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MBA PROFESSIONAL REPORT

**Capitalizing on Commercial-item Designation Provisions of *FAR 13.5*:
Getting the Most from Limited Resources**

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December 2006**

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PROVISIONS OF FAR 13.5: GETTING THE MOST FROM
LIMITED RESOURCES**

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CAPITALIZING ON COMMERCIAL-ITEM DESIGNATION PROVISIONS OF FAR 13.5: GETTING THE MOST FROM LIMITED RESOURCES

ABSTRACT

The past decade has seen a significant change in business practices within the Federal contracting arena. Acquisition reform initiatives have fundamentally transformed the protocols and processes the Federal Government utilizes to procure billions of dollars' worth of goods and services every year. Reforms provided under the *Federal Acquisition Streamlining Act (FASA)*, the *Federal Acquisition Reform Act (FARA)*, and the *Services Acquisition Reform Act (SARA)*, along with ensuing regulatory provisions in the *Federal Acquisition Regulation (FAR)*, have created a more business-to-business-like contracting methodology. One such methodology is the *FAR 13.5* Test Program for Commercial Items. *FAR 13.5* allows the utilization of Simplified Acquisition Procedures (SAP) for all commercial-item designated goods and services up to and including \$5.5 million. The *FAR 13.5* provisions are aimed at improving the efficiency and effectiveness of Federal contracting processes. The *FAR 13.5* regulatory provision has tremendous potential to alleviate field contracting activities' work-in-process backlogs, improve cycle-time, reduce transaction costs, and increase customer satisfaction in the business processes designed to provide essential goods and services.

However, based on the researcher's review of the business decision protocol at the Fleet and Industrial Supply Center San Diego, this text asserts Navy contracting activities may not be effectively utilizing the legislative and regulatory authority under *FAR 13.5* to garner desired efficiencies and effectiveness.

Therefore, the objective of this MBA research project is to determine the extent to which the Navy's FISC (Fleet and Industrial Supply Center) activities are capitalizing on the legislative provisions and regulatory provisions of *FAR 13.5* and to make specific recommendations for improving the full utilization of the *FAR 13.5* commercial-item designation provisions.

This sponsored research study: 1) provides an overview of the applicable legislative and regulatory provisions, specifically *FAR 13.5*, and urges full utilization of the *FAR 13.5* provisions, 2) investigates current business practices within the Fleet and Industrial Supply Centers (FISC) related to the *FAR 13.5* regulatory provisions, 3) determines the extent to which FISC is reporting *FAR 13.5* utilization and the degree of effective and efficient utilization of the *FAR 13.5* provision, and 4) provides research conclusions and specific recommendations for better utilization of the *FAR 13.5* provisions designed to benefit all process-protocol stakeholders, including the FISCs, their supported customers, the Navy and, ultimately, the American taxpayers.

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LIST OF ACRONYMS

ACO	Administrative Contracting Officer
ASIA	<i>Acquisition System Improvement Act</i>
CMDP	Corporate Management Development Program
CICA	<i>Competition in Contracting Act</i>
CNI	Commander, Naval Installations
COMFISC	Commander, Fleet and Industrial Supply Center
CON	Contracting
CNO	Chief of Naval Operations
CPARS	Contractor Performance Assessment Reporting System
DAU	Defense Acquisition University
DAWIA	<i>Defense Acquisition Workforce Improvement Act</i>
DD	Defense Department
DFARS	<i>Defense Federal Acquisition Regulation Supplement</i>
DOD	Department of Defense
DON	Department of the Navy
EDS	Electronic Data Systems Corporation
FAR	<i>Federal Acquisition Regulation</i>
FARA	<i>Federal Acquisition Reform Act</i>
FASA	<i>Federal Acquisition Streamlining Act</i>
FEDBZOPS	Federal Business Opportunities
FISC	Fleet and Industrial Supply Center
FISCJ	Fleet and Industrial Supply Center Jacksonville
FISCN	Fleet and Industrial Supply Center Norfolk
FISCPH	Fleet and Industrial Supply Center Pearl Harbor
FISCPS	Fleet and Industrial Supply Center Puget Sound
FISCSD	Fleet and Industrial Supply Center San Diego
FISCSI	Fleet and Industrial Supply Center Sigonella
FISCY	Fleet and Industrial Supply Center Yokosuka
GAO	Government Accountability Office
GS	General Schedule
GSBPP	Graduate School of Business and Public Policy
GWAC	Government-wide Acquisition Contract
GWOT	Global War on Terrorism
HCA	Head of Contracting Activity
ICP	Inventory Control Point
IGCE	Independent Government Cost Estimate
J&A	Justification and Approval
JWOD	<i>Javits-Wagenr-O'Day Act</i>
LPTA	Lowest Price Technically Acceptable
MORAS	Management and Oversight Process for Acquisition of Services and Supplies
NASA	National Aeronautics and Space Administration

NAVCOMPT	Navy Comptroller
NAVSUP	Naval Supply Systems Command
NDI	Non-developmental Item
NMCI	Navy Marine Corps Intranet
NPR	National Performance Review
NPS	Naval Postgraduate School
NRCC	Navy Regional Contracting Center
NRSW	Navy Region Southwest
PALT	Procurement Action Lead Time
PCO	Procurement Contracting Officer
PMAT	Procurement Management Assessment Team
PPMAP	Procurement and Performance Management Assessment Program
POA&M	Plan of Actions and Milestones
POGO	Project on Government Oversight
QASA	Quality Assurance Self Assessment
RDT&E	Research, Development, Test and Evaluation
SAP	Simplified Acquisition Procedures
SARA	<i>Services Acquisition Reform Act</i>
SOW	Statement of Work
SPS	Standard Procurement System
TINA	<i>Truth in Negotiations Act</i>
TCO	Termination Contracting Officer
UNICOR	Unit of Corrections, aka Federal Prison Industries
USC	United States Code
USD ATL	Undersecretary of Defense, Acquisition, Technology and Logistics

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I. INTRODUCTION

A. BACKGROUND

The past decade has seen a significant change in business practices within the Federal contracting arena. Acquisition reform initiatives have fundamentally transformed the protocols and processes the Federal Government utilizes to procure billions of dollars' worth of goods and services every year. Reforms provided under the *Federal Acquisition Streamlining Act (FASA)*, the *Federal Acquisition Reform Act (FARA)*, and the *Services Acquisition Reform Act (SARA)*, along with ensuing regulatory provisions in the *Federal Acquisition Regulation (FAR)*, have created a more business-to-business-like contracting methodology. One such methodology is the *FAR 13.5* Test Program for Commercial Items. *FAR 13.5* allows the utilization of Simplified Acquisition Procedures (SAP) for all commercial-item designated goods and services up to and including \$5.5 million. The *FAR 13.5* provisions are aimed at improving the efficiency and effectiveness of Federal contracting processes. The *FAR 13.5* regulatory provision has tremendous potential to alleviate field contracting activities' work-in-process backlogs, improve cycle-time, reduce transaction costs, and increase customer satisfaction in the business processes designed to provide essential goods and services. However, based on the researchers' review of the business decision protocol at the Fleet and Industrial Supply Center San Diego, this text asserts Navy contracting activities may not be effectively utilizing the legislative and regulatory authority under *FAR 13.5* to garner desired efficiencies and effectiveness.

B. RESEARCH OBJECTIVES

The primary objectives of this research study are first, to determine the extent to which the Navy's FISC (Fleet and Industrial Supply Center) activities are capitalizing on the legislative and regulatory provisions of *FAR 13.5*, and second, to make specific recommendations for improving the full utilization of the *FAR 13.5* commercial-item designation provisions to achieve maximum efficiencies and effectiveness of contracting processes and protocols.

This sponsored research study: 1) provides an overview of the applicable legislative and regulatory provisions, specifically *FAR 13.5*, and makes the case for full utilization of the *FAR 13.5* provisions, 2) investigates current business practices within the Fleet and Industrial Supply Centers (FISC) related to the *FAR 13.5* regulatory provisions, 3) determines the extent to which FISC is reporting *FAR 13.5* utilization, and the degree of effective and efficient utilization of the *FAR 13.5* provision, and 4) provides research conclusions and specific recommendations for better utilization of the *FAR 13.5* provisions designed to benefit all process-protocol stakeholders, including the FISCs, their supported customers, the Navy and, ultimately, the American taxpayers.

C. RESEARCH DESIGN AND METHODOLOGY

The **research design schema**, or methodology, consists of review of contracting policy and practitioner leaders. These included, but were not limited to: 1) Dr. Jacques Gansler, the former Undersecretary of Defense and now Vice-President for Research at the University of Maryland, 2) Mr. Tom Brosnan, Chief Counsel and legislative attorney for Representative Tom Davis (R-VA), Chairman, Congressional Committee on Government Reform, 3) CAPT Steve Shapro, NAVSUP Code 02, 4) CAPT James Barnard, COMFISC Lead Executive, and 5) other senior leaders, policy-makers, warranted contracting officers, and 1102-series contract specialists practicing in the field. The MBA project research effort was under the primary advisorship and direction of Professors E. Cory Yoder and Ron B. Tudor.

The **rationale and design of the research schema** is:

- 1) To provide the legal and regulatory premise for the *FAR 13.5* protocol, including the intent and vision of legislators instrumental in creating the statutory language resulting in the *FAR 13.5* provisions,
- 2) To examine established protocols related to the conduct of purchases utilizing *FAR 13.5* provisions for efficiency and effectiveness, and to investigate whether these established protocols meet the intent and vision of the legislation,

- 3) To determine whether FISC is fully capitalizing on the *FAR 13.5* provisions to maximize efficiencies and effectiveness, and
- 4) To present conclusions and to make specific recommendations to the Navy and FISC for maximizing the effectiveness and efficiencies of the *FAR 13.5* provisions.

The Fleet and Industrial Supply Center (FISC) San Diego was selected for gathering representative data, conducting protocol and process reviews, and for examining, reviewing and analyzing contract files. The research team conducted, in essence, Procurement Management Assessment Team (PMAT) review at the FISC San Diego contracting activity. Among many required functions, the research team was chartered to: 1) determine the extent to which the *FAR 13.5* regulations were being utilized as related to the total population of eligible requirement candidates for such utilization, and 2) to ascertain, when *FAR 13.5* protocol was specifically indicated and employed, as reported by FISC on DD350, the extent to which the full spirit and intent of the *FAR 13.5* provisions had been met.¹

The San Diego site was particularly well-suited for the protocol review in that: 1) it is co-located with COMFISC, which maintains the initiative for organizational modeling and FISC performance; 2) the location provided a cost-effective and proximate location to the Naval Postgraduate School, wherein the researchers could easily transit for on-site data collection; and 3) the San Diego location has a strong reputation for open communication, innovation and customer-focused support, lending itself particularly well to the study of innovative business operations.

D. SCOPE AND LIMITATIONS

This project includes: 1) an introduction to the research, 2) legislative, regulatory, and governing policy reviews, 3) representative data presentation, 4) synthesis, analysis and interpretation of the data, 5) specific conclusions, recommendations and specific future courses-of-action, and 6) barriers to implementing proposed courses-of-action and suggestions of how those barriers can be mitigated.

¹ Note: more detailed discussion is provided later in this research report.

The project was designed and conducted within specific boundaries to ensure an adequate level of research depth and breadth while fully meeting the research sponsor's and the researchers' objectives pursuant to the research proposal.

The research encompassed statutory, regulatory, governing instruction and guidance reviews, interviews, and activity protocol review at the FISC San Diego site. Although only FISC San Diego protocols and practices were examined by the research team, it is the contention of the researchers that the findings herein are applicable to the broader array of Fleet and Industrial Supply Centers' operations, to the Navy, and, more broadly, to other DoD agencies. Additionally, the research may be utilized as a template for analysis for *FAR 13.5* implementation and protocol change at organizations other than FISC San Diego.

II. BACKGROUND, REVIEW, AND APPLICABILITY SCOPE OF THE FAR 13.5 COMMERCIAL-ITEM TEST PROCEDURES

A. ACQUISITION REFORM INITIATIVES BACKGROUND

The National Performance Review (NPR), which commenced in 1993 (only shortly after the Cold War's demise), really marks the start of an over-a-decade-long push towards greater efficiency and effectiveness of Government operations. The NPR created the ideal of having a Government responsive to all its stakeholders; and its popularity was embraced by the Executive Branch and legislators alike.

The National Performance Review (1993), in essence, called for the following:

1. Greater efficiencies.
2. Increased effectiveness.
3. A change in business protocol to meet a shrinking work force.
4. A shift from purchasing goods to purchasing services.
5. The enticement of more business entities to participate in Federal business opportunities.
6. The reduction of complex statutory and regulatory systems governing Federal acquisitions.

Dr. Jacques Gansler and many other prominent thinkers recommended the Government adopt "commercial practices."

Throughout the years following the NPR, the military and its supporting personnel structures were targeted for reductions in end-strength by the Legislative and Executive Branches and experienced dramatic personnel reductions. The acquisition community was not spared in this call for restructuring. According to the General Accountability Office, within the past decade the DoD downsized the civilian acquisition workforce by nearly 50%: from nearly 250,000 employees to less than 124,000.²

During the same timeframe, several notable and respected academics proposed acquisition reform measures with the intent to improve the efficiency and effectiveness of

² Government Accountability Office, *Department of Defense Plans to Address Workforce Size and Structure Challenges*, April 2002, GAO-02-630: Acquisition Workforce.

the acquisition process and to gain those same efficiencies which would enable the DoD acquisition workforce to do more with less. Among notable scholars and influential works are: “Remaking Federal Procurement” by Steven Kelman³; from Dr. Jacques S. Gansler, former Undersecretary of Defense (AT&L) now Vice-President for Research at the University of Maryland, *Moving toward Market-based Government*,⁴ “Commercial Pricing,”⁵ and “A Vision of the Government as a World-class Buyer: Major Procurement Issues for the Coming Decade.”⁶ Without reservation, this research team asserts these authors and visionaries have influenced modern thinking in acquisition reform.

Additionally, legislators such as Congressman Tom Davis, representing Virginia’s 11th District and Chairman of the House Committee on Government Reform, have embraced and initiated—through legislative means—reformation of the acquisition process, including the passage of the *Federal Acquisition Streamlining Act* of 1994, the *Federal Acquisition Reform Act* of 1995, and the *Service Acquisition Reform Act* of 2003. All of the Acts (*FASA*, *FARA*, and *SARA*) created “commercial” buying practices aimed at garnering greater efficiency and effectiveness in the acquisition process, and at eliciting greater participation in Federal acquisitions by non-traditional contractors.

Yet, despite the manifold benefits attained by adopting commercial buying practices, the specific results of legislation and its implementation are not without strong critics. Two noteworthy challengers are Steven L Schooner, Associate Professor of Law at George Washington University School of Law (whose critique was published in an

³ Steven Kelman, “Remaking Federal Procurement,” *Visions of Governance in the 21st Century*, Working Paper #3 (Boston: The JFK School of Government, Harvard University, 2002). Accessed 15 September 2006 from <http://ksghome.harvard.edu/>; Also published in *Public Contracts Law Journal* (Summer 2002).

⁴ Dr. Jacques S. Gansler, *Moving toward Market-based Government: The Changing Role of Government* (College Park: University of Maryland, June 2003).

⁵ Dr. Jacques S. Gansler, “Commercial Pricing,” *National Contract Management Association*, 1998.

⁶ Dr. Jacques S. Gansler, *A Vision of the Government as a World-class Buyer: Major Procurement Issues for the Coming Decade* (College Park: University of Maryland, January 2002).

article entitled, *Fear of Oversight: The Fundamental Failure of Businesslike Government*⁷) and Danielle Brian, Executive Director of the Project on Government Oversight (POGO).

Criticism of the legislated reforms can be summarized as follows: the legislative reforms decrease critical managerial and oversight responsibilities traditionally afforded the Federal contracting officer, thus exposing the contracting officer and the taxpayer to significant risks.

B. MOVING TOWARDS COMMERCIALIZATION: *FASA* AND *FARA*

The *Federal Acquisition Streamlining Act* of 1994 represented the beginning of the legislative acquisition reforms aimed at commercialization.

Among one of its many major provisions was the concept of “commercial item” acquisition. Prior to *FASA*, Federal acquisitions, according to rigid criteria, were subject to myriad laws and regulations—compliance with which was mandatory for contractors participating in Federal procurements.⁸ The plethora of regulatory requirements mandated by the *Federal Acquisition Regulation (FAR)*, along with the implementation guidance under the *Defense Federal Acquisition Regulation (DFAR)* and specific agency mandates and regulations, created a “choke hold” on contractors doing business with the Federal Government; these regulations acted as a solid barrier-of-entry for potential non-traditional commercial businesses that could offer much-needed commercial goods and services to the Federal government. Due to the overwhelming legislative and regulatory burden contractors faced when doing business with the Federal government, many potential contractors refused to conduct business in the Federal arena. Recognizing the dilemma emerging from traditional regulatory-based and constrictive business practices (and the impact these were having on potential and actual participants with the Federal government), the Department of Defense (DoD) contracted a study with the management

⁷ Steven L. Schooner, *Fear of Oversight: The Fundamental Failure of Businesslike Government* (Washington, DC: George Washington University Press, 23 July 2001).

⁸ The range and scope of laws applicable to a specific contract action was, and continues to be, based on acquisition methodology, type of contract vehicle, and the monetary amount of the acquisition.

consulting firm of Coopers and Lybrand to study the impact of the DoD's acquisition regulations and oversight requirements on its contractors.

In December 1994, Coopers and Lybrand issued its report, which identified over 120 regulatory and statutory cost drivers that, according to the study, increased the price the DoD paid for goods and services by 18%.⁹ As an example, contractor compliance with the provisions of the *Truth in Negotiations Act (TINA)* resulted in a 1.3% premium paid by the Government.¹⁰ The table in Appendix 1, taken from research of conducted by the Coppers and Lybrand report and cited from the GAO Report¹¹, that reviewed oversight cost reduction efforts by DoD. Both reports highlights the top 10 of over 120 cost drivers which were identified by corporations participating in the study.¹²

Yet, even while the Federal government was experiencing a major downsizing and restructuring, it was inescapably reliant on the commercial marketplace for goods and services that were once provided by “organic” sources within the Federal (and DoD) structure.

With the prompting of several industry groups, including the Aerospace Industries Association, Federal lawmakers moved quickly to implement the *Federal Acquisition Streamlining Act (FASA—1994)*. This legislation created a preference for “commercial item acquisitions.” *FASA* eliminated many of the statutory and regulatory requirements for “commercial” items. The concept behind commercial-item designation is that the Federal government could structure its buying processes to approximate what industry utilizes in its business-to-business transactions. Specifically, priced-based acquisition, little-to-no audit requirements, and less-intrusive data collection (if any), would be

⁹ Coopers and Lybrand, *The DOD Regulatory Cost Premium: A Quantitative Assessment*, December 1994).

¹⁰ The *Truth in Negotiations Act (TINA)* is applicable to all negotiated sole-source contracts in excess of \$5,550,000 and requires certified cost or pricing data, certified by an officer of the firm, as to current, accurate, and complete information as of the date of agreement on price. *TINA* allows the Government to hold contractors financially and potentially criminally liable for “defective pricing” if the Government materially based its acceptance and award on the cost and pricing data provided by the contractor.

¹¹ Government Accountability Office, *DoD Faces Challenges In Reducing Oversight Cost*, January 1997, GAO/NSIAD-97-48: *Acquisition Reform*.

¹² Government Accountability Office, *Efforts to Reduce the Cost to Manage and Oversee DoD Contracts*, April 1996, GAO/NSIAD-96-106: *Acquisition Reform*.

applicable for all commercial-item buys. By statutory definition under *FASA*, commercial items were defined as items that were sold, leased or licensed to the general public. Under this definition, a clear and demonstrable sales track-record to the general public could be used as the basis for Government contracting officers to make their *FAR*-mandated determination of “fair and reasonable” price pursuant to, and as a condition of, contract award.¹³

What is noteworthy is that the *Federal Acquisition Regulation (FAR) Part 12*, “Acquisition of Commercial Items,” was created to comply with the new commercial-based legislation and effectively relieves contractors of many of the myriad laws and regulations to which they might otherwise be subject. (See Appendix 2 for *FAR* excerpt).

With industry lauding the *FASA* 1994 legislation, lawmakers quickly capitalized on the well-received commercial-item provisions. One year after the passage of *FASA*, new legislation was proposed which, in addition to including numerous other provisions, expanded the definition of “commercial item” to allow for even greater participation in Federal acquisitions from non-traditional firms; likewise, these provisions further reduced the burden of complex and costly statutory requirements originally identified by the Coopers and Lybrand study. The new legislation, the *Federal Acquisition Reform Act* of 1995, expanded the definition of “commercial item” to include not only items that were sold, leased, or licensed to the general public, but any items that were *offered* for sale, lease, or license to the general public. Additionally, the definition was broadened to consist of items which have evolved from commercial items; this change includes commercial items modified for Government use, commercial items and services combined for the Government requirement, non-developmental items, and services at catalog or market price.

¹³ FAR Part 12: “While the contracting officer must establish price reasonableness in accordance with 13.106-3, 14.408-2, or Subpart 15.4, as applicable, the contracting officer should be aware of customary commercial terms and conditions when pricing commercial items. Commercial item prices are affected by factors that include, but are not limited to, speed of delivery, length and extent of warranty, limitations of seller's liability, quantities ordered, length of the performance period, and specific performance requirements. The contracting officer must ensure that contract terms, conditions, and prices are commensurate with the Government's need.”

Table 1. *Federal Acquisition Streamlining Act (FASA 1994) Highlights*¹⁴

Created preference for “commercial item” acquisition.
Provided for utilization of “less intrusive” data sources in determining “fair and reasonable” price pursuant to contract award; eliminated <i>TINA</i> requirements.
Created a “broad” definition of “commercial item” to allow for maximum applicability of the legislative and regulatory relief under the provision.
Created “best practice” business processes similar to commercial business-to-business standards.
Maximized reliance on industry and market forces to establish “fair and reasonable” pricing.

Specific provisions of the *Federal Acquisition Reform Act (FARA—1995)* allowed for the utilization of Simplified Acquisition Procedures (SAP) for commercial-item goods and services up to and including \$5.5 million dollars. Other highlights of *FARA* are provided in Table 2 below.

¹⁴ Table and information derived from the *Federal Acquisition Streamlining Act (FASA) 1994* and developed by Elliott C. Yoder, November 2004.

Table 2. Federal Acquisition Reform Act (FARA 1995) Highlights¹⁵

Expanded definition of “commercial item” and its applicability to include: <ol style="list-style-type: none">1. items which have evolved from commercial items2. items that are commercial with modifications to meet Government-unique requirements3. combinations of commercial items and services for Government use4. non-developmental items (NDI—items originally developed and/or sourced by a Government agency)5. services at catalog or market prices
Prohibited the use of certified cost and pricing data under <i>TINA</i> for commercial items.
Allows the utilization of Simplified Acquisition Procedures (SAP) to purchase commercial goods and services worth up to \$5.5 million.

The “one-two” punch of *FASA* and *FARA* dramatically changed the business-process operations of acquisitions for those items falling within the definition of “commercial item.” Over 100 statutes and regulations are no longer applicable for commercial-item buys, including *TINA*.

