the contract.

The positions described in the prototype position description as a procurement agent meet the criteria shown above for the GS-12 level both in type of assignment and level of responsibility. This evaluation is reinforced by application of the July draft of the proposed FES standard for the GS-1102 standard. Benchmark number 12/03 of that draft matches the prototype position very closely. We have shown our FES factor level recommendations on the prototype position description.

The positions may therefore be classified as:

Procurement Agent, GS-1102-12.

responsibility only, because of the complexity of the contract arrangement and the complexity of the item, service, or research being procured.

. . .

Level of responsibility

Employees at grade GS-12 typically operate more independently and have greater authority to reach agreements than those at GS-11.

The GS-12 contract negotiator is responsible for coordinating the entire negotiation with all interested parties as well as for leading the negotiation conference as spokesman of the agency. Because of the scale of procurements involved, plans for the negotiation are usually checked at higher levels in advance. The negotiator also consults with his supervisors during the most difficult parts of the negotiation process.

Contract administration and termination positions at grade GS-12 carry more authority than those at GS-11 for final commitments within prescribed money limits for all or most contract administration or termination functions. However, there are some administration and termination employees at the GS-12 level who have recommendatory responsibility; these employees typically deal with very complex contracting situations in which they assist senior administrators.

This prototype position includes responsibility for coordinating a variety of large volume procurement actions. The buys may involve resolving the differences in requirements and preferences between services, negotiating and administering complex production and delivery schedules dealing with sole source suppliers; resolving problems with Government-supplied materials; and similar problems. Many of the problems dealt with at this level are not evident when seen from the perspective of a single procurement and require an understanding of the interrelationships between procurements to identify and resolve. The incumbent must see that the needs of the various procurements do not conflict (e.g., overextend the capacity of small suppliers receiving awards under separate procurements). Decisions require both a broad and detailed understanding of the industry. The incumbent is responsible for considering the effects of high dollar contracts on suppliers, on the productive capacity of manufacturers, on small and disadvantaged businesses, on businesses

points, and varying amounts of items needed in the agency or agencies at different times and in different locations. Procurement actions involve developing schedules to be incorporated in invitations for bid and final contracts.

Level of responsibility

... The supervisor gives guidance for planning unusual or significant procurements and in interpreting complex regulations. The procurement agent exercises independent judgment and initiative, sets the priorities or work to be accomplished on a day-to-day basis, and develops the approach to each case. His work proceeds without review up to the point of either award, if appropriate, or recommendation for award. Technical review includes an examination of awards recommended, the completeness of the transactions, and any impact on future procurements. At that point, his actions are reviewed from the standpoint of policy considerations and implications for the procurement program.

...

He may recommend cancelling invitations to bid, readvertising, or negotiating when full coverage is not obtained within the industry, when bids are not responsive, or when offers are unreasonable. He assures that firms in disaster or distressed labor areas have been given opportunity to share in the procurement. He works with small business specialists to determine appropriate procurements for small business."

Assignments at GS-12:

"Negotiation. - Assignments at the GS-12 level, to a greater extent than at the GS-11 level, include major types of equipment, extensive technical services, or research and development programs. Difficulty in negotiating stems from desired changes and developments in equipment, use of new materials, changes in production facilities, and new operational needs. Further complications are present when procurement can be made with only one supplier. Lack of competition places the contractor in a favored position in negotiating terms and prices.

...

Administration. - GS-12 assignments are more difficult than those typical of GS-11 because they require administration of a group of complex types of contracts (e.g., fixed price with redetermination provisions, cost reimbursement including cost-plus-a-fixed fee, and other complex types). GS-12 employees often have delegated authority to commit the Government in the capacity of a designated contracting officer, within prescribed money limits. However, some contract administrators at this level have recommendatory

The supervisor reviews recommendations for awards and supporting documents for soundness of judgment, adequacy of analysis and adherence to policies and procedures. . . ."

Assignments at GS-11:

"exceed those at GS-9 in scope and complexity in that they often involve -

- Procurement transactions to meet the consolidated requirements of the agency or agencies.
- Manufacturing or modification of items to Government specifications.
- Coordination with technical offices and other groups in each phase of the transaction process.

