

AD-A209 258

**STUDY  
PROJECT**

The views expressed in this paper are those of the author and do not necessarily reflect the views of the Department of Defense or any of its agencies. This document may not be released for open publication until it has been cleared by the appropriate military service or government agency.

**INSTALLATION CONTRACTING OFFICES--  
A TIME FOR CHANGE**

BY

COLONEL JAMES B. GIVENS

**DISTRIBUTION STATEMENT A: Approved for public  
release; distribution is unlimited.**

**DTIC  
ELECTE  
JUN 20 1989  
S D cy D**

22 MARCH 1989



**U.S. ARMY WAR COLLEGE, CARLISLE BARRACKS, PA 17013-5050**

89 6 19 017

Unclassified

SECURITY CLASSIFICATION OF THIS PAGE (When Data Entered)

REPORT DOCUMENTATION PAGE		READ INSTRUCTIONS BEFORE COMPLETING FORM
1. REPORT NUMBER	2. GOVT ACCESSION NO.	3. RECIPIENT'S CATALOG NUMBER
4. TITLE (and Subtitle) Installation Contracting Offices--A Time for Change		5. TYPE OF REPORT & PERIOD COVERED Individual Study Project
		6. PERFORMING ORG. REPORT NUMBER
7. AUTHOR(s) Colonel James B. Givens		8. CONTRACT OR GRANT NUMBER(s)
9. PERFORMING ORGANIZATION NAME AND ADDRESS U.S. Army War College Carlisle Barracks, PA 17013-5050		10. PROGRAM ELEMENT, PROJECT, TASK AREA & WORK UNIT NUMBERS
11. CONTROLLING OFFICE NAME AND ADDRESS Same		12. REPORT DATE 22 Marcy 1989
		13. NUMBER OF PAGES 35
14. MONITORING AGENCY NAME & ADDRESS (if different from Controlling Office)		15. SECURITY CLASS. (of this report) Unclassified
		15a. DECLASSIFICATION DOWNGRADING SCHEDULE
16. DISTRIBUTION STATEMENT (of this Report) Approved for public release; distribution is unlimited.		
17. DISTRIBUTION STATEMENT (of the abstract entered in Block 20, if different from Report)		
18. SUPPLEMENTARY NOTES		
19. KEY WORDS (Continue on reverse side if necessary and identify by block number)		
20. ABSTRACT (Continue on reverse side if necessary and identify by block number) The contracting workload at Army installations has more than doubled from 1980 to 1988. Although constructive changes have been made to compensate for the additional workload, installation contracting offices are experiencing difficulty in completing mission requirements. This study addresses major Army reorganizations and focuses on their impact on installation contracting. It concludes that change is needed and proposes an organization that will properly staff installation contracting offices while providing the necessary (Continued)		

Unclassified

SECURITY CLASSIFICATION OF THIS PAGE(When Data Entered)

20. ABSTRACT--continued.

command, control and technical support required to more effectively perform the contracting mission.

Unclassified

SECURITY CLASSIFICATION OF THIS PAGE(When Data Entered)

USAWC MILITARY STUDIES PROGRAM PAPER

The views expressed in this paper are those of the author and do not necessarily reflect the views of the Department of Defense or any of its agencies. This document may not be released for open publication until it has been cleared by the appropriate military service or government agency.

INSTALLATION CONTRACTING OFFICES--A TIME FOR CHANGE

AN INDIVIDUAL STUDY PROJECT

by

Colonel James B. Givens, QM

Colonel Charles S. Palmer  
Project Adviser

**DISTRIBUTION STATEMENT A:** Approved for public release; distribution is unlimited.

U. S. Army War College  
Carlisle Barracks, Pennsylvania 17013  
22 March 1989

CLASSIFICATION (UNCLASSIFIED)

Accession For	
NTIS CRA&I	<input checked="checked" type="checkbox"/>
DTIC TAB	<input type="checkbox"/>
Unannounced	<input type="checkbox"/>
Justification	
By	
Distribution /	
Availability Codes	
Dist	Avail and/or Special
A-1	



# ABSTRACT

AUTHOR: James B. Givens, COL, QM

TITLE: Installation Contracting Offices--A Time for Change

FORMAT: Individual Study Project

DATE: 22 March 1988 PAGES: 28 CLASSIFICATION: Unclassified

The contracting workload at Army installations has more than doubled from 1980 to 1988. Although constructive changes have been made to compensate for the additional workload, installation contracting offices are experiencing difficulty in completing mission requirements. This study addresses major Army reorganizations and focuses on their impact on installation contracting. It concludes that change is needed and proposes an organization that will properly staff installation contracting offices while providing the necessary command, control and technical support required to more effectively perform the contracting mission.

*Recommendation: The Army should  
create contracting offices in outposts.*

## TABLE OF CONTENTS

	Page
ABSTRACT. . . . .	11
CHAPTER I. INTRODUCTION . . . . .	1
Background . . . . .	1
II. EVOLUTION OF A-76 COMMERCIAL ACTIVITIES CONTRACTS . . . . .	12
III. THE COMMERCIAL ACTIVITIES PROGRAM. . . . .	15
IV. CONCLUSIONS. . . . .	19
V. RECOMMENDATION . . . . .	20
United States Army Contracting Command. . . . .	20
BIBLIOGRAPHY. . . . .	23
ADDITIONAL BIBLIOGRAPHY . . . . .	24
OTHER REFERENCES. . . . .	25
APPENDIX I. . . . .	26
APPENDIX II . . . . .	27
APPENDIX III. . . . .	28
APPENDIX IV-1 . . . . .	29
APPENDIX IV-2 . . . . .	30
APPENDIX IV-3 . . . . .	31
APPENDIX IV-4 . . . . .	32

# Installation Contracting Offices--A Time for Change

## CHAPTER I

### INTRODUCTION

Since 1980 the contracting workload at Army installations has more than doubled with little change in staffing, procedures, or automation. The complexity of installation contracting, caused by the A-76 Commercial Activities Program, necessitates technically trained contracting personnel to assist the installations in properly performing their contracting mission. This paper details the background of logistical organizations that have evolved into the present contracting staff at Army level and assesses their impact on installation contracting. It concludes that better trained installation staffs with proper organization, structure, procedures and automation are needed to improve contracting performance. Finally, it proposes an organization capable of developing the staffing, procedures and automated support required to assist the installations in performing the increased contracting workload in a more effective and efficient manner.