C. DEFINITION OF COMMERCIAL ITEM—BROAD IMPACT

Understanding the definition of “commercial item” is imperative for purposes of this study. The *Federal Acquisition Regulation—FAR Part 2*—defines the aforementioned as follows (original wording intact):

“Commercial item” means—

¹⁵ Table and information derived from the *Federal Reform Act (FARA) 1995* and developed by Elliott C. Yoder, November 2004

(1) Any item, other than real property, that is of a type customarily used by the general public or by non-governmental entities for purposes other than governmental purposes, and—

(i) Has been sold, leased, or licensed to the general public; or,

(ii) Has been offered for sale, lease, or license to the general public;

(2) Any item that evolved from an item described in paragraph (1) of this definition through advances in technology or performance and that is not yet available in the commercial marketplace, but will be available in the commercial marketplace in time to satisfy the delivery requirements under a Government solicitation;

(3) Any item that would satisfy a criterion expressed in paragraphs (1) or (2) of this definition, but for—

(i) Modifications of a type customarily available in the commercial marketplace; or

(ii) Minor modifications of a type not customarily available in the commercial marketplace made to meet Federal Government requirements. Minor modifications mean modifications that do not significantly alter the nongovernmental function or essential physical characteristics of an item or component, or change the purpose of a process. Factors to be considered in determining whether a modification is minor include the value and size of the modification and the comparative value and size of the final product. Dollar values and percentages may be used as guideposts, but are not conclusive evidence that a modification is minor;

(4) Any combination of items meeting the requirements of paragraphs (1), (2), (3), or (5) of this definition that are of a type customarily combined and sold in combination to the general public;

(5) Installation services, maintenance services, repair services, training services, and other services if—

(i) Such services are procured for support of an item referred to in paragraph (1), (2), (3), or (4) of this definition, regardless of whether such services are provided by the same source or at the same time as the item; and

(ii) The source of such services provides similar services contemporaneously to the general public under terms and conditions similar to those offered to the Federal Government;

(6) Services of a type offered and sold competitively in substantial quantities in the commercial marketplace based on established catalog or market prices for specific tasks performed or specific outcomes to be achieved and under standard commercial terms and conditions. This does not include services that are sold based on hourly rates without an established catalog or market price for a specific service performed or a specific outcome to be achieved. For purposes of these services—

(i) “Catalog price” means a price included in a catalog, price list, schedule, or other form that is regularly maintained by the manufacturer or vendor, is either published or otherwise available for inspection by customers, and states prices at which sales are currently, or were last, made to a significant number of buyers constituting the general public; and

(ii) “Market prices” means current prices that are established in the course of ordinary trade between buyers and sellers free to bargain and that can be substantiated through competition or from sources independent of the offerors.

(7) Any item, combination of items, or service referred to in paragraphs (1) through (6) of this definition, notwithstanding the fact that the item, combination of items, or service is transferred between or among separate divisions, subsidiaries, or affiliates of a contractor; or

(8) A non-developmental item, if the procuring agency determines the item was developed exclusively at private expense and sold in substantial quantities, on a competitive basis, to multiple State and local governments.

The *FAR* definition clearly and purposefully is broadly worded to include both goods and services. The criteria utilized to determine whether a good or service meets the definition for commerciality can and should be interpreted in the broadest context possible, especially for purchase actions as candidates for the *FAR 13.5* Test Program. According to the researchers and Dr. Jacques Gansler, every requirement under \$5.5 million should be treated as a commercial good or service unless proven otherwise. This premise is particularly important for field contracting activities such as the Fleet and Industrial Supply Center contracting operations, whose contracting awards are made predominantly to commercial businesses offering products or services meeting the broad definition.

D. BROAD COMMERCIAL-ITEM DEFINITION DESIGNED TO ELICIT MAXIMUM UTILIZATION.

While it is logical to cite *FAR Part 12*, “Acquisition of Commercial Items,” in any discussion of commercial-item acquisitions, *FAR Part 13* actually provides the regulatory framework for those acquisitions meeting the definition criteria of commercial item. Again, that definition encompasses all the basic elements indicated in the table below:

Table 3. Commercial-item Definition Criteria¹⁶

<p>A commercial item is one that is customarily used for non-governmental purposes.</p> <p>Items must have been:</p> <ul style="list-style-type: none">• Sold• Leased, or• Licensed <p>to the general public, <i>or</i></p> <p>Items must have been <i>offered</i> for:</p> <ul style="list-style-type: none">• Sale• Lease, or• License to the general public.

Additionally, the definition may include items which have evolved from a commercial item, according to the elements in the table below:

Table 4. Additional Elements Defining Commercial Items¹⁷

<p>Commercial Items may include:</p> <ul style="list-style-type: none">• Items which have evolved from commercial items• Items that are commercial with modifications for Government use• Combinations of goods and services• “Non-developmental” items• Services at catalog or market prices

¹⁶Table and information derived from the *Federal Acquisition Regulation* and developed by Elliott C. Yoder, October 2006

¹⁷ Table and information derived from the *Federal Acquisition Regulation* and developed by Elliott C. Yoder, October 2006

E. ADVENT OF FAR SUBPART 13.5 TEST PROGRAM FOR CERTAIN COMMERCIAL ITEMS

Capitalizing on the aforementioned legislative initiatives, the *Federal Acquisition Regulation* captures the *FARA* legislative provision to allow utilization of Simplified Acquisition Procedures up to and including \$5.5 million.

The *Federal Acquisition Regulation (FAR Part 13.5)* is quite simple in its language and intent. *FAR 13.5* states verbatim (format and numbering system of the *FAR* retained herein, including any sentence fragments of the regulatory language; however, bold and italic emphasis is added to the “purpose” element):

13.500 General.

(a) This subpart authorizes, as a test program, use of simplified procedures for the acquisition of supplies and services in amounts greater than the simplified acquisition threshold but not exceeding \$5.5 million (\$11 million for acquisitions as described in 13.500(e)), including options, if the contracting officer reasonably expects, based on the nature of the supplies or services sought, and on market research, that offers will include only commercial items. Under this test program, contracting officers may use any simplified acquisition procedure in this part, subject to any specific dollar limitation applicable to the particular procedure. The ***purpose of this test program is to vest contracting officers with additional procedural discretion and flexibility, so that commercial item acquisitions in this dollar range may be solicited, offered, evaluated, and awarded in a simplified manner that maximizes efficiency and economy and minimizes burden and administrative costs for both the Government and industry (10 U.S.C. 2304(g) and 2305 and 41 U.S.C. 253(g) and 253a and 253b).***

(b) For the period of this test, contracting activities must employ the simplified procedures authorized by the test to the ***maximum extent practicable.***

(c) When acquiring commercial items using the procedures in this part, the requirements of Part 12 apply subject to the order of precedence provided at 12.102(c). This includes use of the provisions and clauses in Subpart 12.3.

(d) The authority to issue solicitations under this subpart expires on January 1, 2008. Contracting officers may award contracts after the expiration of this authority for solicitations issued before the expiration of the authority.

(e) Under 41 U.S.C. 428a, the simplified acquisition procedures authorized by this test program may be used for acquisitions that do not exceed \$10 million when—

(1) The acquisition is for commercial items that, as determined by the head of the agency, are to be used in support of a contingency operation or to facilitate the defense against or recovery from nuclear, biological, chemical, or radiological attack; or

(2) The acquisition will be treated as an acquisition of commercial items in accordance with 12.102(f)(1).

Special documentation requirements for the Test Item protocol are also contained in FAR 13.5, specifically, under FAR 13.501.

13.501 Special documentation requirements.

(a) Sole source acquisitions.

(1) Acquisitions conducted under simplified acquisition procedures are exempt from the requirements in Part 6. However, contracting officers must—

(i) Conduct sole source acquisitions, as defined in 2.101, under this subpart only if the need to do so is justified in writing and approved at the levels specified in paragraph (a)(2) of this section; and

(ii) Prepare sole source justifications using the format at 6.303-2, modified to reflect an acquisition under the authority of the test program for commercial items (section 4202 of the Clinger-Cohen Act of 1996) or the authority of the Services Acquisition Reform Act of 2003 (41 U.S.C. 428a).

(2) Justifications and approvals are required under this subpart only for sole source acquisitions.

(i) For a proposed contract exceeding \$100,000, but not exceeding \$5,500,000, the contracting officer's certification that the justification is accurate and complete to the best of the contracting officer's knowledge and belief will serve as approval, unless a higher approval level is established in accordance with agency procedures.

(ii) For a proposed contract exceeding \$5,500,000, but not exceeding \$10,000,000, the competition advocate for the procuring activity, designated pursuant to 6.501; or an official described in 6.304(a)(3) or (a)(4) must approve the justification and approval. This authority is not delegable.

(iii) For a proposed contract exceeding \$10,000,000 but not exceeding \$5,500,000 or, for DoD, NASA, and the Coast Guard, not exceeding \$75,000,000, the head of the procuring activity or the official described in 6.304(a)(3) or (a)(4) must approve the justification and approval. This authority is not delegable.

(iv) For a proposed contract exceeding \$5,550,000 or, for DoD, NASA, and the Coast Guard, \$75,000,000, the official described in 6.304(a)(4) must approve the justification and approval. This authority is not delegable except as provided in 6.304(a)(4).

(b) *Contract file documentation.* The contract file must include—

(1) A brief written description of the procedures used in awarding the contract, including the fact that the test procedures in FAR Subpart 13.5 were used;

(2) The number of offers received;

(3) An explanation, tailored to the size and complexity of the acquisition, of the basis for the contract award decision; and

(4) Any justification approved under paragraph (a) of this section.

F. SIMPLIFIED ACQUISITION PROCEDURES (SAP) TO PURCHASE ALL COMMERCIAL GOODS AND SERVICES UP TO \$5.5 MILLION

The basic premise is that whatever protocols and business practices for Simplified Acquisition Procedures (SAP) under the “traditional” \$100-thousand threshold prior to the advent of *FAR 13.5* can now be applied to all *qualifying* actions up to and including \$5.5 million under the *FAR 13.5* test threshold. The implications and potential impacts are discussed in the following chapters.

G. IMPLICATIONS AND POTENTIAL IMPACT OF FAR 13.5 PROVISIONS ON PROTOCOLS, PRACTICES AND PERFORMANCE.

Clearly, the *FAR 13.5* language presented in the previous chapter captures the minimalist design of the legislative intent of *FARA* and *FASA* on which it is based. What constitutes *qualifying* under the *FAR 13.5* protocol is a critical and key distinction that is specifically addressed later within this text. Dr. Jacques Gansler and many other prominent thinkers recommended the Government adopt “commercial practices.” Those recommendations gained prominence and took hold through the *FARA* and *FASA* legislation.

As indicated earlier in this discussion, the National Performance Review (1993), and subsequent *FARA* and *FASA* legislation, in essence, called for the following:

- Greater efficiencies.
- Increased effectiveness.
- A change in business protocol to meet a shrinking work force.
- A shift from purchasing goods to purchasing services.
- The enticement of more business entities to participate in Federal business opportunities.
- The reduction of complex statutory and regulatory systems governing Federal acquisitions.

The potential impact of the *FAR 13.5* provision is immeasurable and warrants specific and detailed discourse to help acquisition personnel, researchers and legislators fully appreciate the magnitude of the potential impacts it can have on organizational behavior and performance.

H. GREATER EFFICIENCIES & EFFECTIVENESS

Efficiency gains derived from *FAR 13.5* can be measured in several key ways. However, we cannot overemphasize that the true impact of *FAR 13.5* cannot be realized without utilizing the “traditional” SAP purchase protocol (heretofore at the \$100K threshold) as the basic business protocol and procedure map for purchases up to and including \$5.5 million. The protocol is *the* critical element, as adopting the traditional SAP protocol is necessary for achieving the vision of the legislation—according to the researchers and as supported by John Brosnan and Jacques Gansler. How does the SAP protocol create greater efficiency and effectiveness, and what does this increased capability mean to business?

First, the premise of SAP is to keep the amount of administrative paperwork, documentation, and procedure to an absolute minimum. For example, acquisition plans, if present at all, are now in a simple POA&M (Plan of Action and Milestone) format: specific actions, due dates, etc. There is no formal acquisition plan. In many cases, the acquisition plan can be eliminated in its entirety.

Second, the determination of “fair and reasonable” pricing as a required precursor to award is made by utilizing competitive forces of the commercial market place. And, when these competitive forces are present, the contract file need only demonstrate the competitive field at play on the immediate contract. This can be satisfied quite easily in commercial market buys. In essence, the *FAR* states that competition exists if: 1) two or more offerors responded to the solicitation (or there existed a notion or condition wherein a participating responder believed there was more than one offeror contending for award); 2) the offeror(s) were responsive to the requirements of the solicitation; 3) the offeror contended independently from other offerors; 4) the solicitation and award criteria utilized price and price-related factors as the basis for award decision. In commercial SAP buys, the criteria mentioned above are nearly universally present, and as such, the award determination can be made expediently.

Given the aforementioned, if the requirement is a bona-fide sole-source action, a streamlined Justification and Approval (J&A) (for action other than full and open competition) can easily be processed, and the *FAR 13.5* procedures can still be applied.

I. *FAR 13.5* TRANSACTION “TOUCH TIME” AND TRANSACTION COST REDUCTIONS

Conducting purchase actions with *FAR 13.5* streamlined protocols and processes to conduct the construct, solicitation, and award of the purchase results in dramatically less “touch time” and an associate reduction in transaction costs. According to CAPT Steve Shapro, NAVSUP Code 02, the reduction in actual touch time required to process a SAP buy, versus buys using traditional large-contract methods, is significant. CAPT Shapro indicates that a recent review of protocols revealed over a **90% reduction** in processing touch time when SAP protocol was used. Specifically, contract actions using SAP protocol have approximately **9 hours** total touch time, while those just using large-contracting procedures have approximately **200 hours** of touch time.¹⁸ Extrapolating this time savings into monetary savings means that for each transaction that utilizes the *FAR 13.5* provisions instead of traditional “large” protocol, there’s an average cost reduction of **over \$9,500 per transaction!**¹⁹ And, approximately 90% of FISC’s 65,000 annual contract action transactions are below the *FAR 13.5* Test Procedure’s \$5.5 million threshold!

The potential impact of full utilization of the *FAR 13.5* protocol is obvious, given the virtual universal applicability to actions less than \$5.5 million.

J. SUMMARY

Both industry and the Government needed new acquisition initiatives which would allow for greater effectiveness and efficiencies in providing contract support to the public sector. Personnel reductions and concurrent calls for greater savings and improved customer support didn’t go unheard by Congress and Federal regulators. The

¹⁸ CAPT Steve Shapro, NAVSUP Code 02. Cited with permission from discussion with the author conducted at NPS on 2 November 2006.

¹⁹ Note: this is derived by applying an average loaded hourly salary rate for an 1102 Contract Specialist of \$50, times the number of hours for large-contract protocol touch time (200 hours) and subtracting the average loaded hourly salary rate times the number of touch-time hours for an 1102 Contract Specialist conducting a purchase using SAP protocols.

FAR 13.5 Test procedures are in direct response to demands from process stakeholders demanding greater efficiencies and effectiveness. The savings in time and money from utilizing the *FAR 13.5* protocols are significant, to say the least.

The following chapters examine and analyze: 1) FISCs' reported utilization of *FAR 13.5* provisions; 2) FISCs' established protocols and processes for utilization of the established *FAR 13.5* provisions. Finally, the research concludes with specific recommendations.

III. DD FORM 350 DATA REVIEW

A. INTRODUCTION

The objectives of this chapter are first, to explain the usefulness of the Department of Defense's Individual Contracting Action Reports (DD Form 350) and second, to draw conclusions from the data pertaining to the SAP Commercial-item Test Program (*FAR 13.5*). Although Simplified Acquisition Procedures have been around for years, their carryover success to the new Test Program's dollar ranges is by no means a foregone conclusion. Through the use of this data, this project aims to discover the extent to which the new SAPs are being utilized. The research will first examine the Naval Supply System Command's (NAVSUP) contracting offices as a whole and then look to FISCSD contracting activities specifically.

B. DD FORM 350 REPORTING

For fifteen plus years, all levels of Government oversight have utilized contracting action reports (DD Form 350) for data collection and analysis as an effective monitoring tool of contracting offices throughout the Department of Defense. The Government Accountability Office (GAO) has, on numerous reports to Congress, cited 350 data as the basis of their analysis and findings. The forms are submitted by all defense-agency contracting offices on every contract action in excess of the micro-purchase threshold (\$2,500) and are required to be reported within 30 days after the date the contract was awarded.²⁰ With the implementation of the Commercial-item Test Program in *FAR* in 1998, new fields were added to capture that program's pertinent information.

The DD Form 350 data utilized in this project originated from NAVSUP Headquarters' Policy Division and covered all contract buys from Fiscal Years 2001 through 2005. It was consolidated into five excel spreadsheets on 17 July 2006 and consisted predominantly of all contracting actions done under NAVSUP's control, i.e.,

²⁰ Office of the Under Secretary of Defense (AT&L), *Defense Federal Acquisition Regulation Supplement (DFARS)*, 1998. DFARS Part 204.670, *Defense Contract Action Data System*, is the reference for all reporting requirements of the DD Form 350, Individual Contracting Action Report.

FISCs, ICPs, NRCCs, and other smaller contracting satellites. While the information found in NAVSUP's database is treated entirely as primary data for this project, it must be acknowledged that the Department of the Navy (DON) has found itself lacking in its effective use of the form. The issue is brought up here for clarity purposes, but moreover to point out the DON's emphasis is on the program's effective execution and the Navy's concern for its successful use and continuation. A NAVSUP policy letter dated 8 February 1999 asserted that the DON had been weak up to that point in its implementation of the Simplified Acquisition Procedure's Test Program and its associated data recording on the form. "NAVSUP Policy letter SA98-19 provided DON guidance on the use of the Commercial Test Program and requested that DON activities use the authorized procedures to the maximum extent practicable."²¹ More recently, in a 4 April 2005 letter, NAVSUP again pointed to miscoding problems of the DD Form 350 with regards to the Test Program and warned that unless corrected it, "may potentially lead to Congressional termination of the program."²² For this project's purposes, the sometimes inconsistent usage does not pose a policy examination problem *per se*—as our findings are based on the same data as that of higher authority decision-makers examining the Test Program's effectiveness in the acquisition community. The DD Form 350 data acquired for this research is the researchers' primary database and appears to be a fair representation of FISC contracting activities. Analyses of the information contained therein will provide the following:

1. The principle means of determining the extent to which the Navy's FISC contracting activities are utilizing the Commercial-item Test Program under SAP.
2. The capability to validate that FISC San Diego's (FISCSD) contracting activities are reflective of NAVSUP's policies and practices in the aggregate.

²¹ NAVSUP, *DON POLICIES FOR THE USE OF THE COMMERCIAL ITEM TEST AT FAR 13.5*, 8 February 1999, NAVSUP Policy Letter SA99-11.

²² NAVSUP, *EXTENSION OF TEST PROGRAM USING SAP FOR CERTAIN COMMERCIAL ITEMS*, 4 April 2005, NAVSUP Policy Letter SA05/04.

3. A collection of contracts to examine for comparative analysis. The project looked both at the database as a whole for observable trends and at a sampling pulled from FISCSD for making other material observations.

C. ISOLATING FAR 13.5 TRANSACTIONS

The DD Form 350 currently contains 109 data fields that delineate nearly every feature of a contract.²³ Hierarchically designed, the form is segmented into eight parts (Table 5) and captures the actions taken by each and every buyer in the field.

Table 5. DD Form 350 Parts Breakdown

Part	Description	Data Examples
A	Identifies the reporting activity	Military Component, Contracting Office...
B	Describes the transaction	Contract Number, Action Dates, Contractor's Name & Address, Amount Obligated, Description of Procurement, Contract or Order (definite delivery, order under Federal Schedule or mandatory sources such as UNICOR and JWOD)
C	Gathers data concerning contracting procedures: use of competition, financing, and statutory requirements other than socioeconomic	Extent Competed, Type of Contract (firm-fixed-price, cost-plus-incentive-fee, labor-hour...), Solicitation Procedures, Commerciality
D	Demographic characteristics of RDT&E Actions	Small business, Minority institutions, Foreign entities...
E	Selected Socioeconomic Statistics	Type of Contractor (small business, women or minority owned...), Demographics, Size Classification, Disadvantaged Status
F	Simplified Acquisition Procedures Ranges	Sum of Lines B3a, B4a, B5a, B6a, and B7a
G	Contingency Actions	Contingency, Humanitarian, or Peacekeeping Operations
H	Remarks and Authentication	Remarks, Contracting Officer's name

Because this project is an attempt to look specifically within the Commercial-item Test Program section of the larger Simplified Acquisition Contracting Procedures, we narrowed our fields of interest on the form (Table 6) to those that had a direct bearing on a buyer's decision to either utilize *FAR 13.5* guidance or not. The chief field of interest

²³ Office of the Under Secretary of Defense (AT&L), DFARS Part 204.670 (Washington, DC: author, 1998).

for SAP purposes on the form is line B14, *Competition in Contracting Act (CICA)* applicability. The entry there indicates whether the buying agent was required to compete the contract within the “full and open” framework of the *Competition in Contracting Act* of 1984 or utilized some form of SAP to make the buy. If the field is coded “D,” then the buyer specifically used “procedures pursuant to FAR Subpart 13.5” and effectively isolated all test-program contract employment within the database. The remaining fields chosen to be kept were either used to identify what was contracted or to help determine why other than *FAR 13.5* procedures were determined necessary.

Table 6. DD Form 350 Line Numbers of Interest

Line Number	Title/Description
A4	NAME OF CONTRACTING OFFICE
B1A	CONTRACT NUMBER
B2A	ORDER OR OTHER ID NUMBER
B2B	MODIFICATION NUMBER
B3	ACTION DATE
B5D	CONTRACTOR NAME AND DIVISION NAME
B8	OBLIGATED OR DEOBLIGATED DOLLARS
B12A	FEDERAL SUPPLY CLASS OR SERVICE CODE
B12E	NAME OR DESCRIPTION
B13A	CONTRACT OR ORDER
B14	CICA APPLICABILITY
C3	EXTENT COMPETED
C5	TYPE OF CONTRACT
C6	NUMBER OF OFFERS SOLICITED
C7	NUMBER OF OFFERS RECEIVED

One significant factor of the 350 data the researchers chose not to examine was that of customer cycle-time. While the report does post a start and completion time for each contract, researchers garnered from FISCS D personnel that this aspect of the form is

subject to neglect and possible abuse. It is neglected because the reports are routinely not filled out until some time after the contracts have been completed and are usually completed by a third-party data clerk. Consequently, the dates used are driven by those on the contract award itself, instead of when the customer actually initiated the purchase process with the agency. Because customer cycle-time is one of the key metrics contracting offices report to higher authorities, it is subject to abuse. Reporting accurate cycle-time metrics would result in lowering established thresholds. While it was not this project's purpose to find fault with any agency's reporting accuracy, we determined that a better solution for finding cycle-time data was through record samplings and policy procedures of the agency in question. Dollar-value ranges were another concern for us as the Test Program's thresholds were fenced, at the time the research data was collected, between \$100K and \$5M. In order to maintain the data for comparative analysis, research here is constrained to those same figures. It is also noteworthy to mention here that when examining the data, observers should note that all dollar values are expressed as then-year amounts and are not adjusted for inflation.

D. NAVSUP DATA REVIEW

With research parameters set, data mining efforts preceded to filter the information gathered in terms of: 1) types of acquisitions, 2) number of contract actions performed (Count), and 3) their associated dollar figures. For reference purposes, average and maximum dollar values for each category are also included in the table. Since the primary focus, sampling, and policy reviews were based on only one contracting activity, FISCSD, it was necessary to ensure that findings there were indeed reflective of NAVSUP's contracting policies and offices in the aggregate. The researchers, therefore, investigated the entire database first before turning to San Diego's data specifically. In this way, this discussion can 1) illustrate what is going on in the NAVSUP contracting world with regards to SAPs and 2) establish a frame of reference for comparative analyses to follow.