Assignments at the GS-11 level have characteristics such as the following:

1. Items are of special or unique design. They must be manufactured or constructed under close control to meet tight specifications. . . .
2. Assignments often require review of the market to determine the availability of the item or services. Prior procurements do not serve as guides because of obsolescence of previous items, and changes in manufacturing processes.
3. Unfavorable market conditions, such as frequent price changes, unstable supplies of materials, changing labor markets, reluctant suppliers, require constant review and determination of most advantageous method of procurement.
4. . . . agents at this level coordinate procurement planning and execution within the buying agency. Contacts must be maintained with other contract, procurement and price analysis personnel, small business representatives, planning, accounting, technical, transportation specialists, and legal counsel.
5. Transactions are often complicated by features such as negotiations concerning components and spare parts, use of Government-furnished property, inspection and testing requirements, ownership of patents, and payment of royalties.
6. Individual procurement may be for quantities needed to satisfy the requirements of an agency or agencies for specific items for a stated period of time. . . . These procurements involve analysis of industrial distribution patterns, merchandising practices, and transportation factors in relation to diverse delivery

At GS-7 (under Part III of the standard), assignments have few complexities. For most assignments, work is reviewed in process and upon completion. The supervisor reviews the recommendations of the GS-7 to ensure adequate analysis, sound judgments and adequate justification for recommendations.

Assignments at GS-9:

"involve more specialized procurements and more independence . . . Employees at grade GS-9 usually perform all aspects of procurement transactions from initiation to recommending awards. . . . Items procured are of a specialized nature. Problems are caused by complex specifications, limited market sources, and close price bidding.

The employee at GS-9 must deal with specialized items which are manufactured to specification for a special purpose. Such items may be common in the trade but are not in general use by the public. The specifications are complex and may include physical, chemical, electrical, or other properties. There may be specified methods of testing and special performance requirements.

Procurements assigned may be complicated by the need to develop new sources of supply to ensure greater price competition. The employee often makes purchases for a number of installations including overseas activities. He must analyze industry distribution patterns and practices, as well as transportation factors in determining the most advantageous proposals.

Some positions at this level are concerned with developing or revising large consolidated procurement contracts. Such assignments require continuing responsibility for establishing long-term indefinite delivery contracts. These procurements meet the consolidated requirements of a large agency or agencies. In these situations, the GS-9 procurement agent either has responsibility for a small number of items or services or he works with a higher grade procurement specialist on the total transaction. Typical of these assignments is the responsibility for a group of items which are part of a major contract or schedule. The higher-grade procurement agent retains basic responsibility for these procurements.

Level of responsibility

The significant distinction from the nature of supervision received at the GS-7 level is that GS-9 employees normally perform the procurement assignments described at this level from time of receipt of the purchase request to recommendation for award with considerable independence. . . .

trends and conditions; relationships among costs of production, marketing, and distribution, and procurement and contracting policies and methods."

The prototype position description fits the intent of example 5 of the series definition.

TITLE:

The position should be titled Procurement Agent. Page 4 of the standard states:

"In the procurement specialization (covered by part III of this standard), the titles are -

- Procurement Agent: Applies to either (a) employees who buy supplies, services, equipment, or material using formally advertised bid and negotiated procurement methods, or (b) training and developmental positions at grades GS-5 and GS-7.
- Procurement Officer: Applies to employees who have responsibility for managing a procurement program of an agency or activity."

The position meets the definition of procurement agent. At this point, the titles in the proposed FES standard differ somewhat from those of the current standard. These titling recommendations should therefore be reviewed when the final version of the new standard is approved.

GRADE:

The current classification standard describes the characteristics of each grade under two headings - "Assignment characteristics" and "Level of Responsibility." Positions at different grades often have many individual duties in common. This evaluation discusses some of the characteristics of the GS-7, 9, 11 and 12 levels to give an idea of the trend of increasing duties and responsibilities intended by the standard as a whole.

EVALUATION STATEMENT

PROTOTYPE POSITION DESCRIPTION

PROCUREMENT AGENT, GS-1102-12

This prototype position description represents the typical GS-12 Procurement Agent recommended for the Defense Fuel Supply Center.