### BACKGROUND

The ability of the Army to train, equip and sustain its forces has been inextricably linked to contracting and procurement since its beginning. In the earliest times, fighting men provided their own equipment and supplies or lived off the

land. Logistics were simple, and the first real need for supplying an Army surfaced during the Revolutionary War. The term logistics came into being in 1781. The government's inability to mobilize available resources through an efficient supply system led to difficulties in supplying the Army with strategic materials and war equipment. Applying the committee approach to logistics, the colonies were never able to mobilize more than a fraction of their available resources. The inefficiencies in the committee system signaled the need for our first major reorganization of the Army's logistics system.

This major reorganization took place during the Revolutionary War in mid-1781. The primary changes included implementing a formal system of contracting for subsistence and appointing several logisticians to head War Department bureaus. For the first time in history, logisticians held positions with specific tasks and responsibilities. Procurement responsibility generally followed simple commodity lines: the Quartermaster Department provided clothing, the Subsistence Department furnished rations, the Ordnance Department operated the Arsenal and Armories, and the Medical Department provided medical support. The ALOG Staff feature article, "Logistics of the Yorktown Campaign," attributed to the victory at Yorktown in part, "to the remarkable logistics achievements that supported the tactics and strategy of the siege."<sup>1</sup>

Numerous changes in the way soldiers were supported took place between 1781 and 1860; however, the Civil War brought on a



new era in the method of equipping for war. The second major Army logistics reorganization saw the addition of five Bureaus to the Army staff. The industrial age, which preceded the Civil War, brought vast improvements in transportation. COL Dennis Jephtha explains the period as follows:

Population increased tenfold and national wealth 20 fold. It was possible to raise, equip, and support armed forces on a larger scale proportionately than during the Revolution. There was a growing recognition of the importance of weakening the enemy by cutting off or destroying the economic bases of his military strength.<sup>2</sup>

Although history records this as the second major Army logistics reorganization, the Quartermaster, Subsistence, Ordnance, and Medical departments remained responsible for the procurement and distribution of supplies.

The third major Army logistics reorganization resulted from problems encountered during the Spanish American War. Logistic problems that surfaced during the Spanish American War made it necessary to reorganize efforts, and the National Defense Act of 1916 was passed on 3 June of that year. The War Industries Board, which served as a kind of industrial general staff, was created.

In his article, Charles Culver summarized the World War I to World War II procurement era this way.<sup>3</sup> The United States entered World War I on April 6, 1917, almost two years after the sinking of the liner, Lusitania, by a German U-boat on May 7, 1915. When the U.S. entered the war, procurement was being conducted under the Civil War Sundry Appropriations Act as

amended in 1910. The act required competitive bidding and advertised procurement. The War Industries Board was established on July 27, 1917, with responsibility for war materials, priorities, labor and prices. This board relaxed procedures and regulations because of unstable prices and non-availability of supplies. Many cost type contracts, including cost-plus-a-percentage of cost (CPPC), were used. The numerous "fraud, waste, and abuse" scandals caused Congress to enact the "Excess Profit Tax" Act in 1917 which proved ineffective.

During the war, many firms had started work without formal contracts. The many bonafide circumstances for "equitable adjustment" caused Congress to pass the Dent Act, 40 Stat 1272, which is now called Public Law 85-804 "Extraordinary Contractual Relief" in the FAR.

In the two decades before World War II, Congress concentrated on "lessons learned." Allegations of "fraud, waste, and abuse" led to passage of the Budget and Accounting Act of June 20, 1921. The Budget and Accounting Act created two principal organizations under the Comptroller General; the General Accounting Office (GAO) as an audit and investigatory office; and the Bureau of Budget (BOB) which became the Office of Management and Budget in 1939. For the first time in procurement history, a federal government organization was given real enforcement powers relating to receipt, disbursement, and utilization of public funds and to settlement and adjustment of claims against the United States.

The "Great Depression" had an impact on our preparations for war and procurement procedures. President Hoover's recommendation to Congress created the Reconstruction Finance Corporation (RFC) in 1932. During World War II, RFC (which is now the Small Business Administration) represented small businesses with respect to government contracting.

In March 1942, the fourth major reorganization began. The War Department organized into three forces: The Army Ground Forces (AGF), the Army Air Forces (AAF), and the Army Service Forces (ASF). A variety of tasks was entrusted to the ASF, including procurement and supply for the Army. From activation until its official termination in 1946, the ASF struggled to build a common unity of purpose and organization.<sup>4</sup>

The National Security Act of 1947 reorganized the National Military establishment much as we see it today. Of key importance was the major reorganization these changes caused in the Army logistics system. Seven technical services were placed under the newly established Director of Logistics. Lieutenant General Thomas B. Larkin, the first director, believed the technical service system could be made to work.<sup>5</sup> After a little over a year as Secretary of Defense, Robert A. Lovett was not so sure. Shortly before leaving office in January 1953, he stated:

Of these seven technical services, all are to one degree or another in the business of design, procurement, production, supply, distribution, warehousing, and issue. Their functions overlap in a number of items, thus adding substantial complications to the difficult problem of administration and control. It has always amazed me that the system worked at all and the fact that it works rather well is a tribute to

the inborn capacity of teamwork in the average American. A reorganization of the technical services would be no more painful than backing into a buzz saw, but I believe that it is long overdue.\*

In 1954, the Assistant Chief of Staff G-4 was designated the Deputy Chief of Staff for Logistics. Other changes took place but none had significant impact on logistics until 1962.

The sixth major reorganization was Project 80 in 1962. Before 1962, there were seven technical service chiefs: Quartermaster, Ordnance, Signal, Engineer, Chemical, Medical, and Transportation. The Chiefs were responsible for worldwide management of their branches, commodities, and services. The Chief of Ordnance, for example, was responsible for guns, tanks, trucks, ammunition, etc. He also managed Ordnance personnel and the training system worldwide. Under the technical service system, the true logistics expertise was in the Continental United States (CONUS) with a large number of civilians and military experts. The technical chiefs were responsible for implementing their systems from the wholesaler down to the direct support units in the division. LTG Fuson wrote in Army Logistician: "They operated their system worldwide, were responsible for it, and disciplined it."7 Each Chief had his own budget, organization, procedures, personnel, intelligence, training, and planning. The system worked well; however, the duplication of functions and differences in operational concepts made it difficult for Department of the Army to control the technical services. DA changed from the technical services and reorganized along functional lines, with a standard supply and

maintenance system as the objective. The technical chiefs were abolished. Their missions were redistributed to the U.S. Continental Army Command (CONARC) or the Army Materiel Command (AMC). Almost immediately, the logistics system switched from seven well-disciplined systems to a different functional organization in each theater that was separated from the wholesale base.