Table 7 and Figure 1 that follow contain all of NAVSUP's contracting activities for Fiscal Years 2001 through 2005. Acquisition types are segmented into four categories: two of which fall outside and two inside the Simplified Acquisition

Procedures. The Non-SAP figures are derived by filtering out all acquisitions from line-item B13A of the DD Form 350 that were coded “9”—indicating that a contract was awarded using SAP. This filtering left only acquisitions made using some form of contract or order other than SAP (Definite and Indefinite Delivery Contracts, Order under Federal Schedule, etc.). To better represent where contracting workloads are concentrated with regards to Non-SAP procurements, researchers determined it additionally prudent to separate purchases made in support of the Navy and Marine Corps Intranet (NMCI) through the Electronic Data Systems Corporation (EDS). Aside from the initial base issuance of the NMCI contract, all subsequent EDS purchases are automated, and cycle-times for each are extremely fast. Because NMCI buys make up such a large percentage of all the Non-SAP contracting dollars obligated, and the number of modifications issued against that one contract are so numerous, their values tend to skew Non-SAP workload metrics considerably. With the breakouts, observations about the actual state of affairs of Non-SAP contracting activity can be more easily distinguished. For the SAP categories, the previously mentioned filtering of line-item B14 produces all acquisitions either made utilizing the Test-Program procedure (*FAR 13.5*) or some other form of SAP. Significant observations that can be readily drawn from the data include:

1. Non-SAP or large contracting expenditure deltas across the periods are significant. While no definitive explanations for this are readily apparent, Fleet build-up and increased funds due to the onset of the Global War on Terror (GWOT) may be contributing factors.

2. The average value of SAP contracts employed for the period (~ \$300K) were expectantly less than their Non-SAP counterparts (~\$450K); but with a few large contract exceptions, the Test Program was never really utilized to its full \$5M potential.

3. Averaging around 137 million dollars in annual expenditures, the Test Program did not experience the same growth rate as the other acquisition types for the period.

Table 7. NAVSUP Total Acquisitions (2001 – 2005)

Fiscal Year	Data	Acquisition Types				Total Acquisitions
		EDS (Non-SAP)	Non-SAP Other	SAP Other	SAP FAR 13.5	
FY01						
	Sum	\$ (26,088,161)	\$ 310,738,216	\$ 1,912,910	\$ 95,692,765	\$ 382,255,730
	Count	186	689	12	344	1,231
	Average	(140,259)	450,999	159,409	278,177	310,525
	Max	3,334,301	4,826,000	400,470	2,996,296	4,826,000
FY02						
	Sum	\$ 96,428,462	\$ 1,009,953,741	\$ 8,328,823	\$ 129,959,601	\$ 1,244,670,627
	Count	475	2,462	52	439	3,428
	Average	203,007	410,217	160,170	296,036	363,089
	Max	4,808,396	5,000,000	481,325	4,658,580	5,000,000
FY03						
	Sum	\$ 270,003,466	\$ 914,602,593	\$ 62,716,696	\$ 146,165,546	\$ 1,393,488,301
	Count	1,401	2,210	181	474	4,266
	Average	192,722	413,847	346,501	308,366	326,650
	Max	4,966,002	5,000,000	3,368,000	4,600,000	5,000,000
FY04						
	Sum	\$ 631,833,153	\$ 345,438,150	\$ 61,876,055	\$ 127,608,235	\$ 1,166,755,593
	Count	1700	666	168	429	2,963
	Average	371,667	518,676	368,310	297,455	393,775
	Max	4,562,888	1,975,110	4,979,117	4,577,835	4,979,117
FY05						
	Sum	\$ 574,010,523	\$ 488,186,113	\$ 106,313,453	\$ 145,428,338	\$ 1,313,938,427
	Count	1,543	1,499	428	492	3,962
	Average	372,009	325,675	248,396	295,586	331,635
	Max	4,646,640	5,000,000	4,781,256	3,378,336	5,000,000

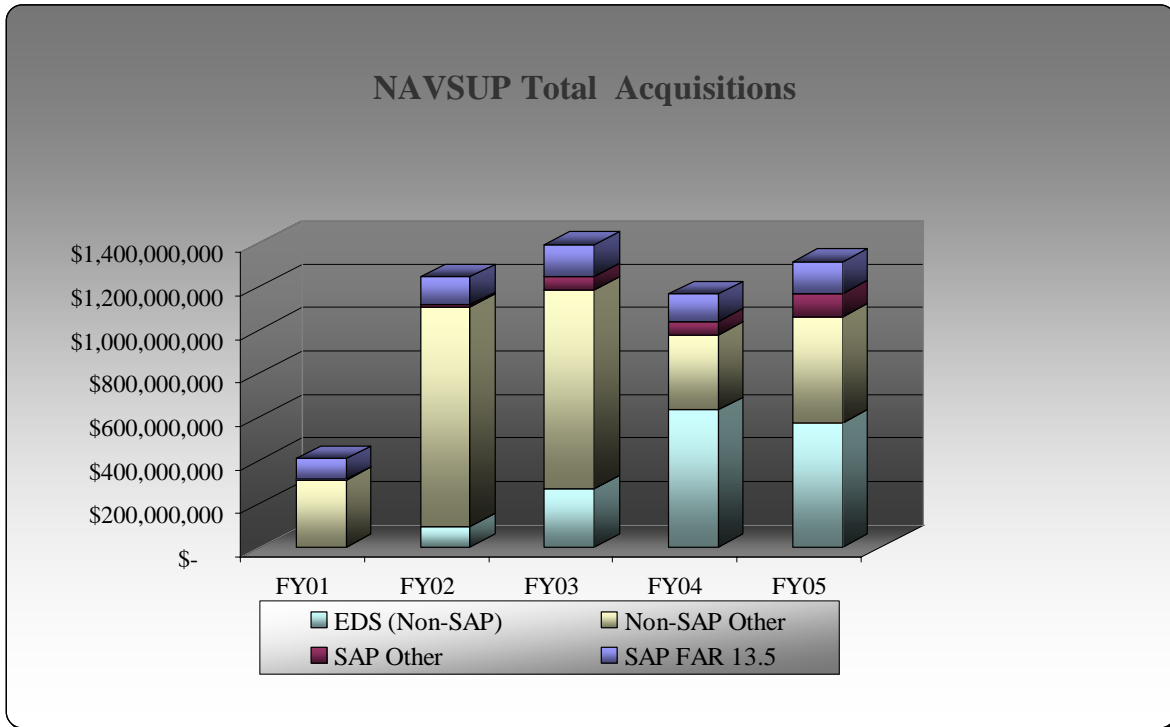


Figure 1. NAVSUP Total Acquisitions (2001 - 2005)

Isolating Test Program dollars as a percentage of all acquisitions, Figure 2 below depicts a downward-sloping trend in usage. While this segment of research may exhibit a negative implication on the DON’s usage of the program, it should be countered, in large part, with the heightened expenditure rates of other programs in support of the GWOT.

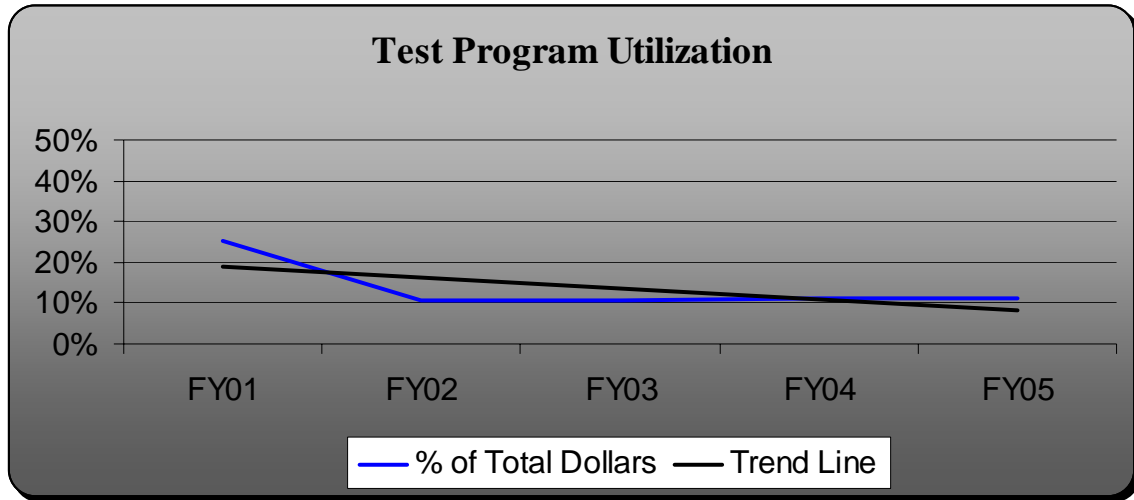


Figure 2. NAVSUP Test Program Utilization Percentages

Although Table 7 and Figures 1 and 2 all provide an accurate depiction of the amount of money being spent and the acquisitions categories to which dollars are being obligated, they also paint a poor picture of the workload levels experienced by contracting office personnel. Since that concern is of a higher importance to the project, a more comprehensive investigation into the data was required to make such observations.

Workload observations are more accurately perceived through the removal from the database of all acquisition activities that are considered follow-on actions to the original or “Base Contracts.” By removing these additional orders and modifications, the need for the EDS (Non-SAP) acquisition type was eliminated. For reference purposes, Table 8 to follow does provide monetary figures; but its significant worth lies in its acquisition “Count” values. Instead of making observations in terms of dollars spent, this section of findings will represent the number of contracts issued as a better depiction of work being performed in the contracting offices under NAVSUP’s governance. Observations from Table 8 and Figure 3 include:

1. A considerable portion of the total dollar amounts spent at NAVUP activities significantly decrease when additional orders of and modifications to base contracts are removed.

2. Changes in the amount of contracts issued remained greater during Fiscal Years 2002 and 2003 but are still considerably less than total acquisitions.

3. Most of the variability in contract actions, even when examining workload data, is still related largely to Non-SAP procurements.

4. “SAP Other” acquisition activity nearly tripled over the last reported period. It is surmised that recent utilization of more automated contract buys through the use of e-commerce initiatives (such as e-portal for service contracts) account for much of this growth.

5. When compared to Table 5, Test Program contracts experienced a far less significant drop in values. This observation leads to the conclusion that Test Program purchases are predominantly made as one-time buys—unlike other acquisition types, which have far more repeat orders and modifications.

6. Test Program figures remained very stable throughout the research period—averaging around 375 actions per year.

Table 8. NAVSUP Base Contracts (2001 – 2005)

Fiscal Year	Data	Acquisition Types			Total Acquisitions
		Non-SAP	SAP Other	SAP FAR 13.5	
FY01	Sum	\$ 164,408,492	\$ 1,912,910	\$ 94,913,479	\$ 261,234,881
	Count	382	12	325	719
	Average	430,389	159,409	292,041	363,331
	Max	3,974,856	400,470	2,996,296	3,974,856
FY02	Sum	\$ 395,071,632	\$ 7,892,190	\$ 122,125,782	\$ 525,089,604
	Count	963	49	386	1,398
	Average	410,251	161,065	316,388	375,601
	Max	4,467,528	481,325	4,658,580	4,658,580
FY03	Sum	\$ 385,864,476	\$ 32,488,196	\$ 135,202,435	\$ 553,555,107
	Count	969	120	421	1,510
	Average	398,209	270,735	321,146	366,593
	Max	4,710,169	3,368,000	4,600,000	4,710,169
FY04	Sum	\$ 202,656,056	\$ 29,252,165	\$ 119,952,276	\$ 351,860,497
	Count	359	96	389	844
	Average	564,502	304,710	308,361	416,896
	Max	4,975,110	4,490,257	4,577,835	4,975,110
FY05	Sum	\$ 253,076,712	\$ 92,584,278	\$ 129,438,783	\$ 475,099,773
	Count	630	298	358	1,286
	Average	401,709	310,685	361,561	369,440
	Max	4,602,725	4,781,256	3,378,336	4,781,256

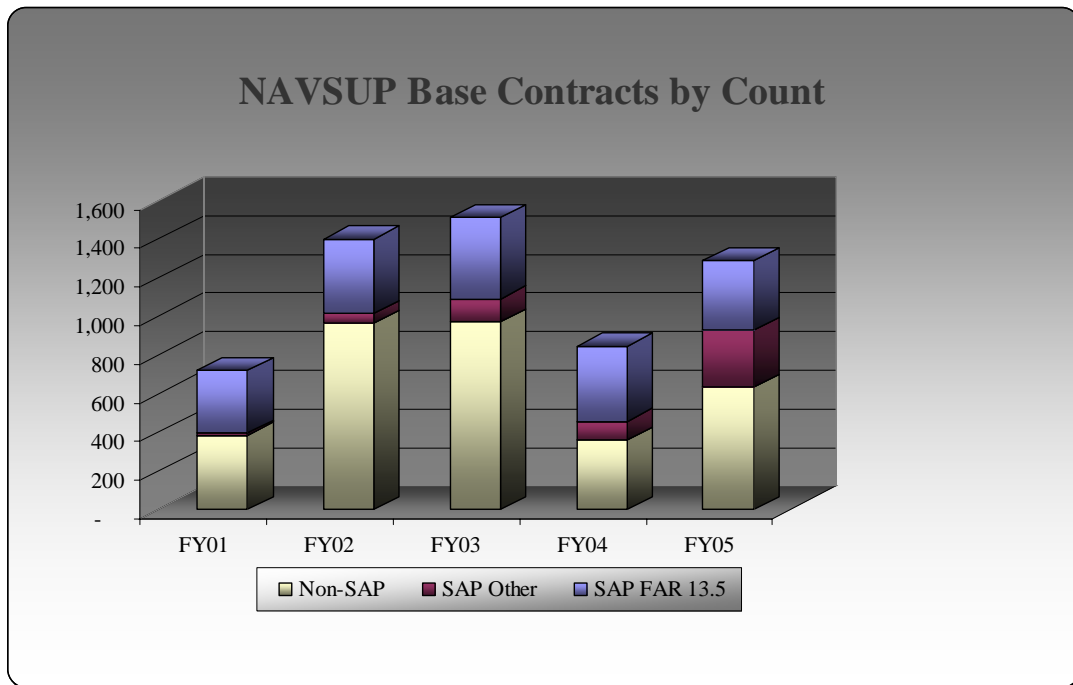


Figure 3. NAVSUP Base Contracts by Count (2001 - 2005)

Utilizing Figure 3 as a frame of reference, the next three figures are aimed at exploring workload level experienced throughout NAVSUP for the period. By expressing the data as percentages of total acquisitions over time in conjunction with trend lines, several patterns become apparent:

1. The production of Non-SAP contracts are trending downward but look to remain in the neighborhood of half of all acquisition workloads throughout NAVSUP’s contracting offices.

2. SAP Other acquisitions are experiencing the most dramatic changes in workload percentages. This is a positive trend in contract efficiency.

3. Test-program utilization is being reported at a healthy 35% of all NAVSUP contracts constructed. While this figure will send a positive message to policy makers, this finding is severely limited in its ability to comment on actual performance savings.

4. A comparison of the three figures together indicates that SAP programs are an indispensable portion of NAVSUP contracting—at nearly 50%. They also signify that the Test Program’s utilization is not so much competing with Non-SAP acquisitions but rather against other streamlined acquisition methods being introduced into the system.

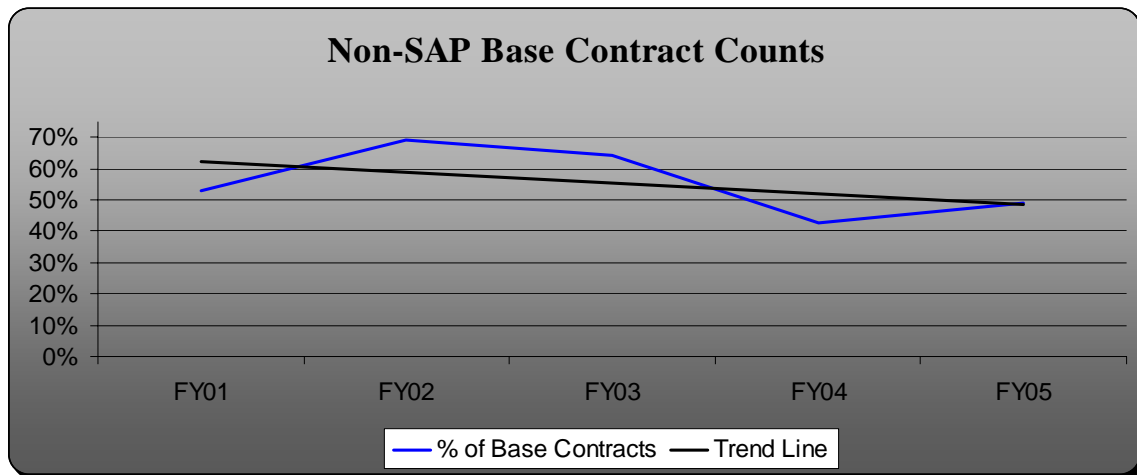


Figure 4. Averaged Non-SAP Base Contract Count Percentages

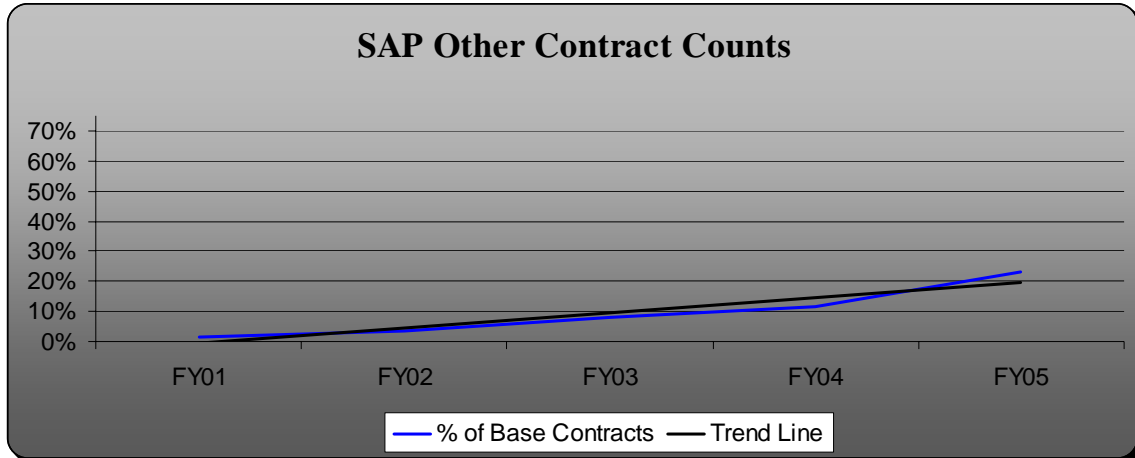


Figure 5. SAP Other Contract Count Percentages

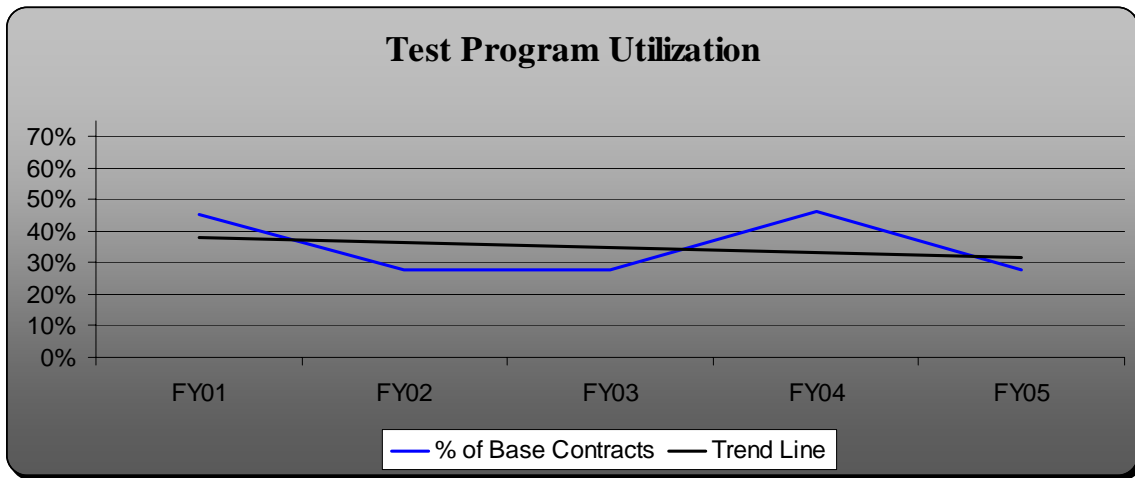


Figure 6. Test Program Utilization Percentages

E. FISC SAN DIEGO DATA REVIEW

As stated previously, this portion of the review is mainly concerned with ensuring FISCSD’s activities are indicative of its larger community. The data mining here will employ all earlier methodologies used in the processing of the parent information. For comparative purposes, the focus is primarily fixed on FISCSD’s base contracts due to their ability to more accurately depict concentrations of effort amongst acquisition types. However, because there are significant variations in percentages of total acquisition

dollars obligated at FISCSD as compared to NAVSUP, Table 9 and Figure 7 to follow are presented with a few comments to acknowledge those disparities. Observations from the data include:

1. NMCI procurements dominate FISCSD obligations for fiscal years 2004-2005. They, in fact, represent nearly all of NAVSUP's purchases for the period in question.
2. The percentage of Non-SAP acquisition expenditures are considerably less at FISCSD than at the rest of NAVSUP. A survey of the data indicates that contracting done at Naval Inventory Control Points increases this category for NAVSUP in the aggregate.
3. Setting NMCI procurements aside for the moment, SAP buys make up a considerably larger portion of business when compared to Non-SAP figures.

Table 9. FISCSD Total Acquisitions (2001 – 2005)

Fiscal Year	Data	Acquisition Types				Total Acquisitions
		EDS	Non-SAP	SAP Other	SAP FAR 13.5	
FY01						
	Sum	\$ (9,895,814)	\$ 23,261,753	\$ 448,947	\$ 14,230,245	\$ 28,045,131
	Count	107	51	2	48	208
	Average	(92,484)	456,113	224,474	296,463	134,832
	Max	2,486,063	4,192,551	348,947	2,179,126	4,192,551
FY02						
	Sum	\$ 60,162,346	\$ 63,820,538	\$ 3,257,946	\$ 9,015,419	\$ 136,256,249
	Count	194	153	21	30	398
	Average	310,115	417,128	155,140	300,514	342,352
	Max	4,808,396	4,219,070	248,439	658,655	4,808,396
FY03						
	Sum	\$ 35,168,571	\$ 62,865,910	\$ 250,000	\$ 19,788,835	\$ 118,073,316
	Count	262	161	4	63	490
	Average	134,231	390,471	62,500	314,108	240,966
	Max	4,066,477	4,817,889	150,000	1,977,010	4,817,889
FY04						
	Sum	\$ 259,506,741	\$ 13,618,102	\$ 2,073,809	\$ 16,165,600	\$ 291,364,252
	Count	549	49	11	42	651
	Average	472,690	277,920	188,528	384,895	447,564
	Max	4,562,888	3,302,086	298,738	4,577,835	4,577,835
FY05						
	Sum	\$ 147,679,491	\$ 32,293,229	\$ 22,434,367	\$ 14,311,800	\$ 216,718,887
	Count	271	72	75	37	455
	Average	544,943	448,517	299,125	386,805	476,305
	Max	4,097,519	3,499,971	2,465,399	2,999,984	4,097,519

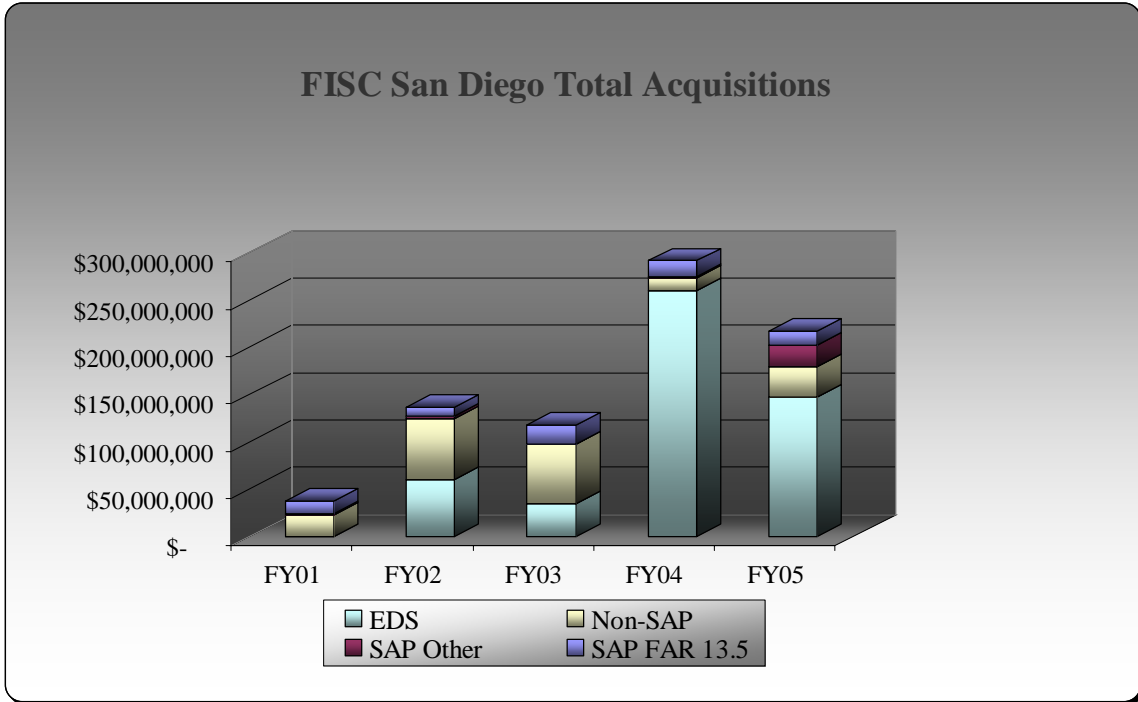


Figure 7. FISCSD Total Acquisitions (2001 - 2005)

Table 10 and Figure 8 that follow contain base-contract data only. Filtered exactly as the previous NAVSUP tables, these numbers are drawn from FISCSD’s total acquisitions and represent only the original or base-contract actions for the period. Where the previous monetary total acquisition illustrations above contained considerable variations from the NAVUP data, these appear remarkably similar. Observations include:

1. In every category for the period, nearly all base-contract fluctuations were very comparable to that of NAVSUP’s as a whole. This similarity testifies both to the ability of NAVSUP policy makers to effect change across the entire organization and to Fleet-wide responsibilities changing in response to the GWOT.