The evaluation is based upon the current position classification standard (dated February 1969) for the Contract and Procurement Services, GS-1102. The grade level, based primarily upon the nonsupervisory work of the position, is consistent with the criteria in the most recent draft (July 1983) of the proposed GS-1102 FES standard issued recently by the U.S. Office of Personnel Management. The Work Leader Grade-Evaluation Guide was not used to establish the proposed grade. It is intended for positions involved with one-grade interval work only.

SERIES:

These positions should be classified in the Contract and Procurement Services, GS-1102. The series definition is:

"This series includes positions involving work concerned with (1) obtaining contractual agreements through negotiation with private concerns, educational institutions, and nonprofit organizations to furnish services, supplies, equipment, or other materials to the Government; (2) assuring compliance with the terms of contracts and resolving problems concerning the obligations of either the Government or private concerns; (3) analyzing negotiations and settling contractor claims and proposals in contract termination actions; (4) examining and evaluating contract price proposals; (5) purchasing supplies, services, equipment, or other materials by formally advertised bid and negotiated procurement procedures; (6) planning, establishing or reviewing procurement programs, policies, or procedures; (7) formulating policies, establishing procedures and performing services for small business in contracting and procurement; or (8) providing staff advisory service in one or more of the specializations in this occupation. The work requires a knowledge of business and industrial practices; market

WORK ENVIRONMENT - Level 9-1 5 points

The work is performed in offices.

TOTAL POINTS -- 2,890

Contracts are characterized by many special clauses, multiple awards, and extensive administrative problems. Decisions are based on analysis of the industry and of the companies involved. The work requires careful planning, innovative solicitation development, originating contract clauses, and developing sources.

SCOPE AND EFFECT - Level 5 - 4 - 225 Points

The purpose of the work is to plan and conduct centralized procurements for large/scale buying of petroleum products and/or services to meet the consolidated needs of the Government.

The work affects the availability of fuels and related services essential for military operations. Some assignments have a strong influence on the viability of small local businesses. The dollar value of individual procurements can be exceptionally high, involving the provision of fuels for various regions of the world. Contracting activity often generates interest by Congressional committees or individual elected officials, industrial officials, or other groups.

PERSONAL CONTACTS - Level 6-3 60 points

Contacts include corporate representatives, cost and price analysts and other specialists within DLA. Contacts are in a moderately unstructured setting.

PURPOSE OF CONTACTS - level 7-3 120 points

Contacts are to conduct negotiations for procurements and to persuade suppliers to meet the Government's requirements.

PHYSICAL DEMANDS - Level 8-1 5 points

The work imposes no special physical demands.

others as necessary, and keeps the supervisor informed of progress and potential controversies.

GUIDELINES Level 3-4 - 450 Points

Because of the complexity of the petroleum marketplace worldwide, guidelines for conducting industry studies are general, of limited use, or are not available. The employee must use initiative and resourcefulness to develop information for use in negotiations or in documenting the reasonableness of the prices being negotiated. The incumbent must develop new or special clauses or provisions to cover unique or highly unusual situations. Other guidelines include statutes, Federal and agency policies and procedures; Comptroller General decisions; other legal precedents and commercial publications.

COMPLEXITY - Level 4-5 - 325 Points

The employee is the team leader responsible for large volume procurements for commodities to meet the military and civilian requirements for the Government for petroleum products and related services nationwide or worldwide. Some of the complexities typically encountered include:

- the need to coordinate and ensure consistency within large solicitations with numerous bidders and awards;
- the need to negotiate with incomplete information;
- differences in industry practices in different areas of the world;
- the need to support unique or highly unusual military operational requirements;
- commodity shortages (such as temporary shortages for specific types of fuels);
- the need to rotate stock in inventory;
- lack of competition among vendors; and
- the need for in-depth cost analysis using indirect information when companies are not required to provide cost information.

KNOWLEDGE REQUIRED BY THE POSITION - Level 1-7 - 1250 Points

Knowledge of the petroleum industry sufficient to identify sources of supply, evaluate economic factors affecting procurements, recognize the consequences of various proposals and suggested changes in contract terms, recognize the strengths and weaknesses of a bidder's bargaining position, and negotiate contracts effectively.

Knowledge of Federal, DoD and DLA contracting laws, regulations, principles and practices, contracts and provisions, and methods of contracting applicable to the centralized acquisition of petroleum products and services for Government use either nationwide or worldwide.