The period 1962 until 1983 was characterized in the DAOULAS study as the decline of the Army staff procurement capability.\* Since 1962, HQDA responsibilities for Army-wide contracting activities and the operating staff required for the execution of functions associated therewith have resided in the Army Secretariat. Prior thereto, the DCSLOG performed contract management functions for HQDA. The DCSLOG's involvement, however, differed relative to that of the Army Secretariat because of the Army's organizational structure with Chiefs of Technical Services prior to 1962. Coincident with the elimination of the Technical Services, the Army Materiel Command (AMC) was created and given the mission of executing the Army's research, development, production and distribution programs. This included the assumption of command and operational functions that had been fragmented among the Technical Services. This major reorganization, coupled with the expressed concern of the Army's ability to respond in a timely and relevant fashion to the needs of the Army Secretariat and DOD, precipitated the transfer of functions and the staff from DCSLOG to ASA(I&L). Within

ASA(I&L), the procurement and contracting functions were under the direct cognizance of the Deputy for Procurement (Major General) who reported to the ASA(I&L) but also served the Army Staff. The services to the ARSTAF focused on contracting matters that affected other functional areas of responsibility assigned to the Army Staff. In brief, the Deputy for Procurement functioned much like the Chief of Legislative Liaison does today, serving both the Secretariat and ARSTAF. Between 1962 and 1974, HQDA functions essential to effective and efficient accomplishment of Army-wide contracting programs were executed with a rather high degree of effectiveness. This can be attributed to the staffing levels and professionalism of the individuals assigned to the Secretariat and not the fact that the Office, Deputy for Procurement resided on the Army Secretariat. This is borne out by events from 1974 to the present.

In 1974, HQDA underwent another major reorganization. The principal thrust of the change was to decentralize responsibilities to the extent practicable and thereby leverage off the management capabilities of Forces Command, Army Materiel Command, and the Training and Doctrine Command. The underlying objection was to reduce ARSTAF manning levels by 50 percent. This effort to streamline HQDA was not limited to the Army Staff. The Army Secretariat was bent on setting the example and not only cut to the bone but for certain functions reached the marrow in the process. In this connection, the staff of over sixty personnel responsible for contracting functions was reduced to

about ten. This drastic reduction was done on a presumptive basis. It was assumed that the newly created Deputy Chief of Staff for Research, Development, and Acquisition (DCSRDA), having been assigned the acquisition function, would be responsible for HQDA contracting functions. The rationale was that these functions were integral to the acquisition process, hence, retention of more than a broad policy role at the Secretariat level was not required. The functions performed by the pre-1974 Secretariat staff, however, never materialized in DCSRDA or anywhere else on the Army Staff. In actuality, it turned out to be a notional action in the minds of those performing the manpower survey. The immediate objective was singular in nature, that of achieving major reductions. While this was achieved, there was a concurrent degradation of capability to review and assess the effectiveness of Army-wide contracting activities. Moreover, the military and civilian procurement career programs experienced a serious setback. This occurred because it was assumed that DCSPER and MILPERCEN would accomplish the task of assuring that qualified personnel would be available to fill the 5,000 plus civilian and over 500 military procurement positions that existed at that time. As in the case of the assumed shift of responsibility to DCSRDA, these two all important programs virtually dried on the vine. Consequently, finding qualified people today, particularly to fill senior positions, is extremely difficult.

The irony of the post 1974 period is that as HQDA proceeded to strip itself of the capability to manage the procurement and contracting process, qualitative and quantitative requirements increased exponentially. As the Vietnam War was winding down, the Congress naturally focused their attention on the next best target in the Pentagon, procurement and contracting. The Congressional committees increased in size and began to observe procurement and contracting activities at the micro level. The Secretariat procurement staff essentially became coordinators for information flowing to Congress vice staff supervisors of Army-wide contracting activities. Close scrutiny by the Congress precipitated new legislation, and a myriad of caveats to authorization and appropriations bills which added considerable complexity to the contracting process. Congressional interest also caused the Secretary of Defense to institute policies and procedures that added other dimension to the already complex procedure even for the simplest of procurements.

There were no changes of any consequence from 1978 until early 1984. The Procurement Management Review Agency was returned to the Secretariat with the view that their capability could be utilized in contracting areas other than the accomplishment of field surveys. Pressing needs of the Secretariat, however, have since resulted in diverting this element to "special tasks" under the direction of the Director of Management and Budget, OASA(RDA). In 1984 the Secretariat staff



increased to a level of staffing that was capable of executing HQDA contracting responsibilities.

#### ENDNOTES

1. ALOG Staff Feature, "Logistics of the Yorktown Campaign," "Army Logistician", September-October 1981, pp. 2-7.

2. COL Dennis W. Jephtha, Jr., USAF, "Looking Back," Logistics Spectrum, Fall 1976, pp. 16-19.

3. Charles Culver, "Federal Government Procurement--An Uncharted Course Through Turbulent Waters Part 2--World War I To World War II," Contract Management, July 1984, pp. 7-12.

4. U.S. Army Combat Developments Command, Historical Summary of Army Logistics Organizations, June 1971, p. 1.

5. Ibid., p. 3.

6. Ibid., p. 4.

7. LTG Jack G. Fuson, USA Retired, "Perspective--Organizing Army Logistics," Army Logistician, January-February 1981, pp. 2-5.

8. LTG Arthur Daoulas, Richard L. West, USA Ret., and MG William Eicher, USA, Ret., "Headquarters Department of the Army Contracting Functions, Organization, and Staffing," Study Report September 1983, p. II-4.

## CHAPTER II

### EVOLUTION OF A-76 COMMERCIAL ACTIVITIES CONTRACTS

During the time period 1978 to 1984, the contracting out of Commercial Industrial Type Activities, which came into vogue in the late 1970s, increased significantly. Contract activities at various posts, camps, and stations under TRADOC and FORSCOM had heretofore been limited to small purchases for supplies and narrowly scoped services. Accordingly, grade levels and expertise were geared to types of contracts that were executed under simplified procedures. The procurement staffs of the HCAs at these MACOMs were likewise lacking in the expertise required for handling the increasingly complex contracts under or the A-76 Commercial Activities Program, as it is referred to today. Not only are the MACOMs unprepared to structure or administer major CA contracts, HQDA is not postured to do so either. The 1984 reorganization fragmented the various elements of contracting between the Secretariat, ODCSLOG, ODCSRDA and AMC. In 1987, the Assistant Secretary of the Army Research, Development and Acquisition (ASARDA) was given the responsibility and resources to manage the Army's total contracting operations, including Commercial Activities Contracts. When the former DCSRDA functions and AMC proponentcy for procurement personnel were transferred to the ASA(RDA), the consolidation was essentially complete. Even though these actions strengthened the procurement

process, the contracting of Commercial Activities at Installation level remains a problem requiring resolution.