2. The only significant divergence in workload distributions from the NAVSUP data is that of SAP Other acquisition procurements. In 2005, this category accounted for over half of all FISCSD’s contract builds.

Table 10. FISCSD Base Contracts (2001 – 2005)

Fiscal Year	Data	Acquisition Types			Total Acquisitions
		Non-SAP	SAP Other	SAP FAR 13.5	
FY01	Sum	\$ 14,092,690	\$ 448,947	\$ 2,179,126	\$ 16,720,763
	Count	34	2	48	84
	Average	414,491	224,474	45,398	199,057
	Max	2,450,736	348,947	2,179,126	2,450,736
FY02	Sum	\$ 37,582,149	\$ 3,257,946	\$ 7,327,406	\$ 48,167,501
	Count	85	21	26	132
	Average	442,143	155,140	281,823	364,905
	Max	4,219,070	248,439	658,655	4,219,070
FY03	Sum	\$ 30,263,678	\$ 200,000	\$ 17,936,800	\$ 48,400,478
	Count	90	2	56	148
	Average	336,263	100,000	320,300	327,030
	Max	3,692,538	100,000	1,977,010	3,692,538
FY04	Sum	\$ 10,770,027	\$ 2,073,809	\$ 16,165,600	\$ 29,009,436
	Count	27	11	42	80
	Average	398,890	188,528	384,895	362,618
	Max	3,302,086	298,738	4,577,835	4,577,835
FY05	Sum	\$ 12,174,571	\$ 22,734,027	\$ 12,040,075	\$ 46,948,673
	Count	40	72	27	139
	Average	304,364	315,750	445,929	337,760
	Max	1,264,632	2,465,399	2,999,984	2,999,984

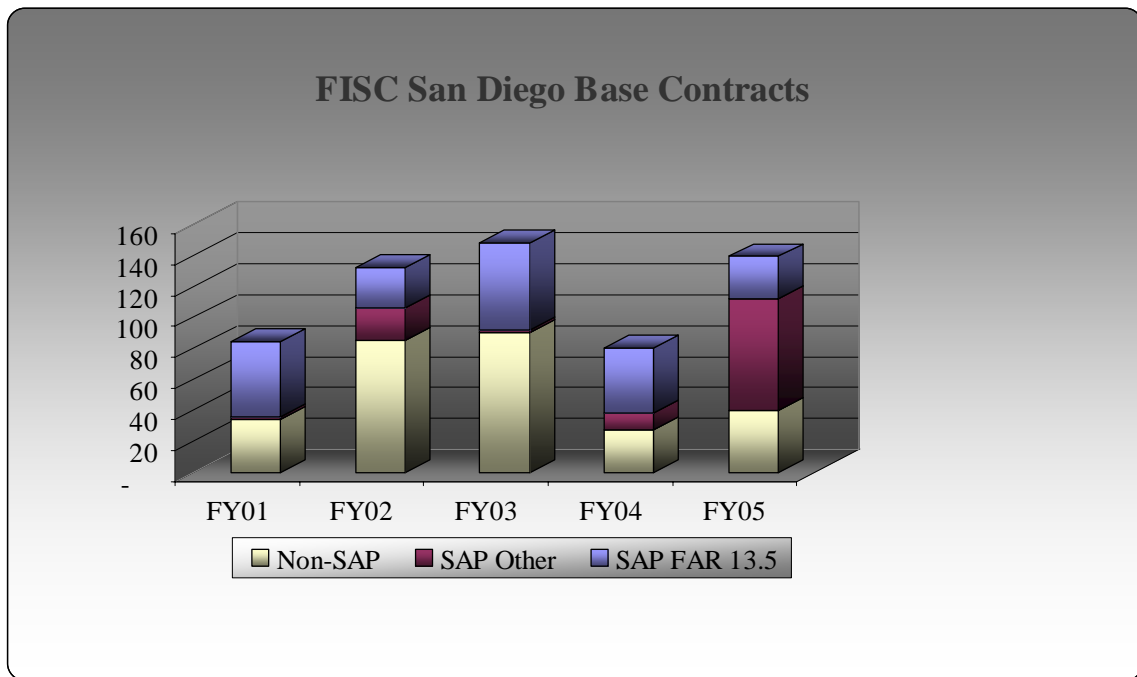


Figure 8. FISCSD Base Contracts (2001 – 2005)

A breakdown of FISCSD’s test-program utilization (Figure 9) is presented below in order to illustrate that the predominance of all acquisitions performed in this category are for dollar figures well below the program’s intended use. On average, 86% of all contracts issued are less than \$500K, with only two or three obligated per year in excess of \$1M.

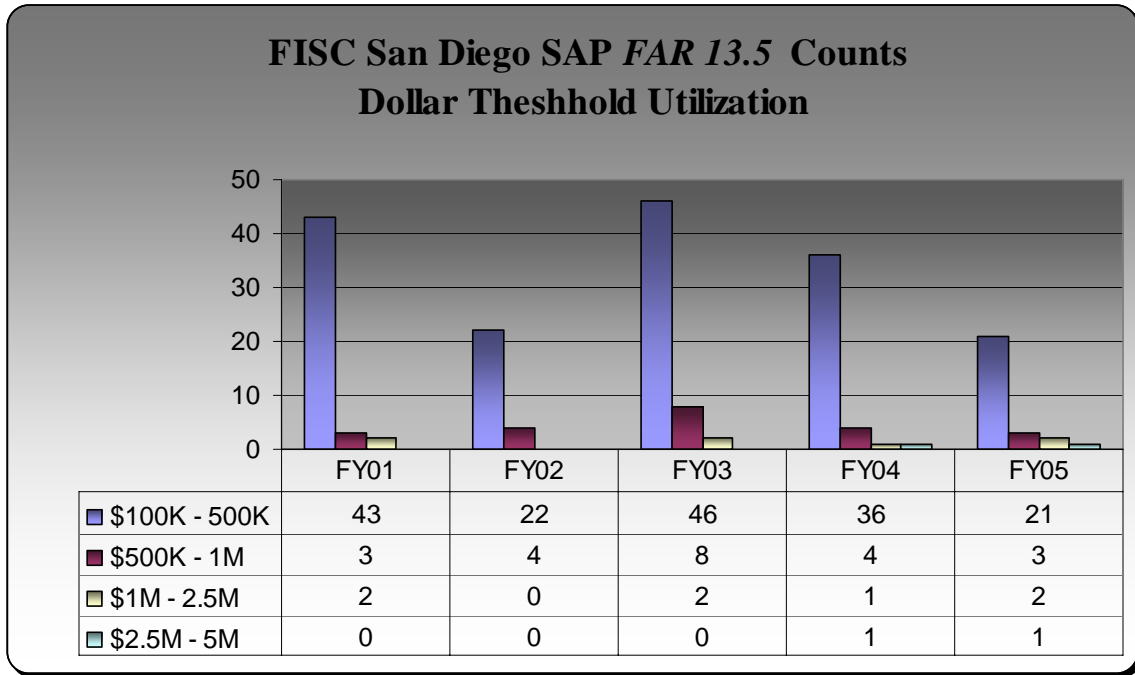


Figure 9. FISCSD SAP FAR 13.5 Dollar Threshold Utilization

For further comparisons of acquisition activities between NAVSUP and its San Diego office, Figures 10 thru 12 to follow are presented in the same fashion as the earlier NAVSUP series charts. These figures are helpful in assessing FISCSD’s contracting activity utilization for each acquisition category over the test period. Trend lines in these illustrations are derived from FISCSD’s data. Observations include:

1. Again, the yearly data fluctuations between NAVSUP and FISCSD are remarkably similar in amplitude, direction of movement and in their associated trend lines with regards to base-contracting activities.

2. FISCSD experienced an even larger reduction of Non-SAP acquisitions in Fiscal Years 2004 and 2005 than NAVSUP did as a whole.

3. SAP Other acquisition programs are more robust and volatile at the San Diego office. This indicates that the office is more responsive to new projects and technological improvements.

4. The spike in program utilization for 2004 has more to do with the drop off of other acquisitions for the period than any actual growth in *FAR 13.5* procurements.

5. FISCSD's utilization of the Test Program for the period averaged higher than its larger community. This finding supports the assertion that FISCSD is a good candidate for examining test-program performance.

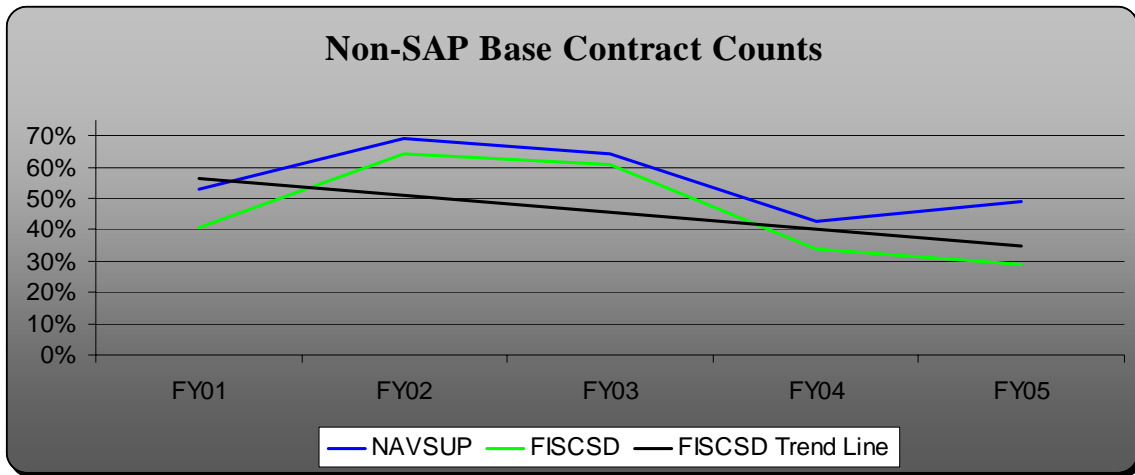


Figure 10. Non-SAP Base Contract Count Percentages

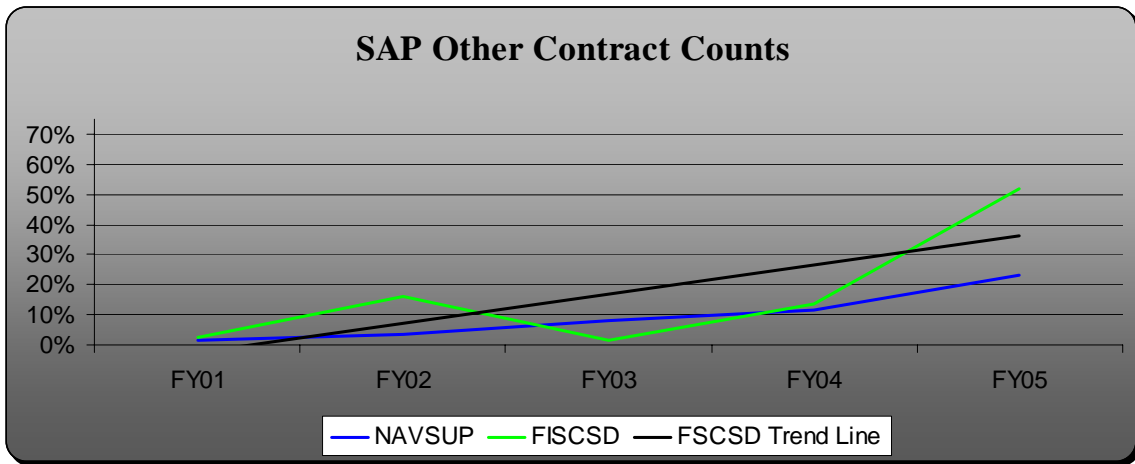


Figure 11. SAP Other Contract Count Percentages

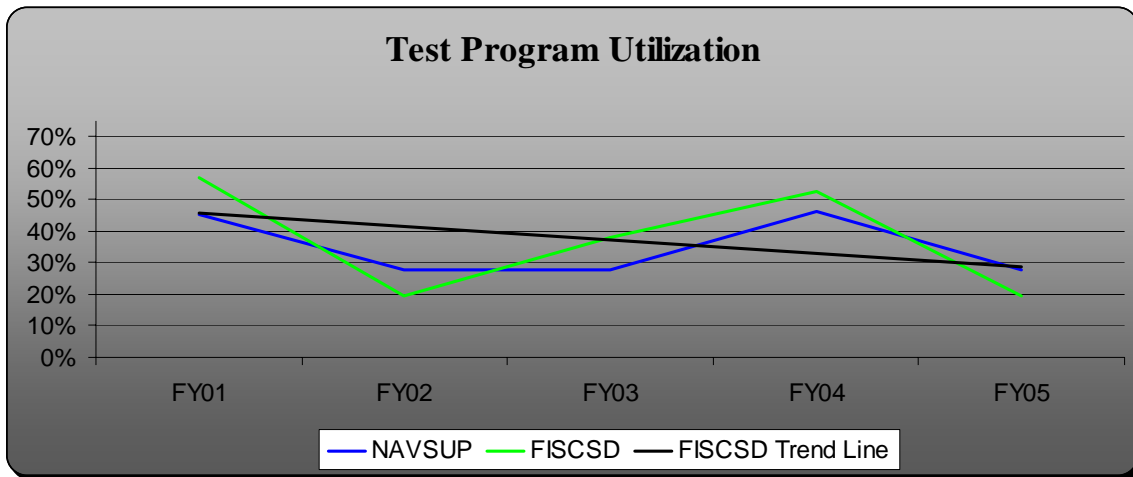


Figure 12. Test Program Utilization Percentages

F. DATA SUMMARY CONCLUSIONS

This chapter established observations about NAVSUP’s employment of the *FAR 13.5* Test Program and to confirm FISCSD as an adequate test site for further analysis. Numerous illustrations supported both objectives.

1. Based on total dollars obligated, findings in this research displayed that FISCSD and its related NAVSUP offices are reporting a very healthy degree of Test-program utilization. For Fiscal Years 2001 through 2005, obligations under the Test Program averaged \$129M for the whole NAVSUP organization and \$14.7M for FISCSD alone.

2. Policy makers should be encouraged by the figures Navy procurement executives report for percentages of test-program participation in relation to total contracting activities for the period. Based on original contract awards, NAVSUP reported a 35% utilization of the program average for the period; FISCSD likewise reported a 37% utilization rate.

3. Background information and data reported signifies that NAVSUP supports the program and is highly interested in its continuation beyond the test period. This conclusion is based on NAVSUP letters referenced in this chapter’s introduction and the above program-employment rates.

4. Figures 10 through 12 of this chapter illustrate through comparative analysis that FISCSD is remarkably similar in its apportionment of acquisition vehicles across the contracting spectrum to NAVSUP in the aggregate. These observations substantiate FISCSD as an excellent test subject candidate for examining how *13.5* procedures are implemented at the contracting-office level.

Before claiming victory based on these observations, however, the researchers' repeated exploration of the database catalyzed the following strong words of caution and recommendations for improving it as an oversight tool. As is, the strength of the 350 data collection is in the area of "reported utilization" of a program vice any comment on the efficient use of said program. As illustrated in the research, the Test Program suffers from several shortcomings:

1. Poor capture ability of actual customer cycle-times on the report results in the loss of any efficiency analysis. Offices are deemed to be in compliance by stating their increasing use of the program, not by how much time savings they are transferring to their customers.

2. With the exception of a few million-plus dollar contracts, each year the Test Program's use beyond \$500K is severely limited. Total observations of its utilization fail to capture the program's poor performance above the \$500K threshold.

3. No selection in the form delineates if the purchase was eligible for the program. As it stands now, the data states when the program was used—not if it could have been and wasn't. Acquisitions done by other than *FAR 13.5* procedures are, consequently, assumed to be outside its scope—which is a misleading notion for most procurements, but uncontestable all the same.

DD Form 350 data collection as an oversight tool is certainly capable of making some substantial observations; but with some minor additions, it could prove to be a major force for transformation with regards to test-program utilization. Recommendations here include:

1. The addition of a field is needed that categorizes all procurements as either commercially available or not commercially available. With such a field, oversight could scrutinize an eligible universe of acquisitions and set higher implementation goals for the program.

2. Obligations made using *FAR 13.5* procedures should be stratified into several monetary ranges. Holding offices accountable for implementing the program at quality percentages across a range of dollar thresholds would ensure that new processes would be generated to meet new oversight requirements.

3. Customer cycle-time ranges need to be added to the form when SAP are being reported as used. This change would transform the reporting criteria for all reporting offices from one of utilization to one of efficiency. Oversight would begin to focus on reducing this metric.

For acquisitions over \$100K, this project is most interested in discovering the savings in workload levels when the SAP Test Program is used. Follow-on chapters will mainly concern themselves with this question—through an examination of FISCSD’s employment of NAVSUP policies and procedures as they contribute to the length of customer cycle-time.

IV. FISC CONTRACTING OFFICE DESIGN AND STAFFING

A. INTRODUCTION

This chapter provides an overview of current office design, organizational process/protocol flow, training, warrant levels and workloads specific to force structure as seen through the lens of large contracting, Simplified Acquisition Procedures (SAP), and Simplified Acquisition Procedures under the Commercial-item Test at *FAR 13.5*. Analysis of the current organization is discussed in relationship to the degree and extent of the Commercial-item Test Program utilization. Additionally, analysis is performed to determine whether or not FISC San Diego's organizational schema fully capitalizes on the Commercial-item Test at *FAR 13.5*; finally, this discussion identifies barriers for fully capitalizing on the Test Program.

B. COMFISC ORGANIZATION

In 2003, the Naval Supply Systems Command (NAVSUP) began implementation of a three-phased transformation plan based on a series of structural, functional, and customer-alignment initiatives. Principal among these initiatives was the designation of Fleet and Industrial Supply Center (FISC) San Diego as "lead FISC." FISC San Diego was assigned responsibility to drive common policies across six supply centers located in San Diego, Calif., Norfolk, Va., Jacksonville, Fla., Puget Sound, Wash., Pearl Harbor, Hawaii, and Yokosuka, Japan, and to broker workload to maximize productivity in waterfront support.

A standard FISC organization model was established and the title Commander, Fleet and Industrial Supply Centers (COMFISCS), was created to signify the Echelon III leadership of the lead FISC. COMFISCS was given responsibility for overseeing field operations through a Lead Contracting Executive, for optimizing the performance of base-supply functions such as hazardous material management, contracting, regional transportation and retail supply, and for standardizing levels of service across 16 regions and 98 Navy installations worldwide. Unique COMFISCS staff codes were created

between 2003 and 2005 to manage programs across the supply domain. In addition, on 3 March 2005, a seventh FISC was established in Sigonella, Italy.

The original assumptions and concept of operations of the "lead FISC" organization have been dramatically altered. Substantial changes in the scale of operations and global supply support necessitated both a structure of a stand-alone flag-level Echelon III command and the reestablishment of FISC San Diego as an Echelon IV command with a captain as commanding officer.

By direction of the Chief of Naval Operations (CNO), on 1 August 2006, COMFISCS was formally established to focus on global logistics issues and to drive best practices across the seven FISCs—thereby allowing FISC San Diego to focus on local logistics issues and to provide optimal supply support to Commander, Navy Region Southwest.

COMFISCS, headquartered in San Diego, Calif., comprises more than 7,000 military and civilian logistics professionals operating as a single cohesive team and providing worldwide logistics services from more than 100 locations across 14 time zones. A component of the NAVSUP, COMFISCS is part of a worldwide logistics network of more than 24,000 military and civilian personnel providing "One-touch Supply."²⁴

The regionalized FISC organizations and their supported regions are as follows:

FISC Yokosuka—Japan, Guam, Korea, Singapore

FISC Pearl Harbor—Navy Region Hawaii

FISC San Diego—Navy Region Southwest

FISC Puget Sound—Navy Region Northwest, Navy Region North Central

FISC Jacksonville—Navy Region South, Navy Region Gulf Coast, Navy Region Southeast

²⁴ COMFISC website. *One-touch Supply* is methodology that allows a single action by the customer to activate a global network of sources that delivers best value goods and services. Accessed 25 October 2006; available from www.navsup.navy.mil.