Knowledge of cost and price analysis sufficient to perform various computations relative to such matters as product costs, transportation costs, and facility costs.

Knowledge of negotiating techniques and skill in negotiating to deal with suppliers of products and/or services. Negotiations are to arrive at the best practical contract for the Government in terms of such characteristics as price, delivery dates, compliance with contract clauses, and dependability of supply.

Ability to remain highly organized in performance of such duties as: ensuring that voluminous case files are carefully and clearly documented, managing time effectively in coordinating the work of other specialists, and monitoring the progress of all assigned work.

SUPERVISORY CONTROLS Level 2-4 450 Points

The section supervisor sets the general area of assignment, the overall objectives of the work, and the resources available. The incumbent and supervisor together develop the schedules and deadlines. The incumbent plans and carries out the assignment, resolves most conflicts personally, coordinates the work with

2. Reviews cost and pricing data. Data include contractor costs and marketing information which are difficult to assess because of the complexity and interrelationships of the various items or because of the need to use indirect indicators in lieu of the usual cost and pricing data. Determines whether contractor submissions are complete and meet requirements. Reviews audit reports submitted by the Defense Contract Audit Agency and by cost/price analysts to identify weaknesses in contractor costs. Prepares pre-negotiation plans.
3. Plans and performs the full range of procurement functions for assigned programs (including negotiating with potential suppliers) to provide products and services to the Government in the most efficient, effective and economical way practical. This includes: analyzing proposals with respect to the terms offered, existing business practices in the part of the world in which the contract is to be performed, supplier capability, and similar considerations. The incumbent prepares required Determination and Findings (D&F's) to support the type of procurement action selected. Prepares pricing objectives with assistance of price analysts and marketing research specialists. Conducts face-to-face negotiations with offerors and prepares complete contract with all support documentation for final review, approval, and award by the contracting officer.
4. Oversees the work of other procurement agents working on assigned solicitations. These procurement agents may be at the same or lower grade level than the incumbent. The incumbent assists the Contracting Officer in maintaining the flow and quality of work. Provides on-the-job training to less senior procurement agents in accordance with established plans and practices.

APPENDIX A

PROTOTYPE POSITION DESCRIPTION

PROCUREMENT AGENT, GS-1102-11

**DEFENSE FUEL SUPPLY CENTER
DIRECTORATE OF CONTRACTING AND PRODUCTION**

JOB SUMMARY

This position description applies to "senior buyer" positions in the Directorate of Procurement and Production. The incumbent has two primary responsibilities:

1. Centralized procurement for the Military Services and Federal Civil Agencies worldwide of bulk or packaged petroleum products, various petroleum services (including storage, into-plane, and bunkering), or coal;
2. Serving as team leader responsible for overseeing the work of other buyers of the same or lower grade.

DUTIES:

The position is assigned solicitations which often involve coordination of the work of several other procurement agents, solicitations in which the specific requirements are shaped during negotiations by the availability of products or services and by changing events, extensive cost and price analysis, extremely large sums of money, difficult negotiations with senior company negotiators from several different companies, and evaluation of offers which are exceptionally difficult to compare.

Major duties include:

1. Analyzes purchase requests and prepares solicitations for procurements including those of such scope that several procurement agents may be required to carry out the procurement.

suppliers) to provide products and services to the Government in the most efficient, effective and economical way practical. This includes: analyzing proposals with respect to the terms offered, existing business practices in the part of the world in which the contract is to be performed, supplier capability, and similar considerations. The incumbent prepares required Determination and Findings (D&F's) to support the type of procurement action selected. Prepares pricing objectives with assistance of price analysts and marketing research specialists. Conducts face-to-face negotiations with offerors and prepares complete contract with all support documentation for final review, approval, and award by the contracting officer.

4. Oversees the work of other procurement agents working on assigned solicitations. These procurement agents may be at the same or lower grade level than the incumbent. The incumbent assists the Contracting Officer in maintaining the flow and quality of work. Provides on-the-job training to less senior procurement agents in accordance with established plans and practices.