In view of budgetary constraints, Congressional interest in contracting out grew steadily between 1978 and 1980. As a result, the installation contracting workload doubled between 1980 and 1988. Not only did the number of installation contracts increase, the complexity of contracting actions magnified. Installation Directorates of Contracting (DOCs) were staffed to handle routine small purchases and construction projects associated with the daily operations of an Army post. With the passage of A-76, Commercial Activities legislation, DOCs are involved in high dollar value, complex service support contracts which require formal source selections. Installation DOC organizations are generally staffed with a lower grade structure than other directorates on an Army post. This has tended to stagnate the installation contracting work force and insulate them from the more complex acquisitions associated with A-76 work. Lack of adequately trained procurement personnel, coupled with their traditional small purchase focus, has resulted in DOCs that are not prepared to manage complex, high dollar, formal source selection acquisitions that are associated with the Commercial Activities program. The General Accounting Office and Army Inspector General reports are critical of the handling of Army installation contracts.<sup>1</sup> President George Bush, in his 9 February 1989 address, stressed the need for reforms in the procurement process. Mr. Fred Reed, commenting on the

procurement process states, "Nobody is really in charge, and the officials who aren't really in charge change so fast that they can't even learn to be efficiently not in charge."<sup>2</sup> There is an urgent need to establish controls over and provide technical assistance to installation contracting staffs.

In a 21 June 1988 memorandum, Dr. J. R. Sculley, ASA(RDA), advised the Major Army Commanders to support installation DOCs should workload or technical demands arrive which prevent the DOCs from providing required installation support.<sup>3</sup> The Commercial Activities program is quite involved. An explanation of the program is discussed in detail in the Chapter III.

#### ENDNOTES

1. U.S. Congress Congressional Budget Office, Contracting Out: Potential for Reducing Federal Costs, Washington: Government Printing Office, 1987.

2. Fred Reed, "Don't Bank on Procurement Reform," Army Times Washington, 20 March 1989, p. 70.

3. Jay R. Sculley, U.S. Department of the Army, Memorandum to Major Army Commanders, 21 June 1988.

CHAPTER III  
THE COMMERCIAL ACTIVITIES PROGRAM

Commercial Activities are defined as those functions that provide products or services which are available from private sources. Commercial Activities are to be differentiated from government functions, which are so intimately related to the public interest as to mandate performance by government employees.<sup>1</sup>

All Army functions that have been identified by installation commanders as Commercial Activities are listed in an inventory. Activities in the inventory are first reviewed to determine whether they must be retained in-house for reasons other than lower cost. Such reasons include: national defense; direct patient care; specific legislative exclusions such as core logistics and firefighting; and where the activity includes positions for military personnel which must exist to properly manage the military force structure.

If the review determines that readiness requirements can be supported by either government, civilian, or contract performance, a cost competition is conducted to find whether in-house or contract performance is the most economical method of operation.

The first step in the cost competition process is notification to Congress that a cost study will be performed. A

statement of work is developed, which describes the work to be performed. Then a management study is performed to determine the most efficient organization for government performance of the work in the work statement. An estimate of cost of government performance is prepared, based on the most efficient organization. This in-house cost estimate is audited by the Army Audit Agency to ensure accuracy, completeness and consonance with the statement of work.

Bids or proposals are requested from private industry on the same work statement on which the in-house estimate is prepared. Normal contracting solicitation and bid/proposal evaluation procedures are used, culminating in selection of the contractor proposal most advantageous to the government.

The most advantageous contractor cost/price is compared with the cost of performance in-house by the government. The cost of contracting includes the contractor's price plus costs the Army will incur to convert to contract operations. For a contractor to be selected as more cost effective, the cost of contract operation must be lower than the government's operation costs by more than ten percent of the in-house personnel cost. This ten percent cost differential represents the intangible costs of transition to contract operation, the temporary decrease in productivity, and the cost of retained pay and grade.

After the cost comparison is made, the results are announced publicly. The announcement is followed by a 15 working-day period during which the cost comparison documents are open for

public review. During this review period, interested parties can appeal the cost comparison procedures. After all appeals are resolved, the cost comparison results are announced to Congress. If in-house operation was determined to be more cost effective, the solicitation is cancelled. If the cost comparison results in a contract operation decision, a contract is awarded.

Whether the Commercial Activities process results in continued government operation or conversion to contractor operation, there is normally a reduction in the number of government employees. In either outcome, the Army makes every reasonable effort to assist displaced government employees. Employees displaced as a result of a conversion to contractor performance have the right of first refusal for employment openings with the contractor in positions for which they are qualified.

Within the Army, the Office of the Assistant Secretary of the Army (Installation and Logistics) is the program manager for the Commercial Activities Program. Since the Commercial Activities Program depends on the contracting function to obtain contractor prices for comparison with the cost of government operation, the Office of the Assistant Secretary of the Army (Research, Development and Acquisition)--specifically the U.S. Army Contracting Support Agency--plays an important role in accomplishing the Commercial Activities Program. The U.S. Army Contracting Support Agency ensures that the contracting aspects of the Commercial Activities Program are properly executed and

advises the ASA(I&L) on contracting matters. In a larger perspective, the Agency fosters coordination and communication between contracting and Commercial Activities personnel throughout the Army to ensure efficient and effective operation of the Commercial Activities Program.

#### ENDNOTES

1. U.S. General Accounting Office, Revised Factors to Compare Government and Contractor Costs are Appropriate, Washington: Government Printing Office, January 1986.



## CHAPTER IV

### CONCLUSIONS

In summary, the numerous Army Logistics reorganizations, though not all directly affecting Installation contracting, have all influenced contracting and procurement. The Army procurement structure has evolved into an organization that is resolving many of the acquisition problems surfaced during the last decade. However, a paramount challenge in the procurement system which still requires resolution is the problem faced with A-76 Commercial Activities Program. I have shown that the installations are not properly staffed with trained procurement professionals to adequately perform their contracting missions. Secondly, I have shown that the key to success in improving installation contracting activity is better trained installation staffs. The installation staffs require proper organization, structure, operating procedures and improved automation support. I conclude that a new organizational structure, designed to provide the required support and guidance, is needed.

CHAPTER V  
RECOMMENDATION

I recommend that the United States Army Contracting Support Agency restructure and reorganize into the United States Army Contracting Command.