FISC Norfolk—Navy Region Midwest, Navy Region Northeast, Navy Region Washington, Navy Region Mid-Atlantic

FISC Sigonella—Europe, Southwest Asia

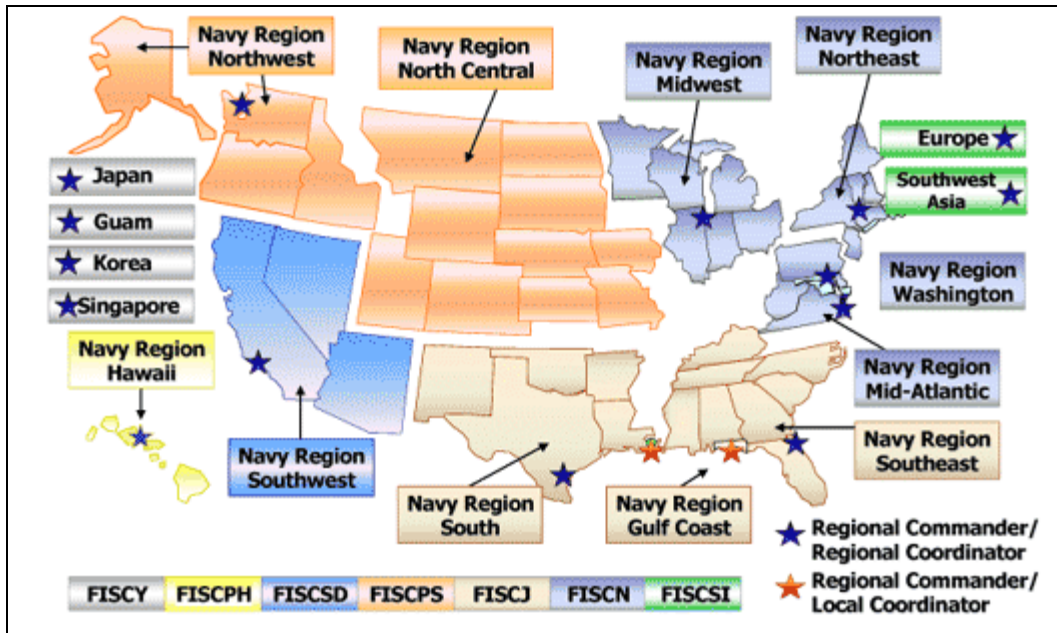


Figure 13. Regionalized FISC Organization Map²⁵

C. FISC SAN DIEGO CONTRACTING & PURCHASING ORGANIZATION

Following the major re-alignment indicated previously, the Fleet and Industrial Supply Center San Diego contracting organization, under the moniker “Code 200,” was designed, staffed and aligned according to major supported customer groups. This organizational structure allows FISC San Diego to have “customer-focused” contracting support wherein the customers will have a dedicated team supporting a majority of their requirements. As indicated previously, Code 200 is responsible to, and receives direction and operational guidance from the Naval Supply Systems Command (NAVSUP), Commander, Fleet and Industrial Supply Centers (COMFISC), and FISC San Diego.

²⁵ COMFISC website. *One-touch Supply* is methodology that allows a single action by the customer to activate a global network of sources that delivers best value goods and services. Accessed 25 October 2006; available from www.navsup.navy.mil.

FISC San Diego’s Code 200 vision is “to be a pace setting Acquisition Center, providing innovative, efficient, and effective business solutions that result in best value goods and services for our customers.”²⁶ The director is tasked with the mission “to provide NAVSUP enterprise customers a full range of acquisition services.”²⁷

FISC San Diego’s Code 200 is comprised of a Director, Regional Contracts (200), Deputy Director (200A), and five support divisions with four contracting sites in a variety of higher customer-service areas (see Figure 14 below).

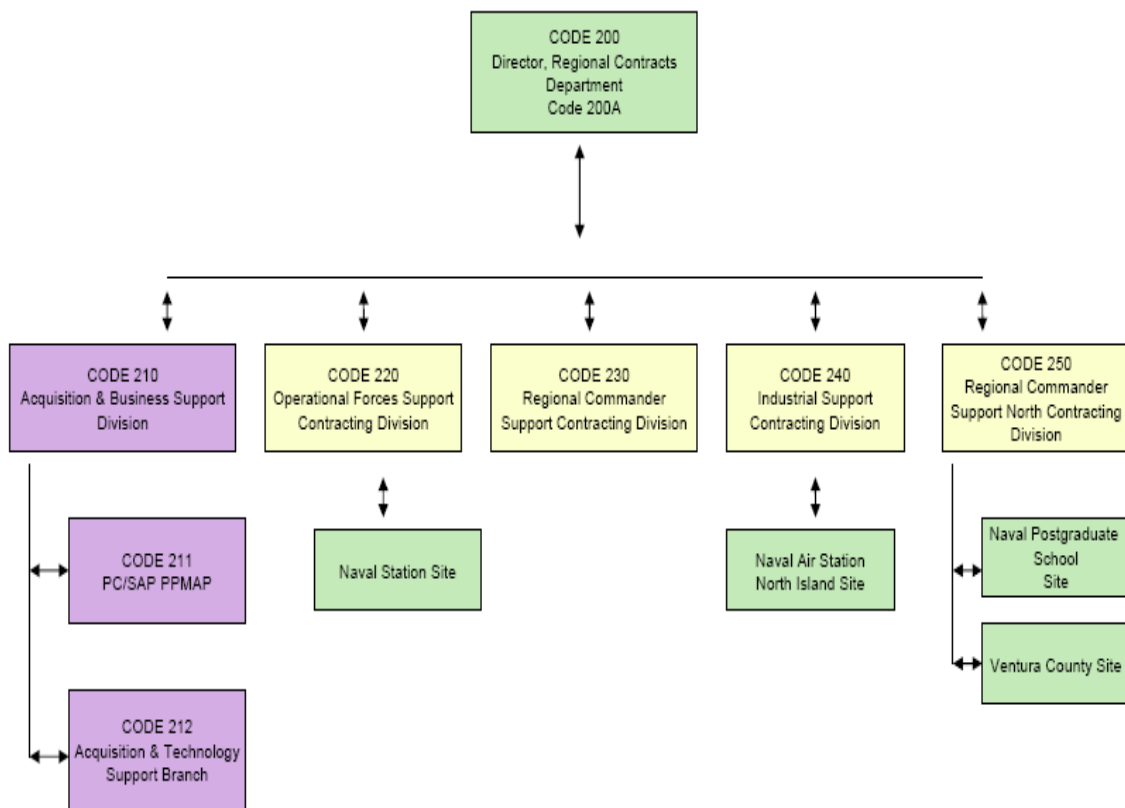


Figure 14. FISC San Diego Organization Chart²⁸

²⁶ *Contracting and Organizational Checklist*, PPMAP 2005 provided to researchers by FISC San Diego, August 2006.

²⁷ Quote taken from the *Mission Statement Checklist*, PPMAP 2005 provided to researchers by FISC San Diego, August 2006.

²⁸ Elliott C. Yoder, adapted from organization chart provided to research team by FISC San Diego, August 2006.

Each of the five support divisions are tasked to provide specific services in line with the directives and procedures of NAVSUP and COMFISC. Outlined below is a brief description of each division.

FISC Code 210 is the Acquisition and Business Support Division which manages the process protocol and work designs and monitors performance with assistance from Codes 211 and 212.

FISC Code 211, Procurement and Performance Management Assessment Program (PMAAP) Branch, provides oversight and guidance to activities exercising NAVSUP-delegated Head of Contracting Activity (HCA) contracting authority for CONUS (plus Hawaii) shore activities located West of the Mississippi, and oversees the Quality Assurance Self-assessment (QASA) program. This code functions as the internal review for compliance, protocol integrity, and sound business practice adherence for the other divisions performing contracting and purchases for supported customers and for the metrics development and monitoring.

FISC Code 212, Business Process and Automation Branch, is responsible for myriad functions related to the FISC Code 210 mission, including, but not limited to:

- Implementation of Contracting Policy,
- Internal Process Management,
- Management of Standard Procurement System (SPS)/ Procurement Defense Desktop (PD2)—the automated system for processing requirements, constructing solicitations, awarding and administering contracts and purchases,
- Coordination of external reviews concerning contracting,
- Analysis of purchase statistics, reports, trends, workload,
- Development and monitoring of performance metrics,
- Supervision of the Quality Assurance Self-assessment (QASA) Program, an internal review program designed to determine degree of protocol compliance and performance,

- Personnel Administration
- Execution and management of contracting support within budget,
- Training Management, including monitoring DAWIA compliance,
- Response to internal and higher-authority-driven calls for information (data calls),
- Customer Relation Management,
- Execution of CPARS, Contractor Performance Assessment Reporting System, which requires all contractors to be assessed on their performance on DoD contracts,
- Assessment and monitoring of Customer Satisfaction, and
- In-house Training.

FISC Code 220, Operation Forces Support Contracting Division, is one of four production shops (defined as actually conducting and executing purchases and contract actions and associated administration). As such, FISC Code 220 performs all requisite functions of the Procurement Contracting Officer (PCO), Administrative Contracting Officer (ACO), and, when required, of the Termination Contracting Officer (TCO). Code 220 provides contracting support for Fleet and other deployable units.

FISC Code 230, Code 240, and Code 250, similarly to the aforementioned Code 220, perform all requisite functions of the Procurement Contracting Officer (PCO), Administrative Contracting Officer (ACO), and when required, of the Termination Contracting Officer (TCO). The only difference between Codes 220, 230, 240 and 250 is the alignment of the divisions' support mission with major supported customers. FISC Code 230 provides contracting support for Commander, Naval Installation (CNI) and the Naval Region South West (NRSW); Code 240, Industrial Support Contracting Division, provides contracting support for industrial, aviation and maritime units; Code 250,

Regional Support Contracting Division North (Seal Beach), provides contracting support for Naval Region South West (NRSW) customers, located north of the immediate San Diego area.²⁹

The entire contracting organization is set up in a manner that facilitates, in theory and practice, customer support. As outlined previously, the organization is designed to function by operational divisions in order to provide full lifecycle contract support to the customer.

FISC San Diego's alignment along major supported customers is a less traditional approach of assigning and maintaining divisions than basing division on monetary thresholds in support of SAP and large contract acquisition. According to FISCSD management, this change in business process should allow for greater flexibility in fostering the acquisition workforce.³⁰

D. FISC SAN DIEGO CONTRACTING & PURCHASING ALIGNMENT VERSUS OTHER ORGANIZATIONAL MODELS

FISC San Diego's organizational model represents a viable alternative among competing organizational models aligned according to either commodity or monetary criteria. FISC San Diego's choice for modeling the organization was chosen to ensure that the strategic elements of the NAVSUP strategic plan³¹ could be achieved—which includes providing, in the researchers' opinion, maximum utility and support to the customer. This alignment, it is believed, better links customers with supporting staff members. The premise of the organizational model is that customers and FISC San Diego personnel will create strong working relationships by dealing with specific teams (divisions) on a regular recurring basis.

²⁹ *FISC Staffing and Organizational Structure Checklist*, PPMAP 2005 provided to researchers by FISC San Diego, August 2006.

³⁰ *FISC Management of Contracting Function Checklist*, PPMAP 2005, provided to research by FISC San Diego August 2006.

³¹ NAVSUP, *NAVSUP Strategic Plan*, 2006. Accessed 16 October 2006; available from www.navsup.navy.mil.



Figure 15. FISC Customer Alignment³²

There are alternative organizational designs which should be mentioned, as they offer alternative approaches by which to satisfy requirements. The purpose of presenting the alternative organizations is simply to highlight their strengths and weaknesses herein.

The **first alternative is alignment according to major commodity groupings**. This concept is gaining some popularity, especially at the macro-management levels. This alignment allows contracting practitioners to become “expert” in specific commodities or product lines (for example, a machine tooling specialist that buys nothing but machine tools); this allows practitioners to become savvy in the market places in which they’re conducting business. Other alignments could include service contracts, industrial products, subsistence items, etc.

A **second alternative is alignment according to functional protocols**, usually associated with monetary threshold “triggers.” Within the DoD and the Federal Procurement arena, the most common thresholds, or protocol triggers, are: 1) the micro-purchase threshold, 2) the Simplified Acquisition Procedure (SAP) threshold, *traditionally* at \$100,000, and 3) large contracts, representing contract actions above the SAP threshold—again, *traditionally* at \$100,000.³³ The advantages of this methodology of alignment are that the organization can focus production protocol, training of personnel, and performance monitoring readily along the threshold points.

³² Elliott C. Yoder, developed to illustrate customer alignment by contracting division, 1 November 2006.

³³ Note: Traditional thresholds are those **exclusive** of the Commercial-item Test at *FAR 13.5* limitations, currently at \$5.5 million.

Thus, the organization can become efficient at the threshold-specific protocols, normally triggered in Federal acquisitions by dollar thresholds.

FISC San Diego, although aligned according to primary customer, nonetheless has inherent alignment according to functional protocols. This alignment manifests itself in each of the four contract production units (as FISC Codes 220, 230, 240, and 250), as each of these divisions supporting major customers must also conduct its contracting according to established protocols associated with the monetary thresholds. In this respect, the production divisions may be somewhat “hybrid” in their construct.

E. PERSONNEL TIERS OF FISC SAN DIEGO CONTRACTING

FISC San Diego Code 200 and its subordinate Code 2XX divisions are made up of both large-contract acquisitions (Civilian 1102 series Contract Specialists) and simplified acquisition (Civilian 1105 series Purchase Agent) personnel. There are 23 employees that hold active warrants for large-contract acquisition and 20 employees that have active warrants that support simplified acquisition.³⁴ The level of each individual’s warrant is different, based on experience, education, and requirements inherent to the organizational structure and their customer alignments. Within each of the contract production divisions (Codes 220, 230, 240, and 250) is a hierarchy of personnel stratified according to position, warrant authority, and pay grade.

The **first tier is Procurement Contracting Officer (PCO) and directors/deputy directors** which hold GS-14 or GS-15 pay grades. Each PCO or director has an unlimited warrant as to contract type and/or dollar value. At this level, each PCO/director is Level-III certified in contracting and has more than 20 years of contracting experience. In addition to PCO responsibilities, all GS-14-designated personnel hold an additional responsibility to supervise a contract specialist.

The **second tier is made up of contract negotiators/specialists** which are generally GS-13s. Contract negotiators perform all actions related to the conduct of contracting according to individual warrants. Each of the warrants issued range in dollar

³⁴ *FISC Quality Assurance Self-assessment Checklist*, PPMAP 2005, provided to research by FISC San Diego August 2006

value from \$1M to \$10M. These 1102s are authorized to enter into contracts, regardless of contract type, within the prescribed monetary limits of the warrant. They are often assigned case loads of actions which may exceed their warrant authority, in which case the PCOs in the group will review and award the action.³⁵

The **third tier of contract negotiators is 1102s at the GS-12 pay grade.** Warrants and scope vary among these negotiators. Dollar limits range from \$25K to \$100K. Most 1102s in this pay grade are authorized unlimited Type-I delivery orders and modifications, as well as Type II under the NMCI contract N00024-00-D-6000.

The **fourth tier is made up of 1105s and 1102s acting as Purchasing Agents,** which execute Simplified Acquisition Procedure (SAP) purchases. Purchasing Agents' pay grades fall between GS-07 and GS-12. These SAP agents are primarily used to take action for purchase orders that do not exceed the traditional SAP threshold of \$100K.

Below is a summary of the warranted personnel at FISC San Diego, August 2005:

Table 11. Warranted Personnel—Large Contracts³⁶

POSITION	# OF PERSONNEL	PURCHASE ORDER HIGH LIMIT	PURCHASE ORDER LOW LIMIT
Director	1	Unlimited	
Deputy Director	1	Unlimited	
GS-14	4	Unlimited	
GS-13	9	\$10,000,000	\$1,000,000
GS-12	7	\$100,000	\$25,000
GS-11	1 ⁱ	\$500,000	

ⁱ One GS-11 contracting specialist working at Seal Beach is the exception to the \$100K maximum purchase limit normally authorized from GS-12 to GS-07.

³⁵ Note: This is a simple description of a more complex protocol. There are Contract Review Board (CRB) requirements for certain actions and monetary thresholds that add complexities not indicated by this narrative.

³⁶ *FISC San Diego Warrant Log*, PPMAP 2005 provided to research by FISC San Diego August 2006

Table 12. Warranted Personnel—Simplified Acquisition³⁷

POSITION	# OF PERSONNEL	PURCHASE ORDER HIGH LIMIT	PURCHASE ORDER LOW LIMIT
GS-12	1	SAP Threshold	
GS-11	2	SAP Threshold	\$25,000
GS-9	2	\$100,000	\$25,000
GS-8	10	\$25,000	\$15,000
GS-7	5	\$100,000	\$10,000

F. DAWIA CONTRACTING CERTIFICATIONS AND WARRANTING

Illustrated in the following two tables are the most recent Defense Acquisition University (DAU) education, training and experience requirements for both 1102 and 1105 career fields by levels. Each of the career tracks has mandatory and desired standards that are designed to facilitate the overall development of contracting and purchasing specialists and supervisors.

³⁷ *FISC San Diego Warrant Log*, PPMAP 2005 provided to research by FISC San Diego August 2006

Table 13. Requirements for 1102 Contract Specialist Certification³⁸

Requirements for 1102 Contract Specialist Certification

Level I

- **EDUCATION¹**
- Baccalaureate degree
- At least 24 semester hours among accounting, law, business, finance, contracts, purchasing, economics, industrial management, marketing, quantitative methods, and organization and management
- **EXPERIENCE**
- 1 year of contracting experience
- **TRAINING**
- CON 100 Shaping Smart Business Arrangements
- CON 111 Mission Planning Execution
- CON 112 Mission Performance Assessment

- CON 120 Mission Focused Contracting
- 1 Elective²

Level II

- **EDUCATION¹**
- Baccalaureate degree
- At least 24 semester hours among accounting, law, business, finance, contracts, purchasing, economics, industrial management, marketing, quantitative methods, and organization and management
- (Desired) Graduate studies in business administration or procurement
- **EXPERIENCE**
- 2 years of contracting experience
- (Desired) An additional 2 years of contracting experience

- **TRAINING**
- CON 214 Business Decisions for Contracting
- CON 215 Intermediate Contracting for Mission Support
- CON 216 Legal Considerations in Contracting
- CON 217 Cost Analysis and Negotiation Techniques
- CON 218 Advanced Contracting for Mission Support
- 2 Electives²

Level III

- **EDUCATION¹**
- Baccalaureate degree
- At least 24 semester hours among accounting, law, business, finance, contracts, purchasing, economics, industrial management, marketing, quantitative methods, and organization and management
- (Desired) Master's degree in business administration or procurement
- **EXPERIENCE**
- 4 years of contracting experience
- (Desired) An additional 4 years of contracting experience
- **TRAINING**

- CON 353 Advanced Business Solutions for Mission Support
- 2 Electives²
- (Desired) 2 weeks of management and leadership training

Notes: ¹See 10 U.S.C. 1724 (provides for limited exceptions).

²As agreed to by the supervisor, electives may be any training opportunities related to the employee's job or necessary for career development for cross training. Electives may include no-cost distance learning or other training opportunities, assignment-specific courses funded by DAU/DACM, or other training opportunities funded by the student's organization.

Source: Derived from http://www.dau.mil/catalog/cat2007/Appendix_B.pdf

³⁸ Certification chart taken directly from DAU 2007 Catalog, 2006. Accessed 2 November 2006; available from http://www.dau.mil/catalog/cat2007/Appendix_B.pdf.

Table 14. Requirements for 1105 Purchasing Agent Certification³⁹

Requirements for 1105 Purchasing Agent	
<p>Level I</p> <ul style="list-style-type: none"> <input type="checkbox"/> EDUCATION <input type="checkbox"/> (Desired) 16 semester hours of undergraduate work with emphasis in businessBaccalaureate degree <input type="checkbox"/> EXPERIENCE <input type="checkbox"/> 1 year of experience in purchasing <input type="checkbox"/> TRAINING <input type="checkbox"/> CON 100 Shaping Smart Business Arrangements <input type="checkbox"/> CON 237 Simplified Acquisition Procedures (or students may elect to take the Simplified Acquisition Procedures continuous learning module available at http://clc.dau.mil) <input type="checkbox"/> DOD Government Purchase Card continuous learning module <p>Level II</p> <ul style="list-style-type: none"> <input type="checkbox"/> EDUCATION <input type="checkbox"/> (Desired) 32 semester hours of undergraduate work with emphasis in businessBaccalaureate degree <input type="checkbox"/> EXPERIENCE <input type="checkbox"/> 2 years of contracting experience 	<ul style="list-style-type: none"> <input type="checkbox"/> TRAINING <input type="checkbox"/> CON 100 Shaping Smart Business Arrangements <input type="checkbox"/> CON 111 Mission Planning Execution <input type="checkbox"/> CON 112 Mission Performance Assessment <input type="checkbox"/> CON 120 Mission Focused Contracting <p>Level III</p> <ul style="list-style-type: none"> <input type="checkbox"/> EDUCATION <input type="checkbox"/> (Desired) 64 semester hours of undergraduate work with emphasis in businessBaccalaureate degree <input type="checkbox"/> EXPERIENCE <input type="checkbox"/> 3 years of contracting experience <input type="checkbox"/> TRAINING <input type="checkbox"/> 2 Electives

Source: Derived from http://www.dau.mil/catalog/cat2007/Appendix_B.pdf

According to the DAU catalog for 2007, contracting specialists and purchasing agents have specific roles and responsibilities. Based on their roles, each are afforded tailored education, training and experience to capitalize on their individual expertise. Specifically, contacting specialists are: “business advisors that create effective, efficient and proper business arrangements, have strategic focus on acquisition and leverage DoD spending to use taxpayers’ money prudently based upon customers’ needs.”⁴⁰

This role and the responsibilities of a Contacting Specialist, combined with the certification requirements, qualify an 1102 for large contract acquisition. However, they do not prepare an 1102 the training or experience that SAP under *FAR 13.5* requires. The traditional pipeline for training, education or experience requirement does not demand an 1102 have any SAP training or experience. Clearly, they may have little to no experience in the proper use and implementation of *FAR 13.5*. It is the researchers’ opinion that since there is not a formal training program currently implemented at FISC Code 200 for 1102s, they may have a tendency to approach SAP procurements in the same manner as large contract acquisitions, thus, over-complicating SAP requirements. This possible/probable over-complication of SAP purchases would increase PALT and cause

³⁹ Certification chart taken directly from DAU 2007 Catalog, 2006. Accessed 2 November 2006; available from http://www.dau.mil/catalog/cat2007/Appendix_B.pdf.

⁴⁰ Ibid.

acquisition to become less efficient and less effective—not only from an organizational standpoint, but from a customer-support perspective as well. The researchers feel 1102s that do not have recent experience coupled with training in SAP need to be given specific DAU training and on-the-job experience.

In addition to the probable issues regarding 1102 utilization of SAP procedures, this analysis has led to the conclusion that 1105s employed at FISC are not being utilized to their full potential. As the table above indicated, 1105 SAP personnel have the desired skill-set to be able to fully implement SAP buying requirements; therefore, they have the potential to employ *FAR 13.5* as originally intended. Of the two groups (1102s and 1105s), **only** the 1105s have specific training (i.e., CON 237 Simplified Acquisition Procedures) relating to *FAR 13.5*. Yet, they are not able to apply this knowledge. The problem comes not from the 1105-level education, training or experience, but from something discussed earlier in the chapter—warrant levels. They simply do not have the warrant level necessary to exercise their expertise. The researchers feel that if *FAR 13.5* is to be used to its full potential, 1105s must be granted warrants equal to their abilities. However, there will need to be a change in how warrants are authorized for those tasked with SAP purchases to the \$5.5M threshold. This issue will be further discussed on the pages that follow.

Additionally, since the contracting organization is centered around organizational customers by division, the researchers believe all purchasing agents and contracting specialists will need SAP-refresher training offered by DAU via online continuous-education modules. The latest version of SAP training will qualify first-time 1102s and those who have not certified recently to work in the SAP acquisition arena.

All warranted contracting personnel within FISC Code 200 (whether they are 1102-series Contract Specialists or 1105-series Purchase Agents) are either Defense Acquisition Workforce Improvement Act (DAWIA) Contracting (CON) Level-II or Level-III certified. The following illustrations show the percentages of employee certifications by designation.