KNOWLEDGE REQUIRED BY THE POSITION - Level 1-7 - 1250 Points

Knowledge of the petroleum industry sufficient to identify sources of supply, evaluate economic factors affecting procurements, recognize the consequences of various proposals and suggested changes in contract terms, recognize the strengths and weaknesses of a bidder's bargaining position, and negotiate contracts effectively.

Knowledge of Federal, DoD and DLA contracting laws, regulations, principles and practices, contracts and provisions, and methods of contracting applicable to the centralized acquisition of petroleum products and services for Government-wide use either nationwide or worldwide.

Knowledge of cost and price analysis sufficient to perform various computations relative to such matters as product costs, transportation costs, and facility costs.

Knowledge of negotiation techniques and skill in negotiating to deal with suppliers of products and/or services. Negotiations are to arrive at the best practical contract for the Government in terms of such characteristics as price, delivery dates, compliance with contract clauses, and dependability of supply.

Ability to remain highly organized in performance of such duties as: ensuring that voluminous case files are carefully and clearly documented, managing time effectively in coordinating the work of other specialists, and monitoring the progress of all assigned work.

SUPERVISORY CONTROLS Level 2-4 450 Points

The section supervisor or team leader sets the general area of assignment, the overall objectives of the work, and the resources available. The incumbent and supervisor together develop the schedules and deadlines. The incumbent plans and carries out the assignment, resolves most conflicts personally, coordinates the work with others as necessary, and keeps the supervisor informed of progress and potential controversies.

GUIDELINES Level 3-3 - 275 Points

Guidelines include procurement regulations, DLA policies, system procedures and formats, Comptroller General decisions; bidders lists; precedent procurement actions; commercial catalogs; and similar documents. Guidelines provide examples and set limits on available choices, but do not deal with the details associated with individual procurement actions. When the incumbent is assigned to a team, guidelines may also be provided by the team leader.

COMPLEXITY - Level 4-4 225 Points

The incumbent is responsible for procurements or portions of large volume procurements to meet the military and civilian requirements for the Government for petroleum products and related services nationwide or worldwide. Some of the complexities typically encountered include:

- lack of competition among vendors;
- the need to negotiate with incomplete information;
- the need to rotate stock in inventory; and,
- differences in industry practices in different areas of the world.

Developing solicitations requires decisions concerning such matters as contract language and clauses, special requirements, and methods of transportation and delivery. Evaluating proposals requires decisions concerning such matters as the adequacy of responses, the comparability of responses, and whether to accept or reject bids.

SCOPE AND EFFECT - Level 5-4 225 Points

The purpose of the work is to plan and conduct centralized procurements of petroleum products and/or services to meet the consolidated needs of the Government.

The work affects the availability of fuels and related services essential for military operations. Some assignments have a strong influence on the viability of small local businesses. The dollar value of individual procurements can be exceptionally high, involving the provision of fuels for various regions of the world. Contracting activity often generates interest by Congressional committees or individual elected officials, industrial officials, or other groups.

PERSONAL CONTACTS - Level 6-3 60 points

Contacts include corporate representatives, cost and price analysts and other specialists within DLA. Contacts are in a moderately unstructured setting.

PURPOSE OF CONTACTS - Level 7-3 120 points

Contacts are to conduct negotiations for procurements and to persuade suppliers to meet the Government's requirements.

PHYSICAL DEMANDS - Level 8-1 5 points

The work imposes no special physical demands.

WORK ENVIRONMENT - Level 9-1 5 points

The work is performed in offices.

TOTAL POINTS -- 2,615

EVALUATION STATEMENT

PROTOTYPE POSITION DESCRIPTION

PROCUREMENT AGENT, GS-1102-11

This prototype position description represents the typical GS-11 Procurement Agent recommended for the Defense Fuel Supply Center.

The evaluation is based upon the current position classification standard (dated February 1969) for the Contract and Procurement Series, GS-1102. The grade level, based primarily upon the nonsupervisory work of the position, is consistent with the criteria in the most recent draft (July 1983) of the proposed GS-1102 FES standard issued recently by the U.S. Office of Personnel Management.