UNITED STATES ARMY CONTRACTING COMMAND

To adequately provide the required support to Forces Command (FORSCOM) installations, the Commander Forces Command established a Field Operating Agency at Headquarters FORSCOM in late 1988. Although this is a step in the right direction, a Contracting Command is needed in CONUS to perform higher dollar value, complex procurements, thereby allowing installations to concentrate more effort on the small and local purchase arena in which they have proven track records of performance.<sup>1</sup> The new agency (United States Army Contracting Command) would operate as a Field Operating Agency of the Office of the Assistant Secretary of the Army (Research, Development and Acquisition). See Appendix I for the proposed organization chart for the USACC. Missions and functions are shown in Appendix II. In this era of austere budgets and resource constraints, I believe the establishment of a new command would be more saleable if implemented using a phased approach. For recommended phasing,

see Appendix III. Therefore, the following timetables are recommended for implementation:

- Phase I - Test FY 90--Establish USACC-E in the Washington area. This command would handle the high dollar contracts for installations around Washington, DC, Virginia and Maryland initially, with planned expansion to include the entire East Coast and Contracting Command Headquarters.
- Phase II - FY 91--Add Contracting Command Central to support installations located in central section of United States.
- Phase III - FY 92--Bring Contracting Command West on line to support Army installations in the Western area.

The new command can be formed by redesignating and realigning existing resources that are controlled by OASA(RDA). Staffing for the contracting commands should, first of all, consist of the most technically proficient procurement officials in the business. The organization must be designed to provide upward mobility opportunities for a traditionally stagnant installation contracting staff. With the increase in legal ramifications of installation contracting, contract law professionals will be needed. Lastly, the organization should not only facilitate upward mobility but must incorporate career training opportunities. The recommended organizational structure

at Appendix IV will provide the expertise and guidance necessary to assist installation DOCs in administering the Commercial Activities Program while providing career training opportunities that will enrich the installation procurement staff.

#### ENDNOTES

1. Harry G. Karegeannes, MG, U.S. Department of the Army. Personal Interview. Washington: 10 November 1988.

## BIBLIOGRAPHY

1. ALOG Staff Feature. "Logistics of the Yorktown Campaign." Army Logistician, September-October 1981, pp. 2-7.
2. Culver, Charles. "Federal Government Procurement--An Uncharted Course Through Turbulent Waters Part 2--World War I to World War II," Contract Management, July 1984, pp. 7-12.
3. Daoulas, Arthur, LTG, West, Richard L., USA, Ret., and Eicher, William, MG, USA, Ret. "Headquarters Department of the Army Contracting Functions, Organization, and Staffing, Study Report September 1983, p. II-4.
4. Fuson, LTG Jack G., USA, Retired. "Perspective--Organizing Army Logistics." Army Logistician, January-February 1981, pp. 2-5.
5. Jeptha, Dennis W., Jr., COL, USAF. "Looking Back." Logistics Spectrum, Fall 1976, pp. 16-19.
6. Karegeannes, Harry G., MG. U.S. Department of the Army. Personal Interview. Washington: 10 November 1988.
7. Reed, Fred. "Don't Bank on Procurement Reform." Army Times (Washington), 20 March 1989, p. 70.
8. Sculley, Jay R., U.S. Department of the Army. Memorandum to Major Army Commander, 21 June 1988.
9. U.S. Army Combat Developments Command. Historical Summary of Army Logistics Organizations, June 1971, p. 1.
10. Ibid., p. 3.
11. Ibid., p. 4.
12. U.S. General Accounting Office. Revised Factors to Compare Government and Contractor Costs are Appropriate. Washington: Government Printing Office, January 1986.
13. U.S. Congress. Congressional Budget Office. Contracting Out: Potential for Reducing Federal Costs. Washington: Government Printing Office, 1987.