The 1105 Purchase Agents are predominantly DAWIA CON Level-III certified, as indicated by FISC San Diego's PPMAP from 2005.⁴¹

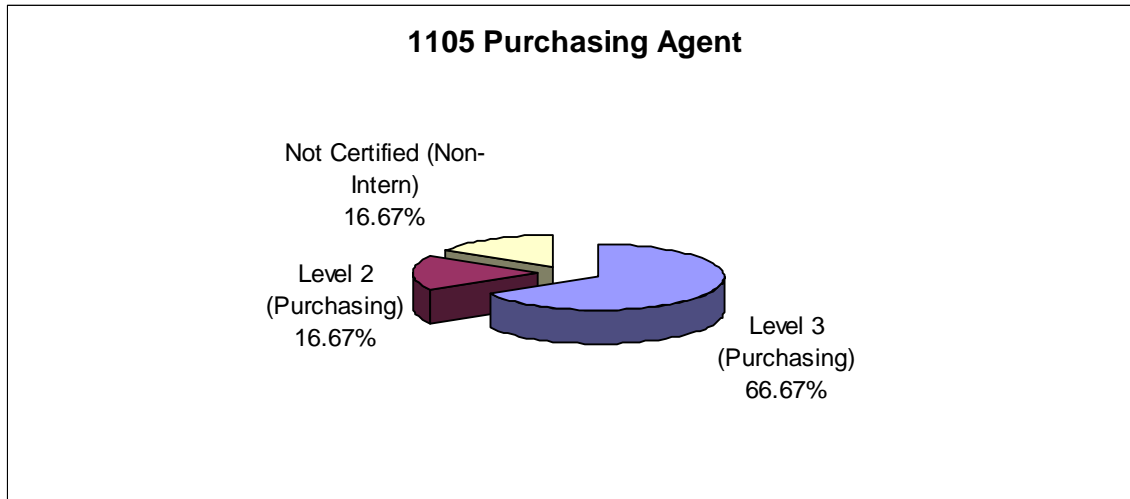


Figure 16. FISC San Diego 1105 Purchasing Agent Certification Levels⁴²

The 1102-series Contract Specialists are nearly evenly split between DAWIA CON Level II and CON Level III, as indicated by FISC San Diego's PPMAP from 2005.



Figure 17. FISC San Diego 1102 Contract Specialist Certification Levels⁴³

⁴¹ *FISC San Diego Purchasing Agent DAWIA Level Certification*, PPMAP 2005, provided to research by FISC San Diego August 2006

⁴² *FISC San Diego Contract Specialist DAWIA Level Certification in Purchasing*, PPMAP 2005 provided to research by FISC San Diego August 2006

⁴³ *FISC San Diego Contract Specialist DAWIA Level Certification*, PPMAP 2005 provided to research by FISC San Diego August 2006

Additionally, the years of experience for 1102s that are Level-II or Level-III certified is 15 years and 24 years respectively. Overall, the level of experience among 1102s at FISC San Diego is broad—with 80% having 15 or more years’ experience. The illustration below is the specific grouping of years of experience as indicated by FISC San Diego’s PPMAP from 2005.

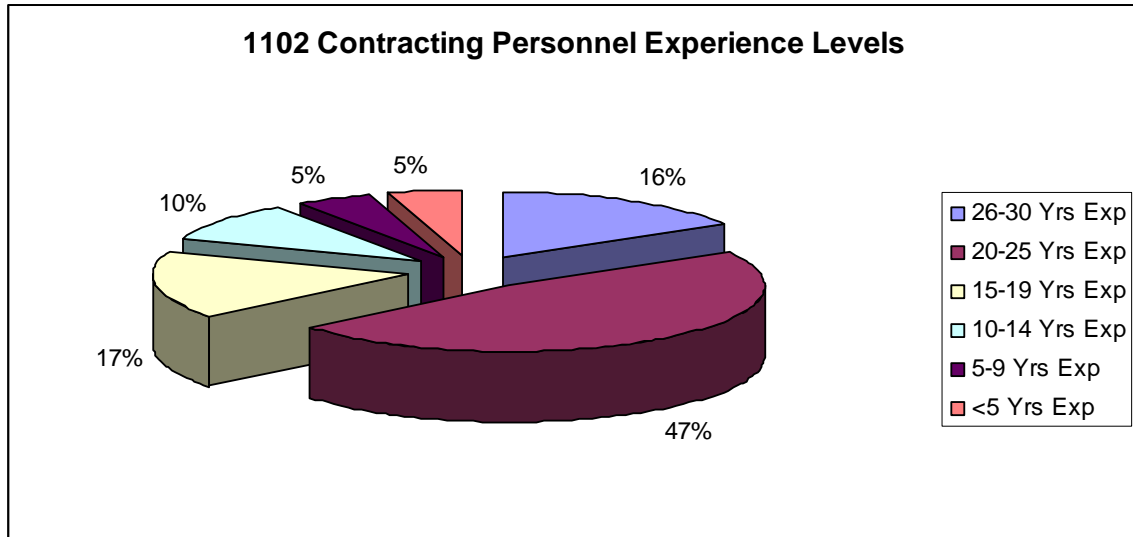


Figure 18. FISC San Diego 1102 Contract Specialist Experience Levels⁴⁴

The work force education level in Code 200 varies among 1102- and 1105-coded individuals. On average, 50 to 74% of 1102 Contract Specialists working for Code 200 have graduated from a college or university and hold a Bachelor’s or Master’s degree. Based on information from a self-assessment within the FISC San Diego organization, 75 to 99% of 1102s are DAWIA-certified to work in their current, assigned positions. Additionally, 50 to 74% of large-contract personnel are certified to work beyond their current position, excluding DAWIA Level-III personnel. However, the dollar threshold of most 1102s is limited to \$1M or less.⁴⁵ Fully 75% to 99% of the 1105 Purchase Agents are DAWIA-certified commensurate to their respective positions. As with the large

⁴⁴ *FISC San Diego Contract Specialist DAWIA Level Certification*, PPMAP 2005 provided to research by FISC San Diego August 2006.

⁴⁵ *Workforce Education Survey*, PPMAP 2005 provided to research by FISC San Diego August 2006.

acquisition 1102s, it is the opinion of the researchers that 100% of SAP professionals should be certified to work in their current positions. Code 200 SAP-designated 1105s generally have the level of training and certification necessary to expand upon their current warrant level—which means implementation of *FAR 13.5* is possible. However, organizationally, FISC Code 200 would have to make changes as to how and when to increase warrant levels for both SAP and large-contract personnel. As the organization is currently structured, only a select few have a warrant of \$5 million or above, and of those, nearly half are in a PCO or Directory position. However, none of the 1105s are authorized to make purchases above \$100,000, and 73% of 1105s in Code 200 are limited to purchases of \$25,000 or less.⁴⁶ This limited purchase threshold is a barrier to maximizing *FAR 13.5* and only more strongly asserts a review of internal procedures for issuing increases in warrant levels among those that are currently qualified is necessary. A goal of strengthening the training programs and increasing the percentages of contract personnel that hold DAWIA Level-III certifications for both 1102s and 1105s is imperative in order to make full use of the provisions of *FAR 13.5*.

The current warrant levels for most large contracts and all SAP buyers seem to contradict a statement found in an organizational climate self-assessment, which states:

FISCSD employees are encouraged to make decisions at the lowest level in order to expedite service to the customer. FISCSD employees are provided with the policy and guidance to make daily decisions about a variety of issues. Operational Divisions foster an environment wherein decisions are made at the lowest level. In addition, FISCSD warrants all purchasing agents and contract specialists to at least the \$25K threshold which further empowers employees and enables independent decisive making at the lowest level.⁴⁷

In order to cooperate with this statement, a greater number of 1102s and 1105s would need to be warranted to a level that captures the efficiency which *FAR 13.5* seeks to foster. Another concern that was outlined during the self-assessment is that job rotation and training are not fully supportive of contracting personnel.

⁴⁶ *Workforce Education Survey*, PPMAP 2005 provided to research by FISC San Diego August 2006.

⁴⁷ *Employee Focus/Organizational Climate Checklist*, PPMAP 2005 provided to research by FISC San Diego August 2006.

A formal job rotation program has been considered on several occasions, however, to date not developed and implemented. Staffing reductions and mission demands tend to impede a formal program, however, bring about the need for job rotation in support of specific mission demands. Employees, through personnel details have been given opportunities to perform functions in support of other Division responsibilities. Management ensures interns, CMDP participants, etc., are afforded meaning rotational assignments that benefit the employee and the company.⁴⁸

The cultural challenges faced by this contracting activity will also have to be addressed. As with any organization, major changes to work assignments or levels of responsibility will have to be clearly explained and supported. These researchers postulate that FISCSD is not being restricted by increased governmental regulation prohibiting execution of *FAR 13.5*, but is limited more by long-engrained fears of protest, challenges, and organizational realignment with regard to positions, pay grades and warrant levels. The list below is a compilation of some of the concerns expressed by personnel at FISCSD concerning implementation of *FAR 13.5* and the possibility of increased warrant levels (the following statements and observations were gathered by the researchers):

1. Control of warrants by management are based on experience, pay grade and management level of confidence. Implementation of *FAR 13.5* to the \$5.5M limit would require buyers have their warrants increased, thus adversely affecting current warranting policy.

2. If some personnel warrants are increased to maximize *FAR 13.5*, this may interfere with inter-office cohesiveness, e.g., a lower pay grade buyer holding the same or higher warrants as some one in a higher pay grade will create animosity in the office and between divisions.

3. Some in management feel that a GS-11 buyers' level of knowledge is insufficient to increase warrants to \$5.5M.

⁴⁸ *Employee Focus/Organizational Climate Checklist*, PPMAP 2005 provided to research by FISC San Diego August 2006.

4. Authorizing contracting personnel greater warrants at lower pay grades may open the door for billet reclassification and possible workforce reduction at higher levels.

5. Contracting specialists will have a tendency to err on the side of caution and add clauses to contracts and follow the process suited for large acquisitions in order to guard against possible protest or external audits.

6. Perhaps full implementation of *FAR 13.5* is not realistic for real-world contracting where warrants and jobs are on the line.

7. Since individual 1102s decide on whether or not they use *FAR 13.5* or another means of contract solicitation, a policy change would have to be enforceable to ensure compliance.⁴⁹

G. SUMMARY

At each level, the Code 200 personnel are organized in a manner that limits full implementation of *FAR 13.5*; limited warrants are authorized for all SAP purchasing agents, and 52% of large contract personnel warrants are \$1M or less.⁵⁰ The research shows that in order to fully implement *FAR 13.5* across the FISC network, warrants for some SAP buyers will need to increase to the maximum limit of \$5.5M. Although all contract specialists, purchasing agents, and contract negotiators are Level-II or Level-III certified, they are limited by warrant from fully embracing *FAR 13.5*. This restriction limits FISC San Diego from being able to completely incorporate process improvements afforded to it via *FAR 13.5*.

Congress included *FAR 13.5* to relieve the contract administrator of the labor-intensive procedures for acquisition above the traditional SAP threshold. In order to maximize the provisions of *13.5*, additional training on *FAR 13.5*, as well as continuing formal education and training programs focused toward process improvement will be needed. Specifically, initial or refresher training on CON 237 SAP is essential to ensure

⁴⁹ Personal Interviews. These comments were gathered by researchers from various contracting professionals at Code 200 FICSSD, August 2006.

⁵⁰ *Warrant Log*, PPMAP 2005 provided to research by FISC San Diego August 2006.

that both 1102s and 1105s have the latest training offered by DAU—especially since nearly 50% of all annual contract actions are SAP.

The level of experience within the organization is such that with a dedicated effort, the current workforce can be trained and certified to be able to employ *FAR 13.5* as intended. The organizational, cultural concerns that seem to exist will have to be addressed to facilitate a climate that will embrace these increases in warrants for those capable of exercising SAP to the extent outlined in *FAR 13.5*.

V. PROCEDURES AND PROTOCOL AT FISC SAN DIEGO

A. PUBLISHED PROTOCOL

This chapter provides an overview of current acquisition processes and protocols at Fleet and Industrial Supply Center (FISC) San Diego as seen through the lens of large contracting, Simplified Acquisition Procedures (SAP), and Simplified Acquisition Procedures under the Commercial-item Test at *FAR 13.5*. As part of the COMFISCS organization discussed in Chapter IV, FISC San Diego was chosen both for its proximity to the Naval Postgraduate School in Monterey, California, as well as for the COMFISCS staff at the same location. Analysis is performed to both determine the extent the FISC San Diego process flow fully capitalizes on the Commercial-item Test Program at *FAR 13.5*, as well as to identify barriers in achieving the maximum benefit of this Test Program.

B. AN OVERVIEW OF REQUISITION PROCESSING

The illustration below (Figure 19) depicts, in the barest sense, how FISC San Diego processes a requisition. The next two subchapters examine these steps further, and seek to determine if the correct methodologies are being employed when a particular method of acquisition is utilized. The key decision in this summary diagram is the determination of whether the acquisition will be a large contract acquisition, a simplified acquisition, or an acquisition using the Commercial-item Test at *FAR 13.5*. The key driver in FISC San Diego's decision is the dollar value of the acquisition. Currently, that dollar value is set at \$100,000 unless the Commercial-item Test at *FAR 13.5* is applied. This threshold is not arbitrarily derived; it is taken from the *FAR*.⁵¹ Once this decision has been made, there are some distinct process differences that need to be examined.

⁵¹ *Federal Acquisition Regulations Part 13.003(b)(1)* (U.S. Government Printing Office, Washington, D.C., 2006).

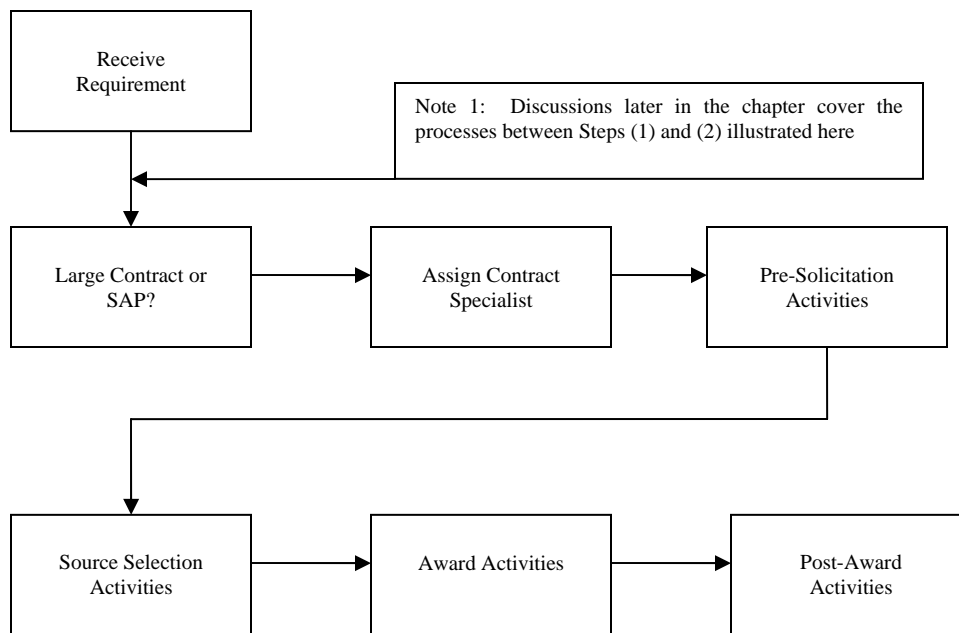


Figure 19. Requisition Flow Overview⁵²

1. Receipt of Requirement. This step in the process chart is fairly obvious, for without the requirement the entire process is moot. Purchase requests for supplies and/or services are normally submitted on either a DD Form 1149 or NAVCOMPT Form 2276. Upon receipt, the COMFISCs Comptroller reviews the requisition for fiscal time, purpose and amount. Fiscally acceptable documents are forwarded to FISC San Diego for execution. COMFISCs Comptroller review and acceptance occurs within 24 business hours. COMFISCs Comptroller review and acceptance does not relieve the initiating Comptroller’s responsibility to ensure regulatory and statutory compliance prior to submission.⁵³

2. Selection of Contract Process. FISC San Diego utilizes a threshold of \$100K for SAP. Anything over \$100K is considered a large contract. An exception is made if

⁵² M.A. Ziegler, *Requisition Flow Overview*, Adapted from Flowcharts found in Appendices 3, 4, and 5, August 2006.

⁵³ *FISC San Diego Customers’ Guide*, NAVSUP 2005.

the acquisition is to be made under the Commercial-item Test at *FAR 13.5*. In that case, use of SAP is authorized for the acquisition of supplies and services up to \$5.5M.⁵⁴

3. Assignment of Contract Specialist. Once the contract type, simplified or large contract, has been determined, a Contract Specialist is assigned by the PCO. In informal discussions with supervisory personnel, the researchers were informed that the assignment of a Contract Specialist is based primarily on the workload of the Contract Specialist from the perspective of the supervisor. Warrant levels and ability also play a part in the decision.

4. Pre-solicitation Activities. Prior to the actual solicitation, FISC San Diego will conduct market research, drafts or assists in drafting the acquisition plan, perform Small Business coordination, and prepare the Source-selection plan.

5. Source-selection Activities. Once the solicitation has been issued, the source-selection process begins. All proposals are evaluated based on factors found within the solicitation but can broadly be categorized as technical or price-related. During this time, discussions may or may not be held. Finally, negotiations are conducted which lead to contract award.

6. Award Activities. This phase includes not only the award of the contract itself, but rejection, in writing, of those offerors who did not obtain the award. These notifications include all of the necessary written decisions justifying why the Contracting Officer made his/her decision.

7. Post-award Activities. Post-award activities for a large contract include the assignment of an ACO and the proper administration of the contract in accordance with the conditions outlined in *FAR* Chapter 42.

C. REQUISITION PROCESSING (LARGE)

This section examines FISC San Diego's current policies and protocol with respect to Large Contracts. For FISC San Diego, a large contract is, typically, one that exceeds \$100K. There are many, many steps that can make up a large contract

⁵⁴ *Federal Acquisition Regulations Part 13.500* (U.S. Government Printing Office, Washington, D.C., 2006).

acquisition. While many clauses can be included as necessary, there are six factors that must be included in any large-item acquisition. They include:

1. Market research. Market research points managers to the most suitable approach to acquiring, distributing and supporting supplies and services. Market research should be conducted with the proper attention paid to both the cost of research and the cost of not researching—the risk of acquiring an item which is not the best value for the government.

2. Acquisition Strategy. An acquisition strategy document meeting the review thresholds of the Management and Oversight Process for the Acquisition of Services and Supplies (MOPAS) must be prepared for any acquisition over \$100K.⁵⁵ This requirement is NAVSUP's response to the increased scrutiny of the acquisition of supplies and services. The typical acquisition strategy will contain the following parts:⁵⁶

a. Reporting Information. This section contains the Requiring Activity, the Requisition Number, the Contracting Office, the Contracting Officer's contact information, and the Contract Number/Task Order Number (to be filled in after award)

b. Requirements. This section contains what is needed for the acquisition, but asks the second- and third-order questions such as: have we had a need for this previously?

c. Risk. In this section, the inherent cost, schedule, and performance risks which may affect the acquisition are discussed, as well as any risk-mitigation plans.

d. Competition. This section addresses whether the contract will be competed or if it will be a sole-source procurement. If sole-source, the status of the Justification and Approval must be included in the strategy.

e. Implications. This section addresses the affect of the acquisition on any socio-economic programs, such as small businesses.

⁵⁵ COMFISCS, *Customer Guide for Large Contracts over \$100,000*, NAVSUP, 2006.

⁵⁶ NAVSUP PL 05-13(2), *Proper Use of Non-DOD Contracts*, Shapro, S.R., 2005.

f. Business Arrangements. This section addresses the expected arrangement that the government will be entering into.

g. Multi-year Contracts. Typically, this section is for major systems acquisition only.

h. Leasing. This section contains a lease-purchase analysis if necessary.

i. Required Approvals. The level of the approving official is based on the dollar value of the acquisition. A breakdown of approving officials is as follows:

Table 15. Acquisition Strategy Approval Authority⁵⁷

Senior Contracting Person—only authority over \$100K is task-order authority.	\$100K - \$500K
Level above Contracting Officer	\$100K - \$1M
Chief of Contracting Office	\$1M - \$10M
NAVICP OA or OS/FISC CO	\$10M - \$50M
CDR or ED, NAVICP/COMFISCS	\$50M - \$100M
SUP 00/SUP ED	\$100M - \$500M
DASN (ACQ)	\$500M - \$1B
ASN (RD&A)	> \$1B

3. Statement of Work. The Statement of Work (SOW) must accurately describe what is required and what constitutes completion of the contract. A SOW can be either performance based or non-performance based. For performance-based SOWs, the delineation of responsibilities must be clearly defined. Either the government or the contractor can prepare the Performance-based Work Statement, the Performance Metrics, and the Quality Assurance Plan.⁵⁸

4. Independent Government Cost Estimate (ICGE). The ICGE is used to determine cost realism and is meant only for the government. It is a basis for the government to negotiate a fair deal with the contractor.

⁵⁷ COMFISCS, *Customer Guide for Large Contracts over \$100K*, NAVSUP, 2006.

⁵⁸ Ibid.

5. Funding Documents. For all large contract acquisitions, a certified funding document will be included in the Contract Requirements Package.

6. Source-selection Plans. A detailed source-selection plan will be included in the government solicitation. This plan will include the breakdown of what is being reviewed (evaluation factors) and how much emphasis is being placed upon each factor. The evaluation will either be based on the Lowest Price Technically Acceptable (LPTA) or on the “Best Value” principle.⁵⁹

As stated previously, there are numerous clauses, listed in Appendix 5, which may be included if it is determined that a need exists for an individual requirement. The use or non-use of these clauses is mainly at the discretion of the PCO. Each of these clauses result in additional administrative costs to the acquisition and, because of that, should be used judiciously.

D. REQUISITION PROCESSING (SAP)

This section examines the current policies and protocol of FISC San Diego with respect to SAP. FISC San Diego’s *Customer* and *Buyers’ Guides* were reviewed, and the procedures contained within are summarized in Appendices 3 and 4.

SAP were created with the following goals in mind:⁶⁰

- to reduce administrative costs,
- to improve opportunities for small, small disadvantaged, women-owned, veteran-owned, HUBZone, and service-disabled veteran-owned small business concerns to obtain a fair proportion of Government contracts,
- to promote efficiency and economy in contracting, and
- to avoid unnecessary burdens for agencies and contractors.

In addition to the above goals, contracting officers are charged with the following:⁶¹

⁵⁹ COMFISCS, *Customer Guide for Large Contracts over \$100K*, NAVSUP, 2006.

⁶⁰ *Federal Acquisition Regulations Part 13.002* (U.S. Government Printing Office, Washington, D.C., 2006).

- to promote competition to the maximum extent practicable,
- to establish deadlines for submission of responses to solicitations that afford suppliers a reasonable opportunity to respond,
- to consider all quotes or offers that are timely received, and
- to use innovative approaches to the maximum extent practicable.

The basis for an award under SAP is the determination of a fair and reasonable price. To determine a fair and reasonable price, the Contracting Officer is supposed to:⁶²

- base price reasonableness on competitive quotations or offers. In other words, he/she must let the market determine a fair and reasonable price.
- include a statement of price reasonableness in the contract file if only one offer is received. The contracting officer can base that statement on:
 - market research
 - comparison to previous purchases
 - current price lists, catalogs, or advertisements
 - comparison with similar items in a related industry
 - contracting officer's personal knowledge of the item being procured
 - comparison to an independent government estimate
 - any other reasonable basis

⁶¹ *Federal Acquisition Regulations, Part 13.003(h)* (U.S. Government Printing Office, Washington, D.C., 2006).

⁶² *Ibid., Part 13.106-3(a)*

E. DETERMINING COMMERCIAL-ITEM STATUS AND FAR 13.5 ELIGIBILITY

The acquisition community has been directed to increase the use of commercial acquisitions.⁶³ The reasoning behind this direction is to maximize the utilization of existing technology, to allow the marketplace to determine a fair and reasonable price for a product or service, and to increase efficiency in the entire process. By utilizing the policies and procedures found in *FAR Part 12*, legislators and defense administrators alike hope the end result will be more commercial acquisitions.

Coordinating with this directive was authorization of the Commercial-item Test at *FAR 13.5*. This program allows for the use of SAP for acquisitions of up to \$5.5M.⁶⁴ The purpose of the Commercial-item Test at *FAR 13.5* is to:

vest contracting officers with additional procedural discretion and flexibility, so that commercial item acquisitions in this dollar range may be solicited, offered, evaluated, and awarded in a simplified manner that maximizes efficiency and economy and minimizes burden and administrative costs for both the government and industry.⁶⁵

It would appear that the use of commercial-item status and the *FAR 13.5* Test Program would go hand in hand, but it has not quite worked out that way. Based on informal discussions with personnel at FISC San Diego, the researchers have discovered the true nature of the *FAR 13.5* Test Program is not universally understood or accepted.