SERIES:

These positions should be classified in the Contract and Procurement Services, GS-1102. The series definition is:

"This series includes positions involving work concerned with (1) obtaining contractual agreements through negotiation with private concerns, educational institutions, and nonprofit organizations to furnish services, supplies, equipment, or other materials to the Government; (2) assuring compliance with the terms of contracts and resolving problems concerning the obligations of either the Government or private concerns; (3) analyzing negotiations and settling contractor claims and proposals in contract termination actions; (4) examining and evaluating contract price proposals; (5) purchasing supplies, services, equipment, or other materials by formally advertised bid and negotiated procurement procedures; (6) planning, establishing or reviewing procurement programs, policies, or procedures; (7) formulating policies, establishing procedures and performing services for small business in contracting and procurement; or (8) providing staff advisory service in one or more of the specializations in this occupation. The work requires a knowledge of business and industrial practices; market trends and conditions; relationships among costs of production, marketing, and distribution, and procurement and contracting policies and methods."

The prototype position description fits the intent of example 5 of the series definition.

TITLE:

The position should be titled Procurement Agent. Page 4 of the standard states:

"In the procurement specialization (covered by part III of this standard), the titles are -

- Procurement Agent: Applies to either (a) employees who buy supplies, services, equipment, or material using formally advertised bid and negotiated procurement methods, or (b) training and developmental positions at grades GS-5 and GS-7.
- Procurement Officer: Applies to employees who have responsibility for managing a procurement program of an agency or activity."

The position meets the definition of procurement agent. At this point, the titles in the proposed FES standard differ somewhat from those of the current standard. These titling recommendations should therefore be reviewed when the final version of the new standard is approved.

GRADE:

The current classification standard describes the characteristics of each grade under two headings - "Assignment Characteristics" and "Level of Responsibility." Positions at different grades often have many individual duties in common. This evaluation discusses some of the characteristics of the GS-7, 9, and 11 levels to give an idea of the trend of increasing duties and responsibilities intended by the standard as a whole.

At GS-7 (under Part III of the standard), assignments have few complexities. For most assignments, work is reviewed in process and upon completion. The supervisor reviews the recommendations of the GS-7 to ensure adequate analysis, sound judgments and adequate justification for recommendations.

Assignments at GS-9:

"involve more specialized procurements and more independence . . . Employees at grade GS-9 usually perform all aspects of procurement transactions from initiation to recommending awards. . . . Items procured are of a specialized nature. Problems are caused by complex specifications, limited market sources, and close price bidding.

The employee at GS-9 must deal with specialized items which are manufactured to specification for a special purpose. Such items may be common in the trade but are not in general use by the public. The specifications are complex and may include physical, chemical, electrical, or other properties. There may be specified methods of testing and special performance requirements.

Procurements assigned may be complicated by the need to develop new sources of supply to ensure greater price competition. The employee often makes purchases for a number of installations including overseas activities. He must analyze industry distribution patterns and practices, as well as transportation factors in determining the most advantageous proposals.

Some positions at this level are concerned with developing or revising large consolidated procurement contracts. Such assignments require continuing responsibility for establishing long-term indefinite delivery contracts. These procurements meet the consolidated requirements of a large agency or agencies. In these situations, the GS-9 procurement agent either has responsibility for a small number of items or services or he works with a higher grade procurement specialist on the total transaction. Typical of these assignments is the responsibility for a group of items which are part of a major contract or schedule. The higher-grade procurement agent retains basic responsibility for these procurements.

Level of responsibility

The significant distinction from the nature of supervision received at the GS-7 level is that GS-9 employees normally perform the procurement assignments described at this level from time of receipt of the purchase request to recommendation for award with considerable independence. . . .

The supervisor reviews recommendations for awards and supporting documents for soundness of judgment, adequacy of analysis and adherence to policies and procedures. . . ."

Assignments at GS-11:

"exceed those at GS-9 in scope and complexity in that they often involve -

- Procurement transactions to meet the consolidated requirements of the agency or agencies.

- Manufacturing or modification of items to Government specifications.
- Coordination with technical offices and other groups in each phase of the transaction process.