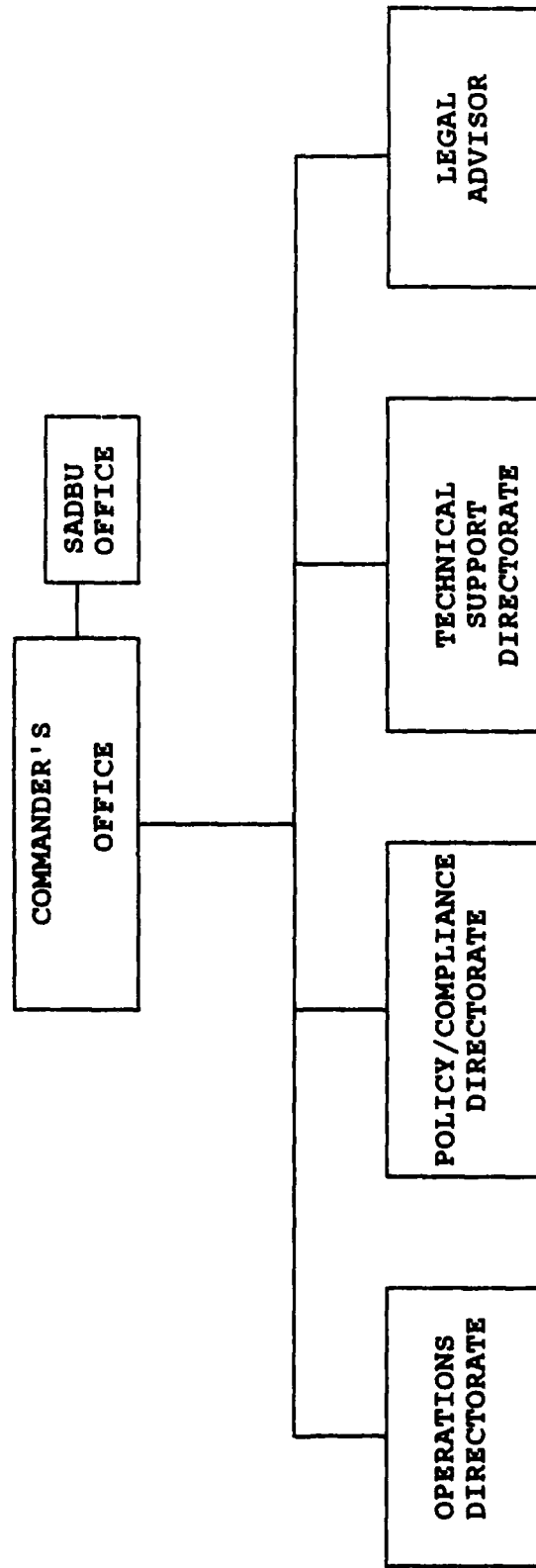
#### ADDITIONAL BIBLIOGRAPHY

1. Alexander, SFC Tommy L. "Financial Management Makes the Difference." Army Logistician, July-August 1978, p. 5
2. Constantin, James A. Principles of Logistics Management. New York, New York: Appleton-Century Crafts, 1966.
3. Cook, MG G. E., USA. "A Challenge From the Logistics Profession." Logistics Spectrum, Summer 1980, pp. 19-20.
4. Deasy, Robert C. "The Logic Tree." Military Review, March 1971, pp. 94-98.
5. DeHaven, MG Oren E. "Proper Count Message." Army Logistician, July-August 1978, pp. 2-5.
6. Demidovich, Dr. John W. and Jerome G. Peppers, Jr. "The Logistician: An Agent of Change." Logistics Spectrum, Spring 1978, pp. 16-20.
7. Gluck, COL Fred, USAF Retired. "Military Logistics: A Multitude of Sins." Logistics Spectrum, Fall 1979, pp. 22-25.
8. Gregg, LTG Arthur J., USA. "Logistics as a Force Multiplier." Army Magazine, October 1980, pp. 134-136.
9. Guthrie, GEN John R., USA. "Army Logistics Challenges in the 1980's." Logistics Spectrum, Summer 1980, pp. 24-27.
10. Guthrie, GEN John R., USA. "The Threat, Means to Meet It Dominate DARCOM Objectives." Army Magazine, October 1981, pp. 82-91.
11. Heiser, LTG Joseph M., Jr., and Michael H. Dugan. "The Logistics Five Year Plan 1971-1976." Army Logistician, March-April 1972, pp. 18-23.
12. Huston, James Alvin. "The Sinew of War: Army Logistics 1775-1953." Army Historical Series 1966, Washington, D.C.
13. Johansen, LTG Eivind H., USA Retired. "Direction for Army Logistics." Army Logistician, September-October 1979, pp. 10-14.
14. Jolemore, BG Kenneth A., USA. "Logistics: A Need for Innovation." Military Review, January 1981, pp. 51-59.
15. Kornet, LTG Fred, Jr. "State of Army Logistics-- Transition to Peacetime." Army Logistician, September-October 1973, pp. 2-7.

# OTHER REFERENCES

AR 10-5	Organization and Functions, Department of the Army	Dec 80
AR 10-11	Organization and Functions, United States Army Materiel Development and Readiness Command	Dec 83
AR 70-1	System Acquisition Policy and Procedures	Feb 84
AR 715-10	United States Army Procurement Research Office	Jan 78
AR 715-11	Army Acquisition Management Review Program	Nov 81
AR 570-4	Manpower Management	Sep 80
DARCOM-R-5-5	HQ DARCOM Weapon Systems Staff Management Concept of Operations	Nov 82
CSR 5-4	Management of Army Staff Field Operating Agencies	Feb 84
CSR 10-5	Organization and Functions, Army Staff	Sep 81
CSR 10-21	Organization and Functions, Office of the Deputy Chief of Staff for Personnel	Jul 83

**U.S. ARMY  
CONTRACTING COMMAND (USACC)  
HEADQUARTERS ORGANIZATION**



**APPENDIX I**



## U.S. ARMY CONTRACTING COMMAND (USACC)

### MISSION

Provide contracting support to U.S. Army posts, camps and stations on an area basis for installation support services (including commercial activities), supplies and other assigned requirements valued in excess of \$200,000.

### OBJECTIVES

The long-range objectives of the U.S. Army Contracting Command are:

- a. To provide every Army installation with quality contracting support.
- b. Develop an expert contracting cadre that can provide installation commanders the guidance and expertise to free them from family housekeeping matters and allow them to concern themselves more with soldiers.
- c. Develop through consolidation more efficient and cost effective methods of operation Army installations.
- d. Provide to the field a level of contracting capable of meeting all requirements.

PHASED IMPLEMENTATION OF U.S. ARMY  
CONTRACTING COMMAND (USACC)

Implementation of USACC would be accomplished in three phases:

Phase I

Phase I (Development and Test)

- Designate a Test Action Officer
- Secure OPM approval to hire temporaries with return to old jobs guaranteed
- Finalize make-up of Test Team
- Brief MACOMs involved with the test
- Locate and secure office space
- Purchase equipment
- Receive funding and manpower allocations
- Headquarters/Eastern Region created
- Develop SOP for dealing with the DOCs
- Develop Advance Acquisition Plan for Test

Phase II

Phase II (Transitional)

- Recruit and train personnel
- Brief installations involved
- Implement Advance Acquisition Plan

Phase III

Phase III (Operational)

- Receive funding and manpower allocations
- Locate space and purchase equipment
- Western Region created
- Southern Region created
- Preparation/Approval of Advanced Acquisition

Plans

- Complete implementation

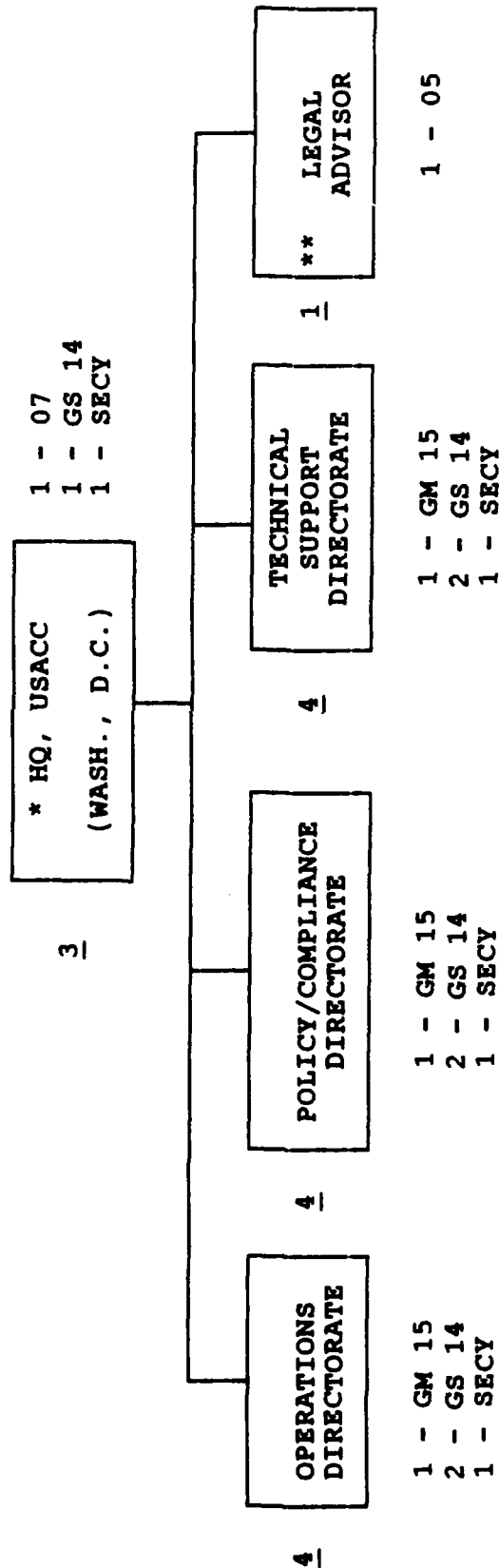
APPENDIX III

DEDICATED  
RESOURCES  
REQ'D.:

U.S. ARMY  
CONTRACTING COMMAND (USACC)

16

PHASE I (TEST)



- . RFP PREPARATION
- . SOURCE SELECTION BOARDS
- . EVALUATION FACTORS

- . ADVANCE ACQ. PLANS
- . PMRS

- . STANDARDIZE SOWs

\* DUAL-HATTED AS HEADQUARTERS AND EAST FOR PHASE I.