Chapter III depicts a fair percentage of acquisitions that were allegedly procured utilizing the Commercial-item Test Program at *FAR 13.5*. When we reviewed these files, a majority of the files had information not required under *FAR 13.5*. There is nothing technically incorrect with having this additional information, but adding more paperwork is not the intention of *FAR 13.5*.

⁶³ Under Secretary of Defense, (AT&L), *Commercial Acquisition* (Washington, DC: Gansler, J.S., 2001).

⁶⁴ *Federal Acquisition Regulations Part 13.500* (U.S. Government Printing Office, Washington, D.C., 2006).

⁶⁵ *Ibid.*

F. COMPARE AND CONTRAST: SAP VS. LARGE CONTRACTING

Earlier, this chapter expounded on the steps taken by both large contracting and SAP to ensure customer demands are satisfied in the most efficient manner and through the most economical allocation of government resources. For comparison purposes, their similarities and differences are grouped here in an effort to highlight where resource savings would be available through SAP. Undoubtedly, it is the objective of each of these methodologies to ensure all contracts are awarded properly and, thereby, to reduce the government's exposure to risk and unnecessary expense. To this end, both systems utilize similar procedures that:

1. Insist customers submit accurate Statements of Work (SOW). These SOWs must clearly detail the customer's requirement specifications and performance attributes comparative to the complexity of the request.

2. Maintain the integrity of the contract process through market research prior to solicitation in the attempt to preserve open and free competition and determine a fair and reasonable price.

3. Solicit all requisitions over \$25K through the automated Federal Business Opportunities (FEDBZOPS) process as mandated by the *FAR*.

The most notable difference between SAP and large contracting acquisition is cycle-time. FISCSD's goals for cycle-time are outlined below and advertised in their *Regional Contracts Department Customer Guide*. Procurement Action Lead Time (PALT) is a primary performance (time-to-execute) metric that all contracting offices are accountable to maintain.

Table 16. FISC San Diego Processing-time Goals⁶⁶

<u>Dollar Threshold</u>	<u>Processing Time Goal (PALT)</u>
Requirements < \$25K	20 Days
Requirements \$25K to \$100K	30 Days
Requirements \$100K to \$5M	FISC San Diego will contact you within five days of receipt of your requisition. At this time, we will work with you to develop a mutually agreeable milestone plan, and award the contract in accordance with the plan.

From the table, it is evident that the goal for SAP acquisitions less than \$100K is no longer than 30 days, but the PALT for any contract over that amount is established on a case-by-case basis. In order to ascertain a timeframe reference for acquisitions above \$100K, researchers rely on references and personal observations. COMFISC publishes submission date requirements in their *Customer Guide for Large Contracts over \$100,000*.

Table 17. FISCSD Requirements Submission Deadlines⁶⁷

ACQUISITION SUBMISSION DATE: To ensure that requirements with expiring funds are obligated prior to the end of FY06, including those requirements with a contract award date of 01 October 2006, adherence to cut-off dates is critical to successfully meet customer needs.	
<u>Due Date</u>	<u>Estimated Amount</u>
28 APR 06	OVER \$1 MILLION
26 MAY 06	\$100,001 TO \$1 MILLION
11 AUG 06	\$25,001 TO \$100,000
25 AUG 06	\$2,501 TO \$25,000

⁶⁶ E. C. Yoder, derived from *FISC San Diego Customers' Guide*, 2005, which was provided to researchers August 2006.

⁶⁷ Ibid.

As evidenced by the dates above, COMFISC believes large contracts up to a \$1M and above that amount can be accomplished within 4 and 5 months respectfully. It is the researchers' contention, based on contracting files reviewed, that these dates are best-case scenarios and not indicative of the average customer cycle-times for large acquisitions. Research conducted at FISCSD included the sampling of approximately 30 contracting files of various dollar amounts and acquisition types for familiarization purposes. A third of those surveyed were contracts applicable to this project—they were in excess of \$100K and competed in the market. While not a statistically valid observation, it is true, nonetheless, that every one of those contracts took between 6 to 18 months to complete. One flowchart we viewed, produced at FISCSD, details large contracting steps with timeframes. Using a \$5M commercially available requirement example, the flowchart estimates that the entire process, without mishap, takes 10 months to award.

A closer examination of the attached flowcharts and checklists for SAP and large contracting acquisition (Appendices 3, 4 & 5) reveal major differences in the amount of time each process requires for common steps. All days reported below are working days only.

1. Following receipt of a requirement, the time required to work out a proper SOW—including the development of an acquisition strategy—is estimated to take 6 days for SAP; large contracting, on the other hand, entails four separate customer meetings consuming approximately 24 days of processing time.

2. Pre-solicitation activities take 15 days for large contracting (until a solicitation is issued). This time is consumed with the conference requirement of determining how best to accomplish solicitation. Obviously, relying on the marketplace as the solution for competitive concerns, SAP requires only 1 day to develop a request quotation.

3. Source-selection activities for SAP involve 10 days of solicitation on FEDBZOPS. Solicitation for large contracting requires 45 days and involves a pre-proposal conference.

4. Award activities following the receipt of quotes for SAP take just two more days (for evaluation and award steps to be completed). Large contracting, however, still

has many requirements. After receiving quotes, contract specialists must hold evaluation and contract-review boards, allow three discussion periods with competitors, and prepare several briefs and reports for public review. According to the flowchart, these required meetings and postings take an additional 120 days to complete.

In summary, most SAP purchases above \$100K cannot realistically be expected to be awarded within 30 days given their anticipated increased complexity. More importantly though, the elimination of all the discussion and reporting requirements imbedded in the large contracting process will result in abundant time and resource savings for all stakeholders concerned.

G. SPS “BUILT IN” PROTOCOL UTILIZING MONETARY BREAKDOWN INDICATED ABOVE

The Standard Procurement System (SPS) *Day-to-day Users’ Guide* was reviewed to determine if the system was able to capitalize on the benefits of the *FAR Chapter 13.5* Test Program. The benefits technology could provide the contract specialist cannot be minimized when you are talking about the entire contracting process. Currently, there appears to be no way to capitalize on the technology when it comes to the SPS system and the *FAR 13.5* Test Program. The Test Program is not mentioned specifically in the *Day-to-day Guide*, but the threshold of SAP is mentioned. The mentioning of said thresholds is on page 52 of a 53-page document. Most workers will not wade that far into a user’s guide. The option of utilizing the *FAR 13.5* Test Program must be offered clearly and much earlier in the users’ manual. Once the *FAR 13.5* Test Program option has been selected, only the required supporting documents should be tied to that menu choice. Only when such options and guidance is available will the DoD be able to truly get a grasp on any potential cost savings.

H. OBSERVATIONS FOUND FROM RESEARCHERS’ SITE VISIT

The following items/actions were observed during our site visit:

1. The majority of personnel we randomly talked to were aware of the Commercial Item Test at *FAR 13.5*

2. There appeared to be no sense of urgency. When we inquired about specific acquisitions, we were provided detailed files which showed a step-by-step listing of all activities taken to acquire a certain item.

3. The recurring theme was that new work was distributed based on the current workload of the available 1102/1105.

I. HOW SHOULD THE REQUISITIONS FLOW?

Earlier in this chapter, a broad picture of the way requisitions are processed was illustrated. Below, there are two illustrations. The first illustration depicts the questions asked currently when determining what contracting protocol to follow. The second illustration depicts these researchers' opinion of how the protocol determination should be decided. These two illustrations fit between steps (1) and (2) of Figure 19.

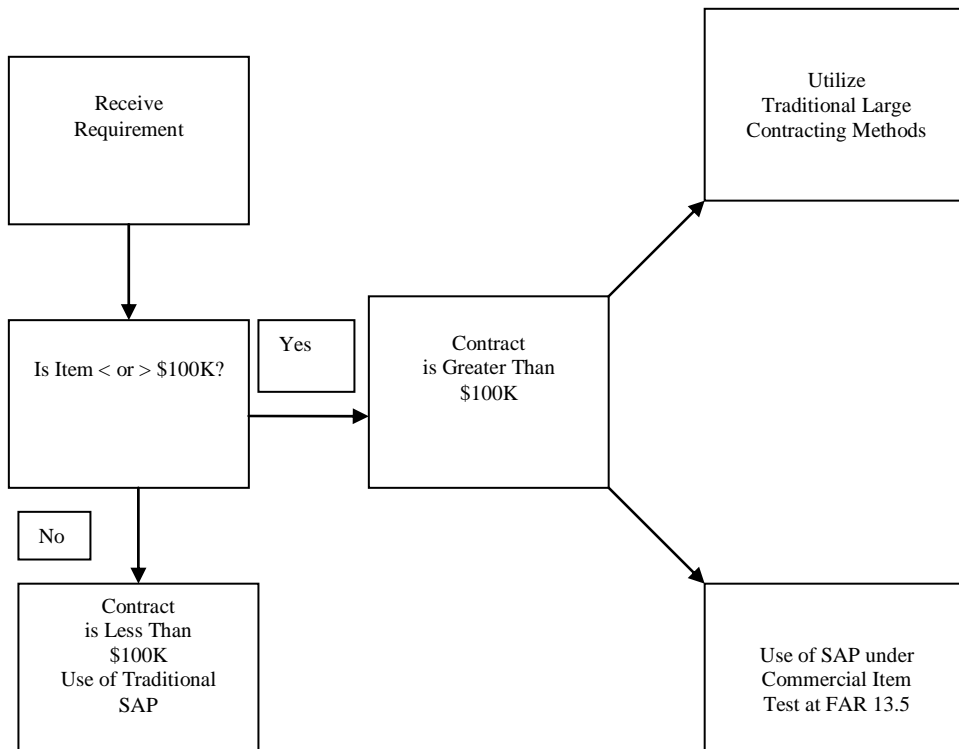


Figure 20. Current Protocol Determination⁶⁸

⁶⁸ M.A. Ziegler, *Current Protocol Determination*, Adapted from Appendices 3-5.

Currently, the determining factor when deciding upon a contracting course of action is whether or not the price of the acquisition is greater or less than \$100K. Current protocol is in place for items based solely on the answer to this price-level question. Metrics are also in place for SAP and large contracting acquisition. For SAP, the metric is cycle-time—the time it takes from the receipt of the requisition to the award of the contract. For large contracts, the metric is WIP, or work-in-process. There was no published metric to capture the use or benefits of the Commercial-item Test at *FAR 13.5* nor was there a way to determine if the Commercial-item Test at *FAR 13.5* was/is being used efficiently. A review of contract files found the files of those contracts which supposedly utilized the Commercial-item Test at *FAR 13.5* were remarkably similar (in content and time to award) to those which utilized traditional large contracting methods. These observations were independently confirmed when CAPT James Barnard addressed an assembled group of acquisition students at the Naval Postgraduate School. CAPT Barnard stated that time spent on an acquisition totaling approximately \$95K measured approximately 8 hours, whereas an acquisition totaling approximately \$110K took close to 200 hours to procure.⁶⁹

The diagram below (Figure 21) represents, in the opinion of the researchers, the ideal way in which protocol should be determined:

⁶⁹ From oral presentation by CAPT Barnard at NPS on 26 October 2006.

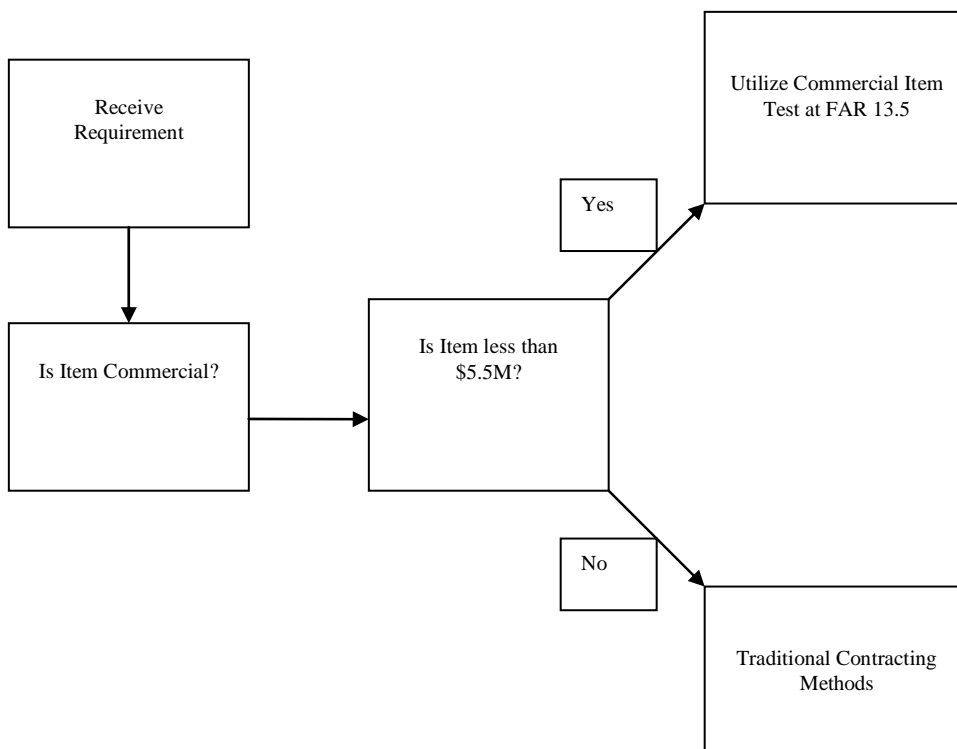


Figure 21. Proposed Protocol Determination⁷⁰

The key decision in any acquisition should be the determination of whether or not the required item is commercial or not. Research must be conducted immediately to determine this differentiation. These researchers further assert that the entering argument in this determination is that the item is commercial unless it is shown to be non-commercial. Once that decision is made, the rest of the process flows clearly and consistently. Since the move to commercial items is becoming more prevalent, it is likely that the majority of transactions at FISC San Diego would follow the flowchart above into the Commercial-item Test at *FAR 13.5* option. By doing so, items would be purchased more economically and efficiently.

This method is not without risk. Ultimately, the contracting personnel must be afforded the ability to identify the commerciality of an acquisition. Some helpful hints to determine commerciality are as follows:

⁷⁰ M.A. Ziegler, *Proposed Protocol Determination*. Researchers suggest flowchart as a step in realizing cost savings through use of SAP at the \$5.5M threshold.

- Does item meet the definition of a commercial item:⁷¹
 - any item, other than real property, that is of a type customarily used by the general public or by non-governmental entities for purposes other than government purposes and:
 - has been leased, sold, or licensed to the general public or
 - has been offered for lease, sale, or license to the general public

In other words, is this acquisition for something that is solely for the government use?

- Were prior items of a similar nature made via commercial means?
- Have similar requirements been previously acquired through the use of the Commercial-item Test at *FAR 13.5*?

The fear of making a mistake should not cause the contracting officer to add unnecessary steps to the contract process. Doing so would only delay the award and increases the overall cost of the contract.

In order to reveal the benefits of the Commercial-item Test at *FAR 13.5*, it is the opinion of the researchers that a Test Cell must be established at FISC San Diego. This cell would handle only *FAR 13.5* transactions. All items coming into the FISC must be assumed commercial unless proven to be exclusive to the military. The personnel assigned would, preferably, be from the SAP workforce; but the key requirement of whoever is assigned to this cell would be the need for specific training in SAP—as discussed in Chapter IV. Additionally, specific metrics would need to be established for this Test Cell in order to accurately and effectively measure its performance in comparison to the status quo.

J. SUMMARY OF PROCEDURES AND PROTOCOL

It is clear to these researchers that careful attention was given to the protocol and policies at FISC San Diego. It is this same care and attention which has made it nearly impossible to reap the benefits the Congress has provided to the Department of Defense

⁷¹ *Federal Acquisition Regulations Part 2.101* (U.S. Government Printing Office, Washington, D.C., 2006).

via the *FAR Chapter 13.5* Test Program. Current decision-making at FISC San Diego does not allow for the proper utilization of the Commercial-item Test at *FAR 13.5*. Without a change in the acquisition process to the system described above, the DoD's requisition fulfillment will continue to be delayed.

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VI. CONCLUSIONS AND RECOMMENDATIONS

A. INTRODUCTION

It is clear from the research conducted in this project that the Navy is not fully capitalizing on the efficiencies of the SAP Test Program. In support of this assertion, the GAO made similar observations in a report to Congress dated April 2001 titled, *Contract Management: Benefits of Simplified Acquisition Test Procedures Not Clearly Demonstrated*.⁷² In the report, the GAO cited that DoD procurement executives believed the program has had a positive impact on the federal procurement process and recommended that it be made permanent. However, GAO's surveys could find little evidence to support claims of increased efficiencies. Upon conclusion of this project's research, it is not a surprise to team members that the GAO could not adequately disseminate what, if any, program benefits were obtained. Neither oversight reporting nor policy documents within the Navy adequately detail the Test Program's employment or resultant savings. While there are many reasons why the legislation is not being fully exploited, it is this chapter's objective to highlight specific problems with the current situation and recommend subsequent courses of action to direct the way ahead. The next three sections here review: 1) the DD Form 350 database for improvements to government oversight; 2) contracting office designs that optimize structure and manning issues; and 3) the procedures and protocols that will induce greater SAP employment.

B. TEST PROGRAM OVERSIGHT

Problem 1: No quantifiable data is available for establishing an eligible universe of acquisitions that are commercially available.

Situation 1: As Chapter III revealed, the present reporting criteria does not quantify test-program utilization as a percentage of all commercially available acquisitions. Oversight of the program can only determine how many contracts were awarded in each of the various acquisition categories. With the addition of a data field on

⁷² Government Accountability Office, *Contract Management: Benefits of Simplified Acquisition Test Procedures Not Clearly Demonstrated*, April 2001, GAO Report 01-517.

the DD Form 350 that designates if acquisitions are available in the marketplace, oversight will gain the ability to accurately determine overall program utilization.

Recommendation 1: Through the addition of the data field to the DD Form 350 determining commerciality, this recommendation would elicit new performance metrics that accurately report the Test Program's utilization amongst an eligible universe of acquisition opportunities. With the added scrutiny from government oversight, contracting offices will more readily seek program implementation in order to satisfy new objectives.

Problem 2: Test-program utilization above the \$500K threshold is severely lacking.

Situation 2: Because the predominance (86%) of all contract buys pursuant to *FAR 13.5* procedures are concentrated below \$500K, contracting offices are overstating their test-program's effectiveness figures to higher authorities.

Recommendation 2: A stratification of acquisition actions by dollar amounts obligated should be delineated in the reporting blocks of the DD Form 350 for all SAP purchases performed. This action would draw attention to the stated problem and motivate change, given proper oversight, toward the initial legislative intent for which the Test Program was initially created.

Problem 3: Oversight of program efficiency in terms of resource savings is currently unavailable in the present system.

Situation 3: Again, as Chapter III illustrates, reporting data does not presently capture the length of time a customer's requisition takes to be processed through a contracting office. This deficiency leads to a lack of oversight capability to measure and inspect files for expected *FAR 13.5*-realized contracting efficiencies.

Recommendation 3: A new block to the DD Form 350 should be added that requires contract specialists to report customer cycle-times for all acquisitions. While time savings is not the only benefit, it is the prime indicator of the amount of administrative burdens placed on an acquisition. In regards to Test Program contracts

above the \$100K threshold specifically, this metric would reveal the glaring lack of efficiency in the present system and derive metrics that force process improvements.

C. STRUCTURE AND MANNING

Problem 1: An organizational structure designed around a “customer base” focus is sub-optimal for expanding SAP above \$100K.

Situation 1: Expertise within each contracting division is designed to support a specific customer base which does not currently optimize the policies set-forth in *FAR 13.5*. SAP buyers (1105s) are limited to traditional SAP contracts below \$100K, with most personnel limited to below \$25K. Only warranted 1102s have the authorization to make buys above the traditional SAP limit of \$100K. This separation of labor sacrifices synergistic improvements available through the concentration of contract buyers with specialized skills in SAP.

Recommendation 1: The first alternative is alignment according to major commodity groupings. This concept is gaining some popularity, especially at the macro-management levels. This alignment allows contracting practitioners to become “experts” in specific commodities or product lines. Other alignments could include service contracts, industrial products, subsistence items, etc.

A second alternative is alignment according to functional protocols, usually associated with monetary threshold “triggers.” The advantages of this methodology of alignment are that the organization can focus production protocol, training of personnel, and performance monitoring readily along the threshold points that are normally triggered in Federal acquisitions by dollar thresholds.

Problem 2: Large Contracting Specialist (1102s) professional training on SAP procedures is inadequate to support effective and efficient use of *FAR 13.5* procedures.

Situation 2: Contracting professionals’ (1102s) experiences and personal preferences toward large contracting methodologies leads to the over-complication of SAP buys. These tendencies increase PALT and reduce the customer’s likelihood of receiving his/her products or services in the most efficient manner.

Recommendation 2: FISCSD Code 200 needs to establish a progressive policy centered on warrant issuances, workforce training and education goals to better support the provisions of *FAR 13.5*. Within the new policy, there must be measurable annual goals focused on the direct application to the individual acquisition specialist's professional development. Additionally, the policy should address specific education, training and experience requirements for warrant-issuance increases that apply to both 1102s and 1105s.

Problem 3: SAP buyers (1105s) are not being fully utilized; their expertise in relation to *FAR 13* qualifies them for much more responsibility.

Situation 3: A major difference between large contract specialist (1102s) and SAP buyers (1105s) is that the latter are not given the opportunity (due to warrant restraints) to be able to execute buys greater than \$100K. (See Chapter IV, Warranted Personnel—Simplified Acquisition.) Optimally then, it is the 1105 professionals that should be empowered to capture test-program savings above their traditional warrants through the utilization of their expeditious processing methodologies.

Recommendation 3: In order to capitalize on the current workforce expertise, 1105s should be given a greater role in SAP purchases to the threshold of \$5.5M. Based on their education, training, and career-field certification, they are the most qualified and most under-utilized buyers with regard to SAP purchases above \$100K.

D. PROCEDURES AND PROTOCOL

Problem 1: Test-program procedures for all commercially available acquisitions are underutilized.

Situation 1: Current requisition-flow decisions are based on a \$100K-threshold for determining which contracting methodologies are utilized. It is the researchers' contention that an early determination of commerciality and, therefore, of *13.5* eligibility would lead to increased use of the program.

Recommendation 1: Current policy should be revised to emphasize the acquisition of commercial items. Specifically, an item should be considered a commercial item unless it can be demonstrated that it is not available in the marketplace.

Problem 2: The Commercial-item Test Program at *FAR 13.5* is being misused and underused at FISCSD.

Situation 2: Current data reports that the Commercial-item Test Program at *FAR 13.5* is being used extensively; however, minimum cycle-times for contracts over \$100K are five to six months, while traditional SAP contracts are procured in less than one month. It is only logical to assume that with the expansion of SAP thresholds under the Test Program, reduced cycle-times and resultant cost savings should follow.

Recommendation 2: As stated in Chapter V, a Test Cell for processing *FAR 13.5* transactions should be implemented. With designated personnel who are properly trained and held accountable for SAP-type cycle-time performance metrics, it can be proven that operating under the Commercial-item Test Program at *FAR Part 13.5* will dramatically result in reduced cycle-times, increased resource savings and greater customer satisfaction.

Problem 3: Customer awareness of test-program benefits is non-existent.

Situation 3: Based on published customer guides, clients are notified that any purchase above \$100K is not a SAP buy and, consequently, should take in excess of five months to award. It is the researchers' contention that if customers were made aware that through the acquisition of commercially available products and services they could have their contracts processed in one to two months, they would be motivated to seek solutions to their problems in the marketplace.