Assignments at the GS-11 level have characteristics such as the following:

1. Items are of special or unique design. They must be manufactured or constructed under close control to meet tight specifications. . . .
2. Assignments often require review of the market to determine the availability of the item or services. Prior procurements do not serve as guides because of obsolescence of previous items, and changes in manufacturing processes.
3. Unfavorable market conditions, such as frequent price changes, unstable supplies of materials, changing labor markets, reluctant suppliers, require constant review and determination of most advantageous method of procurement.
4. . . . agents at this level coordinate procurement planning and execution within the buying agency. Contacts must be maintained with other contract, procurement and price analysis personnel, small business representatives, planning, accounting, technical, transportation specialists, and legal counsel.
5. Transactions are often complicated by features such as negotiations concerning components and spare parts, use of Government-furnished property, inspection and testing requirements, ownership of patents, and payment of royalties.
6. Individual procurement may be for quantities needed to satisfy the requirements of an agency or agencies for specific items for a stated period of time. . . . These procurements involve analysis of industrial distribution patterns, merchandising practices, and transportation factors in relation to diverse delivery points, and varying amounts to items needed in the agency or agencies at different times and in different locations. Procurement actions involve developing schedules to be incorporated in invitations for bid and final contracts.

Level of responsibility

... The supervisor gives guidance for planning unusual or significant procurements and in interpreting complex regulations. The procurement agent exercises independent judgment

and initiative, sets the priorities of work to be accomplished on a day-to-day basis, and develops the approach to each case. His work proceeds without review up to the point of either award, if appropriate, or recommendation for award. Technical review includes an examination of awards recommended, the completeness of the transactions, and any impact on future procurements. At that point, his actions are reviewed from the standpoint of policy considerations and implications for the procurement program.

. . . .

He may recommend cancelling invitations to bid, readvertising, or negotiating when full coverage is not obtained within the industry, when bids are not responsive, or when offers are unreasonable. He assures that firms in disaster or distressed labor areas have been given opportunity to share in the procurement. He works with small business specialists to determine appropriate procurements for small business."

The positions described in the prototype position description as a procurement agent meet the criteria shown above for the GS-11 level both in type of assignment and level of responsibility.

The positions may therefore be classified as:

Procurement Agent, GS-1102-11.

APPENDIX B

ACRONYMS AND TERMINOLOGY

ACRONYMS AND TERMINOLOGY

ACO	Administrative Contracting Officer
AEM	Atlantic/Europe/Mediterranean (area)
CONUS	Continental United States
COCO	Contractor-owned/contractor-operated
C&P	Contracting & Production Division
DAR	Defense Acquisition Regulations
DCAS	Defense Contract Administration Services
DD350	Procurement Action Report
DFAMS	Defense Fuel Automated Management System
DFRE	Defense Fuel Region - Europe
DFSC	Defense Fuel Supply Center
DFSC-F	DFSC Directorate of Facilities Management
DFSC-O	DFSC Directorate of Supply Operations
DFSC-P	DFSC Directorate of Contracting & Production
DFSC-T	DFSC Directorate of Technical Operations
DFSC-PC	DFSC-P - Management Support Office
DFSC-PD	DFSC-P - Bulk Fuels Division
DFSC-PE	DFSC-P - Ground Fuels Division
DFSC-PH	DFSC-P - Services Division
DFSC-PO	DFSC-P - Operations Support Office
DFSC-PP	DFSC-P - Production Division
DFSC-PS	DFSC-P - Special Contracts Division
DGSC	Defense General Supply Center
DIMES	Defense Integrated Management Engineering System
DLA	Defense Logistics Agency
DLA HQ	Department of Logistics - Headquarters
DLA-P	Defense Logistics Agency Directorate of Contracting
DoD	Department of Defense
DOE	Department of Energy
DPSC	Defense Personnel Support Center
EPA	Economic Price Adjustmet
GOCO	Government-owned/contractor operated
IDTC	Indefinite Delivery-type Contract
IFB	Invitation for Bids
IPP	Industrial preparedness planning
MIPR	Military Interdepartmental Purchase Request
OAO	Oil Acquisition Order
OJT	On-the-job training

PC&S	Posts, camps, and stations
PCO	Procuring Contracting Officer
PQA	Petroleum Quality Assurance
PQS	Petroleum Quality Surveillance
PR	Purchase Request
PRLI	Purchase Request Line Item
PSASS	Perishable Subsistence Automated Supply System
QA	Quality Assurance
RFP	Request for Proposal
RTC	Requirement-type Contract
SPR	Strategic Petroleum Reserve
WESTPAC	Western Pacific (area)

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