\*\* DUAL-HATTED AS LEGAL ADVISOR OF CONTRACTING COMMAND HEADQUARTERS AND CONTRACTING COMMAND EAST FOR PHASE I.

APPENDIX IV

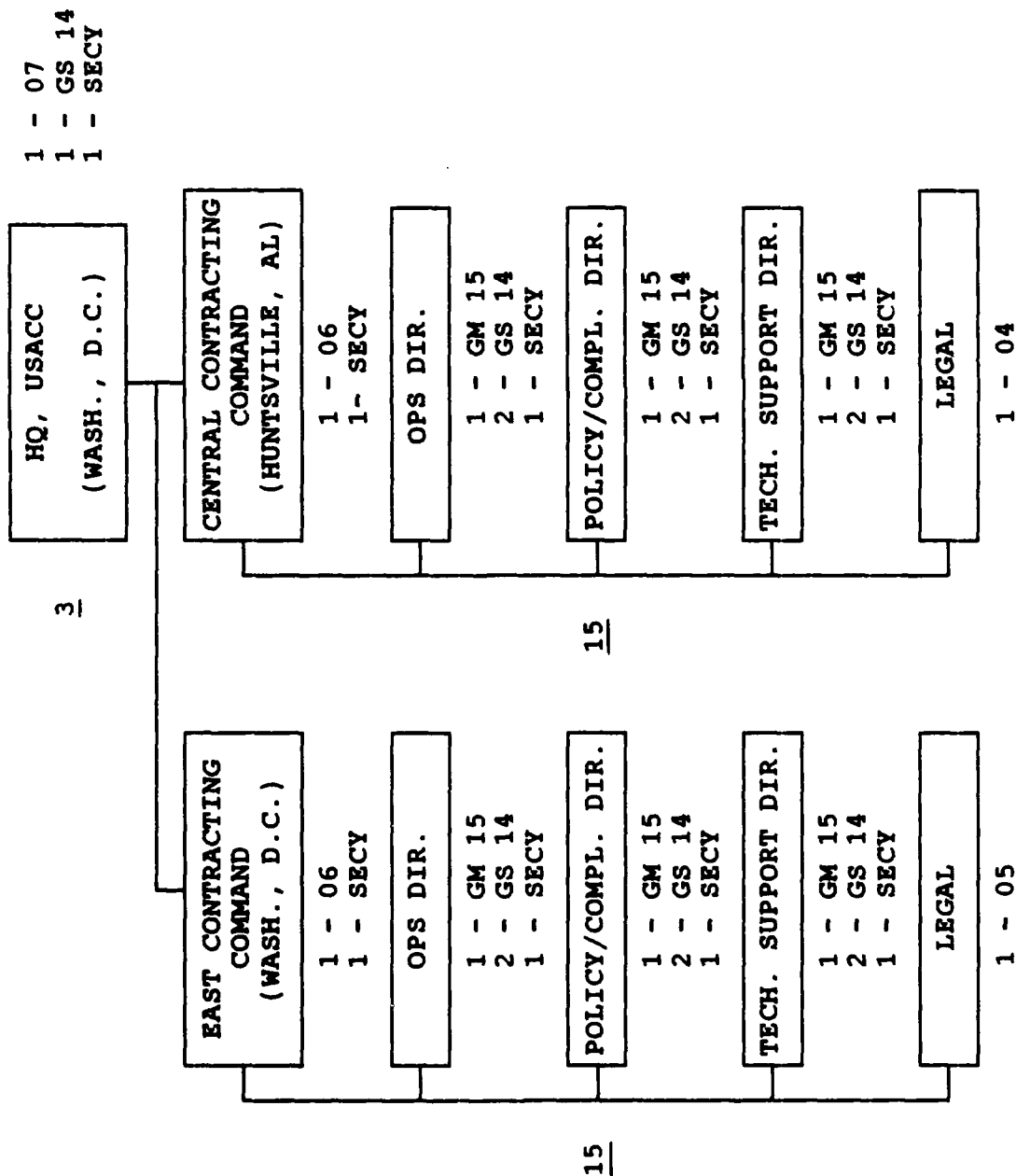
1

DEDICATED  
RESOURCES  
REQ'D.:

U.S. ARMY  
CONTRACTING COMMAND (USACC)

PHASE II (TRANSITIONAL)

33



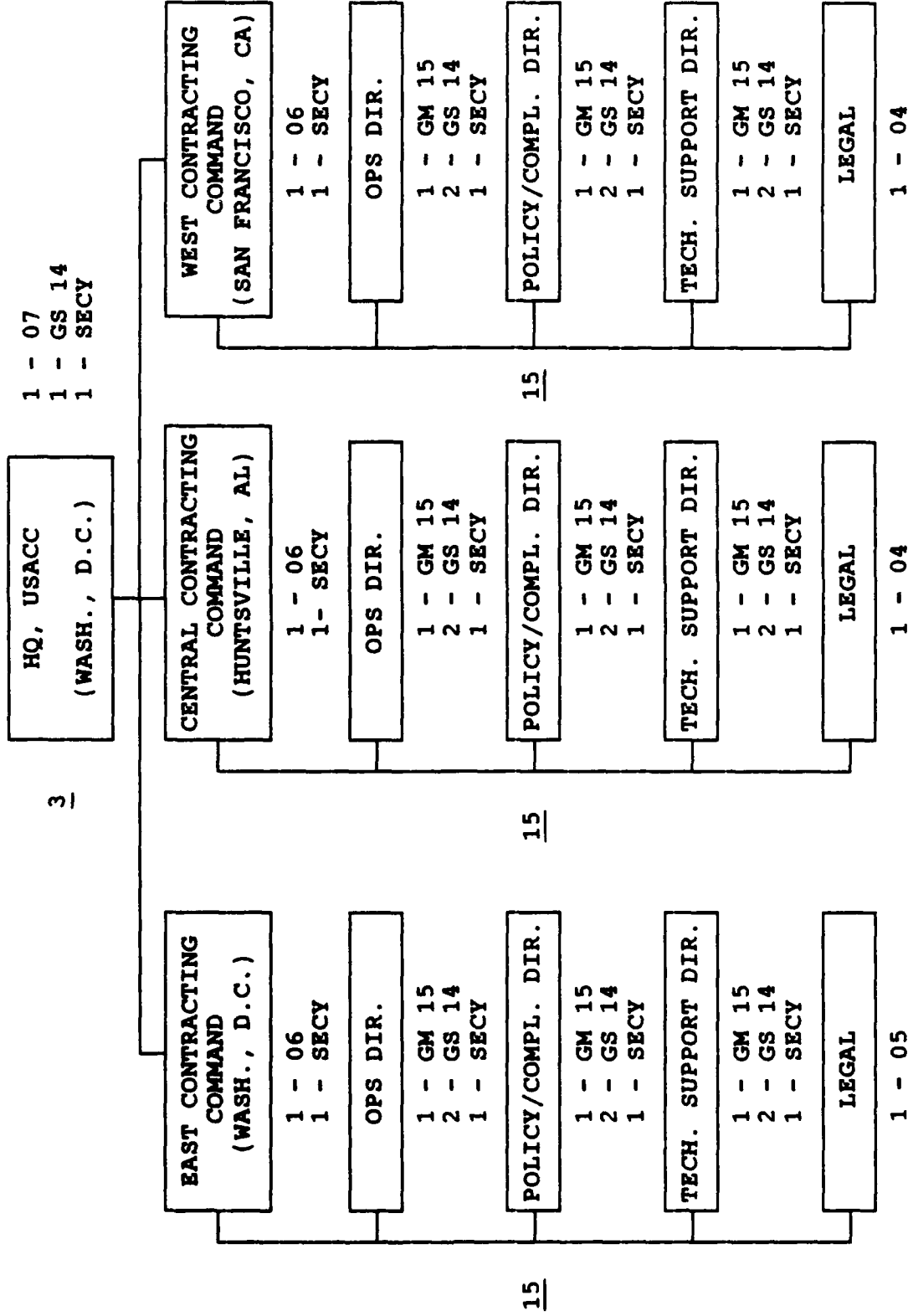
APPENDIX IV

DEDICATED  
RESOURCES  
REQ'D.:

48

U.S. ARMY  
CONTRACTING COMMAND (USACC)

PHASE III (OPERATIONAL)

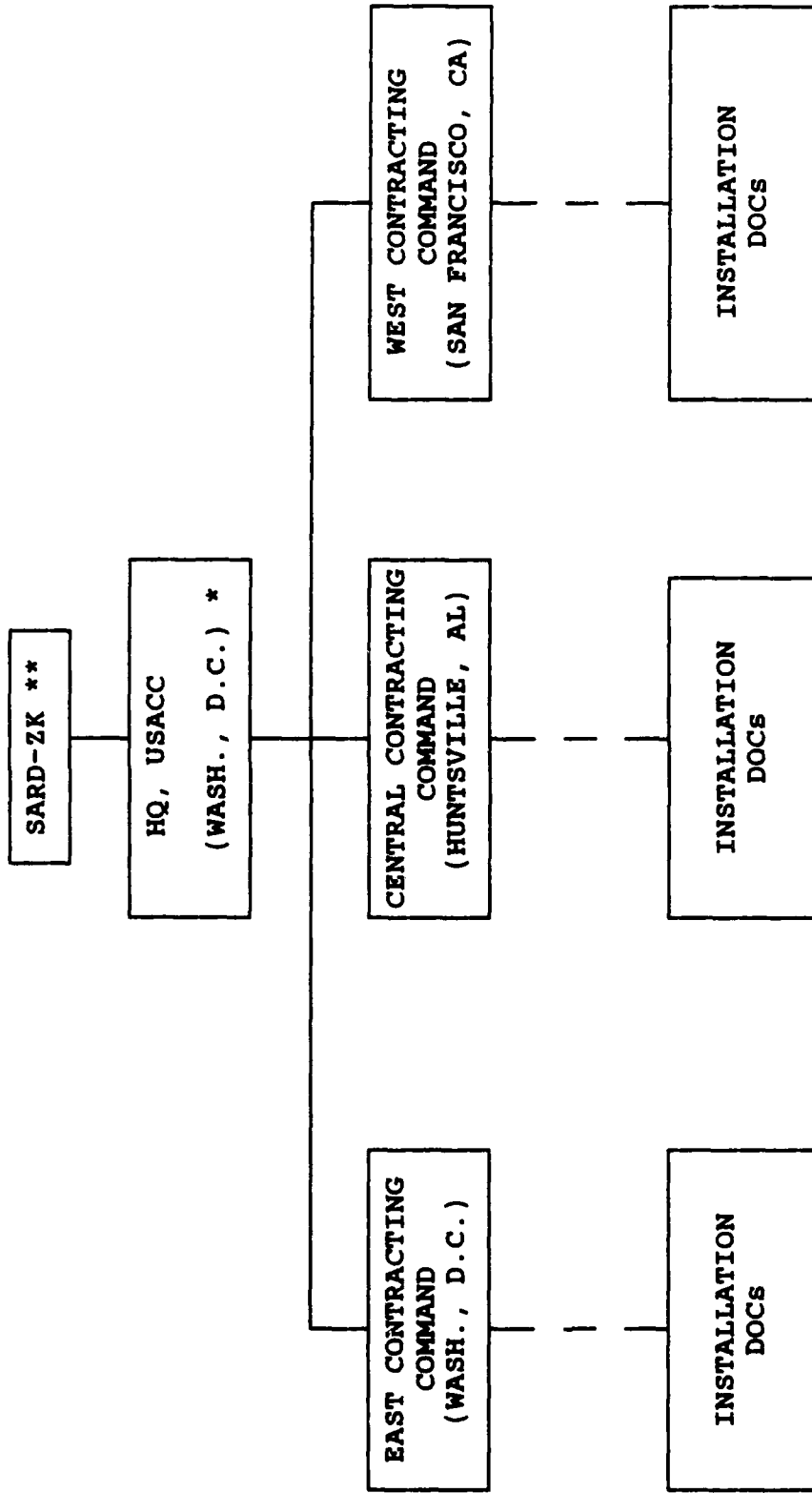


APPENDIX IV

31

3

U.S. ARMY  
CONTRACTING COMMAND (USACC)



OPERATIONAL CONTROL

TECHNICAL ASSISTANCE AND GUIDANCE

APPENDIX IV