Recommendation 3: FISC San Diego should update their *Buyers' Guides* for both large contracts and SAP. This will improve the customer knowledge of the entire acquisition process and induce government acquisition personnel to work within intended program guidelines. In the end, this partnership between Navy contract offices and their customers will both increase the program's utilization and effectiveness as well as strengthen the integrity of streamlined acquisition processes.

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APPENDIX 1. DEPARTMENT OF DEFENSE’S TOP 10 COST DRIVERS

Department of Defense’s Top 10 Cost Drivers

Cost driver	Description
DOD quality program requirements	An umbrella military specification (ML-Q-9858A) requiring contractors to establish quality assurance programs to ensure compliance with contract requirements.
Truth in Negotiations Act	A statute (P.L. 97-653) requiring contractors to justify cost proposals and proposed contract prices with detailed cost or pricing data that must be certified as accurate, complete, and current.
Cost/schedule control system	A requirement that contractors have an integrated management control system to plan and control the execution of cost-reimbursable contracts.
Configuration management requirements	A military standard (MIL-STD-973) for DOD approval of all contractor configuration changes to technical data packages.
Contract-specific requirements	DOD-imposed requirements that are not codified in statutes, regulations, military specifications, or standards.
Defense Contract Audit Agency/Defense Contract Management Command interface	Costs deriving from daily interaction of contractor personnel with auditors from the Defense Contract Audit Agency and quality inspectors and functional experts from the Defense Contract Management Command.
Cost accounting standards	Requirements for ensuring consistent and equitable allocation of costs and for disclosing accounting practices and contractor interpretation of certain standards.
Material management and accounting system	A requirement (DFARS-242.72) for certain contractors to establish and maintain a system that accurately forecasts material usage and ensures that costs of all materials are appropriately allocated to specific contracts.
Engineering drawings	A guideline (MIL-STD-100E) for preparing engineering drawings.
Government property administration	A requirement (FAR part 45) that contractors assume responsibility for maintaining and accounting for government-owned property.

Note: DOD, Department of Defense; MIL-STD, military standard; DFARS, Defense Federal Acquisition Regulation Supplement; FAR, Federal Acquisition Regulation.

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APPENDIX 2. FAR EXCERPT

SUBPART 12.1—ACQUISITION OF COMMERCIAL ITEMS— GENERAL

12.101 Policy.

Agencies shall—

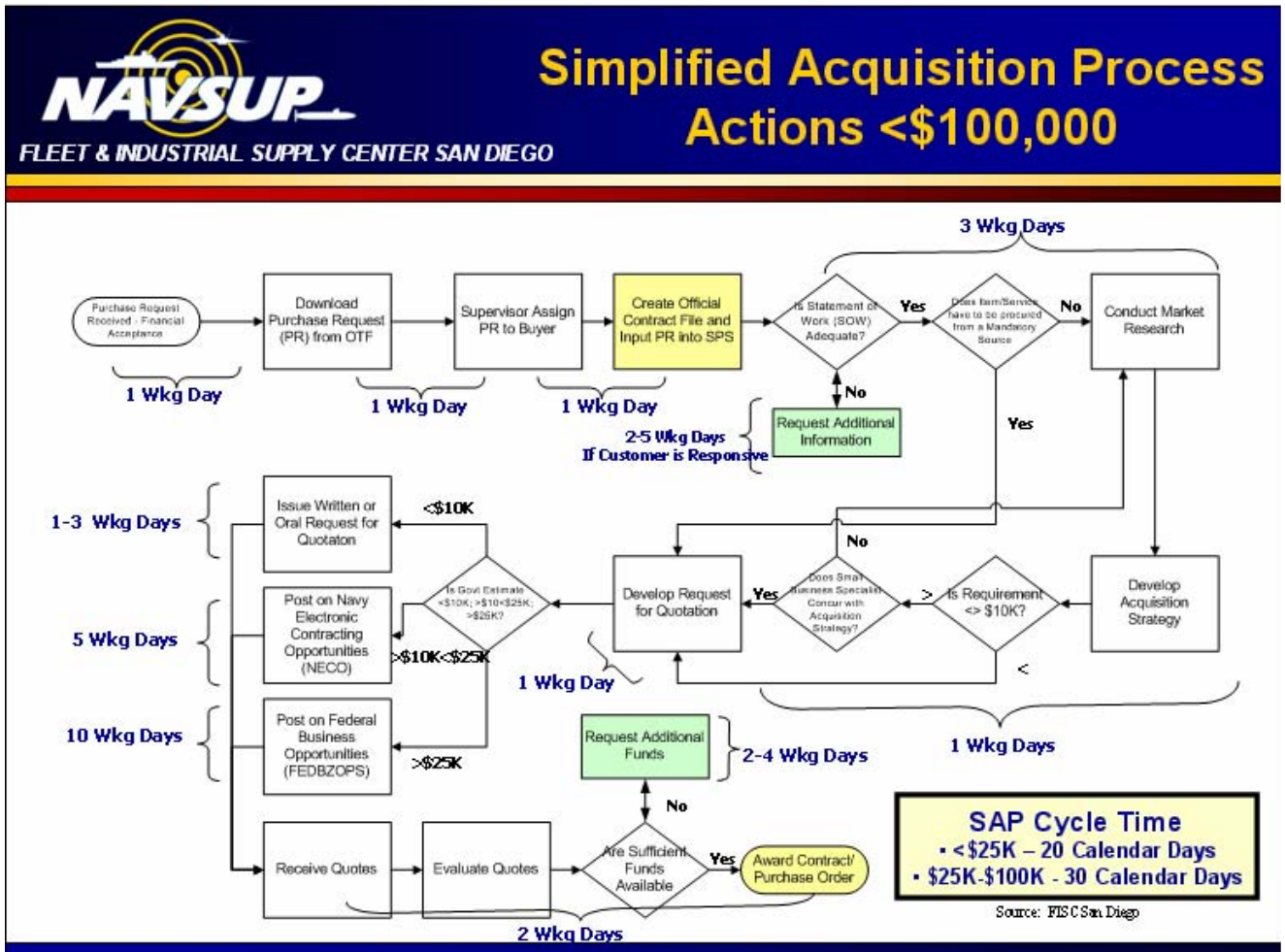
- (a) Conduct market research to determine whether commercial items or nondevelopmental items are available that could meet the agency's requirements;
- (b) Acquire commercial items or nondevelopmental items when they are available to meet the needs of the agency; and
- (c) Require prime contractors and subcontractors at all tiers to incorporate, to the maximum extent practicable, commercial items or nondevelopmental items as components of items supplied to the agency.

12.102 Applicability.

- (a) This part shall be used for the acquisition of supplies or services that meet the definition of commercial items at 2.101.
- (b) Contracting officers shall use the policies in this part in conjunction with the policies and procedures for solicitation, evaluation and award prescribed in Part 13, Simplified Acquisition Procedures; Part 14, Sealed Bidding; or Part 15, Contracting by Negotiation, as appropriate for the particular acquisition.
- (c) Contracts for the acquisition of commercial items are subject to the policies in other parts of this chapter. When a policy in another part of this chapter is inconsistent with a policy in this part, this Part 12 shall take precedence for the acquisition of commercial items.
- (d) The definition of commercial item in section 2.101 uses the phrase "purposes other than governmental purposes." These purposes are those that are not unique to a government.
- (e) This part shall not apply to the acquisition of commercial items—
 - (1) At or below the micro-purchase threshold;
 - (2) Using the Standard Form 44 (see 13.306);
 - (3) Using the imprest fund (see 13.305);
 - (4) Using the Governmentwide commercial purchase card; or
 - (5) Directly from another Federal agency.
- (f)(1) Contracting officers may treat any acquisition of supplies or services that, as determined by the head of the agency, are to be used to facilitate defense against or recovery from nuclear, biological, chemical, or radiological attack, as an acquisition of commercial items.
 - (2) A contract in an amount greater than \$16 million that is awarded on a sole source basis for an item or service treated as a commercial item under paragraph (f)(1) of this section but does not meet the definition of a commercial item as defined at FAR 2.101 shall not be exempt from—
 - (i) Cost accounting standards (see Subpart 30.2); or
 - (ii) Cost or pricing data requirements (see 15.403).
- (g)(1) In accordance with section 1431 of the National Defense Authorization Act for Fiscal Year 2004 (Public Law 108-136) (41 U.S.C. 437), the contracting officer also may use Part 12 for any acquisition for services that does not meet the definition of commercial item in FAR 2.101, if the contract or task order—

- (i) Is entered into on or before November 24, 2013;
 - (ii) Has a value of \$27 million or less;
 - (iii) Meets the definition of performance-based acquisition at FAR 2.101;
 - (iv) Uses a quality assurance surveillance plan;
 - (v) Includes performance incentives where appropriate;
 - (vi) Specifies a firm-fixed price for specific tasks to be performed or outcomes to be achieved; and
 - (vii) Is awarded to an entity that provides similar services to the general public under terms and conditions similar to those in the contract or task order.
- (2) In exercising the authority specified in paragraph (g)(1) of this section, the contracting officer may tailor paragraph (a) of the clause at FAR 52.212-4 as may be necessary to ensure the contract's remedies adequately protect the Government's interests.

APPENDIX 3. SAP FLOWCHART⁷³



⁷³ SAP Flowchart, *FISC San Diego Customer Guide*, NAVSUP 2005.

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APPENDIX 4. SIMPLIFIED ACQUISITION PROCEDURES CHECKLIST⁷⁴

Step 1	In PD2 - Move new files from Inbox to “Your” Cabinet. Working from the Inbox may result in losing data.	<input type="checkbox"/>
Step 2	Quick check the hard copy Purchase Request (DD2276, DD1149) for all requisite data. (approval signatures, proper item descriptions, POC name, POC phone #, and POC email)	<input type="checkbox"/>
Step 3	Verify suggested source is CCR Registered (www.ccr.gov)	
	- Check if Large or Small Business (use SIC to find size standard, www.sba.gov/regulations/siccodes/siccodes.html .)	<input type="checkbox"/>
	- Print out a copy (NAICS, FSC, and SIC will be needed later).	<input type="checkbox"/>
Step 4	Review Purchase Request (PR) in PD2.	
	Detail Tab -- check Delivery Date, Description, & Qty	<input type="checkbox"/>
	Description Tab -- Input FSC (found on CCR print out or at http://web1.whs.osd.mil/peidhome/guide/mn02/mn02.htm), SIC (found on CCR print out), PROG (most often “C9E”) and WSC (most often “000”)	<input type="checkbox"/>
	Funding Tab -- Ensure Line of Acct data matches and all values filled in.	<input type="checkbox"/>
	Shipping Tab – fill-in Ship To Address, check FOB (should be “Destination”) and MILSTRIP (should be req. #)	<input type="checkbox"/>
Step 5	Technical & Source Screening	
	Check JWOD (www.jwod.gov) for Products & Services - Print out “0” results for file	<input type="checkbox"/>
	Check UNICOR (www.unicor.gov)	<input type="checkbox"/>
	- May require comparable quote from UNICOR (esp if furniture)	
	Check GSA	
	- Recommend placing all supplies on GSA e-Buy as RFI or source searches (www.gsaadvantage.gov) for 2-3 days.	<input type="checkbox"/>
	- Print out and file notice emails from GSA e-Buy	<input type="checkbox"/>
	- Print out the GSA source page (Exp date, SIN, and GSA K# will be needed for SAP doc)	<input type="checkbox"/>
Step 6	Approve PR (ensure pre-approval done)	<input type="checkbox"/>
	- This step may be delayed until just prior to generating the award document if using e-Buy or Oral Solicitation methods	
Step 7	Open a new SAP Documentation Attachment (in PD2 go to “Procurement- Attachment”)	<input type="checkbox"/>
	- Annotate technical review sections as appropriate	<input type="checkbox"/>
Step 8	Complete Solicitation Mailing List Update. (Recommended Step)	<input type="checkbox"/>

⁷⁴ SAP Checklist, *FISC San Diego Buyer’s Guide*, NAVSUP 2005.

	- use PR# as SML#	
Step 9	If “ OPEN MARKET”, first check should be for SM Business’s (8A, SmBus, ect.) using PRONET (www.pronet.sba.gov)	<input type="checkbox"/>
	- CCR will also indicate whether suggested source is small business	
Step 10	If no SM BUSINESS, Get dissolved for > \$10K (SIGNED BY SADBUI)	<input type="checkbox"/>
	- SF2579 (in PD2 go to “Procurement- Attachment”) required for all actions over \$10K	<input type="checkbox"/>
	RECOMMENDATION: IF<\$25K USE GSA e-Buy IF<\$25K AND LESS THAN 10 LINE ITEMS USE ORAL RFQ PROCESS	
Step 11	Generate Solicitation.	<input type="checkbox"/>
	- Use 1449 for “Open Market”	
	- Use 1155 for GSA type, use the FSS/DO 1155 option!!!	
Step 12	Release solicitation and transmit (between \$10K and \$25K can just EDI Transmit via PD2)	<input type="checkbox"/>
	- 10 Days for < \$25K	
	- 20 Days for > \$25K on NECO (www.neco.navy.mil/BUYER)	
Step 13	Complete Offer Evaluation.	<input type="checkbox"/>
	- If GSA Type – DO NOT create award from Offer Eval, create from the Solicitations or PR.	<input type="checkbox"/>
	- If Open Market- can create Award from Offer Eval.	<input type="checkbox"/>
Step 14	Generate Award or Delivery Order Document.	<input type="checkbox"/>
	- Use DD1155 FFS/DO found in the Post-Award Drop Down Menu in PD2 for GSA orders (No Clauses on GSA orders)	
	Use DD1449 Commercial for all open market buys.	
	- Add SAP Administrative Note as “Text” in appropriate clause section.	
Step 15	Complete, then print, sign and date SAP DOCUMENTATION SHEET,	<input type="checkbox"/>
	- Submit your file for review prior to releasing the document.	
Step 16	EMAIL CONTRACT/DELIVERY ORDER TO VENDOR AND CUSTOMER, PRINT COPY FOR FILE.	<input type="checkbox"/>
Step 17	COMPLETE DD350, APPROVE THE 350, ENSURE EDI TRANSMIT IS DONE.	<input type="checkbox"/>
	- Print DD350 for file.	

APPENDIX 5. COMFISC CUSTOMER GUIDE⁷⁵

COMFISCS CUSTOMER GUIDE FOR LARGE CONTRACTS OVER \$100,000.00 REQUIREMENTS PACKAGE CHECKLIST

Customer: The Contract Requirements Package Checklist identifies items, which are mandatory and must be included in your procurement package when it arrives at your local FISC Contracting Office. This document also includes items, which require your review to determine if they are necessary for your individual requirement.

1. Program/ Project Title.	Title:
2. Acquisition award date. For the purpose of establishing milestones, the assigned buyer needs to know the required target date to preclude uninterrupted service to mission operations. Is this a Follow-on Requirement? <input type="checkbox"/> Yes <input type="checkbox"/> No	If Yes, current contract expiration date If No, required contract award date:
3. RCP Number.	
4. Complete package must include <u>all</u> of the following <u>mandatory</u> items. Select Non-mandatory items determined necessary for your requirement. Send files electronically via e-mail to WebOTF in MS Word Office 2000 compatible format. (SEE PARAGRAPH REQUIREMENTS PACKAGE) (check each box by right-clicking on the box, choose "Properties," and click on "Checked" under "Default Value") Glide mouse pointer on the hyperlink for the reference paragraph. <div style="text-align: center;">(a) MANDATORY ITEMS</div> <ul style="list-style-type: none"> <input type="checkbox"/> MARKET RESEARCH Conduct market research is to identify potential socioeconomic opportunities. <input type="checkbox"/> ACQUISITION STRATEGY An acquisition strategy document must be prepared for all acquisitions over \$100,000. <input type="checkbox"/> STATEMENT OF WORK A Statement of Work for acquisitions over \$100,000 is either performance based or non-performance based. <input type="checkbox"/> INDEPENDENT GOVERNMENT COST ESTIMATE The IGCE helps the Contracting Officer determine the reasonableness of a contractor's cost. <input type="checkbox"/> FUNDING DOCUMENTS Prepare funding document in WebOTF or other software. (NAVCOMPT Form 2276) <input type="checkbox"/> SOURCE SELECTION PLANS The Source Selection Plan will include the acquisition evaluation criteria. If the requirement is non-complex, fill in Section 6. The Contracting Officer will ensure the appropriate Source Selection Plan is selected based upon the complexity of the requirement.. <div style="text-align: center; background-color: yellow; padding: 5px; margin: 10px 0;"> INCLUDE THE FOLLOWING ITEMS ONLY IF DETERMINED NECESSARY FOR YOUR INDIVIDUAL REQUIREMENT </div> <ul style="list-style-type: none"> <input type="checkbox"/> Urgency or Sole Source Justification (See Paragraph SOLE SOURCE OR URGENCY) <input type="checkbox"/> Economy Act Decisions (See Paragraph ECONOMY ACT) <input type="checkbox"/> DD Form 254 (MS Word or FormFlow compatible) (See Paragraph SECURITY) <input type="checkbox"/> CDRLs (MS Word or FormFlow compatible) (See Paragraph CDRL) 	

⁷⁵ COMFISCS, *Customer Guide for Large Contracts over \$100K*, NAVSUP, 2006.

- COR nomination and certificate of training (See Paragraph [COR NOMINATION](#))
- Contract Administration Plan when a COR is required (See Paragraph [CONTRACT ADMINISTRATION PLAN](#))
- Lease VS. Purchase (See Paragraph [LEASE VS. PURCHASE](#))
- EIT implements section 508 of the Rehabilitation Act of 1973 (See Paragraph [ELECTRONIC AND INFORMATION TECHNOLOGY \(EIT\)](#))
- Acquisition Planning (Contract Value \$30M and over – all years or \$15M or more each FY (See Paragraph [ACQUISITION PLANNING](#))
- Labor Category Descriptions – Provide for Service Contract (See Paragraph [LABOR CATEGORY DESCRIPTIONS](#))
- Mandatory Sources and Items Requiring Special Attention (See Paragraph [MANDATORY SOURCES](#))
- EPA requirements (See Paragraph [ENVIRONMENTAL PROTECTION AGENCY](#))
- OSHA requirements (See Paragraph [OCCUPATIONAL SAFETY & HEALTH ADMINISTRATION \(OSHA\)](#))

(Continued)

- GFP (See Paragraph [GOVERNMENT FURNISHED PROPERTY](#))
- Information Technology requirements (See Paragraph [INFORMATION TECHNOLOGY-RELATED PROCUREMENTS](#))
- Buy American Act (See Paragraph [BUY AMERICAN ACT. Supplies and Construction Materials](#))
- [ACQUISITION SUBMISSION DATES](#) (informational)

5. Contract Type Information.

a. Time-and-materials (T&M) and cost-reimbursement (CR) contract types require justification in accordance with Federal Acquisition Regulations *Note: the Contracting Officer makes the final determination of which order type is in the best interest of the Government.*

CHECK THE APPROPRIATE BLOCKS (See Paragraph [CONTRACT TYPE](#) for detailed descriptions)

- Firm fixed price (FFP) (no justification required)
- Cost-Reimbursement (CR) (provide justification)
- Time-and-Materials (T&M) (provide justification)
- Indefinite Delivery (used in conjunction with FFP, CR, and T&M - - orders are issued against the contract)

b. T&M and CR contract types require justification in accordance with Federal Acquisition Regulations.
Provide Rationale:

6. Evaluation Criterion and Associated Evaluation Adjectives (Required when not citing FAR Subpart 6.3) *(Note – evaluation criterion shall include “Past Performance” as a mandatory criteria. Cost is a mandatory criterion since it is integral to the best value trade-off decision. If the customer requires a “formal” source selection plan based on the complexity of the requirement, select this section “SOURCE SELECTION PLANS.”*

Basis of evaluation (check one): Best Value Trade-Off Lowest-Price, Technically Acceptable

Definitions: [Best Value Trade-Off](#) [Lowest-Price Technically Acceptable](#)

Non-Cost Factors

List the specific areas of your past performance requirements to be evaluated. These areas should correspond with, and relate to, specific SOW requirements.

1. Past Performance (mandatory).

- a.
- b.
- c.
- d.

List the specific areas of your technical/management requirements to be evaluated. These areas should relate to specific SOW requirements.

2. Technical/Management Approach (non-mandatory).

- a.
- b.
- c.
- d.

List any other evaluation criteria important to you, and the associated weights, below.

3. Other Factors. (This is not mandatory.)

- a.
- b.
- c.
- d.
- e.

Cost Factor (mandatory)

Evaluation adjective ratings are applied to past performance, technical/management approach and any other non-cost factors for which you may want to evaluate contractor proposals. Note that balancing cost against the non-cost factors indicates how you will make your best value trade-off decision, and as a result, an adjective rating is not applied to the cost factor. Indicate whether **all non-cost** evaluation factors, when combined:

- Are significantly more important than: Approximately equal to: Significantly less important than:
...the Cost Factor

Indicate type of technical proposal requested: *Oral* *Written*

If an oral technical proposal is requested, indicate any additional guidance to be included in the RFP. Please indicate whether additional information should be part of the oral presentation or hard copy to be passed out following the oral presentation. Also, indicate the amount of time to be allowed the vendor to conduct the presentation (include additional time for questions and answers).

Additional Information:



REQUIREMENTS PACKAGE PREPARATION FOR CONTRACTUAL ACTIONS OVER \$100,000.00

1. REQUIREMENTS PACKAGE. The requirements package is the basis for processing and awarding a Contract. The customer shall submit FISC FAX COVER SHEET AND DOCUMENTS electronically direct to WebOTF via Fax or E-mail. Fax number is (703) 378-2879 or E-mail to RCP@WebOTF.org Please ensure that your requirements package is submitted to your local Contracts Department in a timely manner. (See [ACQUISITION SUBMISSION DATES](#))



Instructions for FAX
preparati...



FAX RCP COVER
SHEET.doc



Over \$100K PR
Checklist.pdf

2. MARKET RESEARCH. Before acquiring supplies or services from commercial resources, market research must be conducted in accordance with **FAR Part 10** and that market research should be an element of the Acquisition Plan. The primary reason for conducting market research is to identify potential socioeconomic opportunities. Additionally, market research will significantly impact the selection of evaluation factors, contracting and source selection methods, and amount and type of requested proposal information. The extent of market research will vary depending on such factors as urgency, estimated dollar value, complexity, and past experience. **Document the results of market research** in a manner appropriate to the size and complexity of the acquisition.

Visit [Turbo SpecRight! website](#) and FAR Part 10 website
<http://farsite.hill.af.mil/reghtml/regs/far2afmcfars/fardfars/far/10.htm>

Training is available **at this site:**
<http://www.abm.rda.hq.navy.mil/aosfiles/tools/marketresearch/index.html>

3. ACQUISITION STRATEGY.

a. An Acquisition Strategy document for service acquisitions meeting the review thresholds of MOPAS will be forwarded for review and approval prior to initiating any action to commit the Government to such strategy. An Acquisition Strategy document is also required for Supplies over \$100,000 that proposes to use a non-DoD contract. Refer to NAVSUP Policy Letter 05-13 for MOPAS guidance. Format for the acquisition strategy document is provided and may be edited to fit the customer's requirement.



NAVSUP
PL-05-13.pdf



Acquisition Strategy
Doc Sevic...



Acquisition Strategy
Doc Suppl...

b. Proper Use of Non-DoD Contracts. Defense Agencies are required to review and approve the use of non-DoD contract vehicles when procuring supplies and services for amounts greater than \$100,000. The policy is effective January 1, 2005.

The memo can be viewed on the DPAP "Proper Use of Non-DoD Contract Vehicles" web page at: <http://www.acq.osd.mil/dpap/specifcpolicy/index.htm>

4. STATEMENT OF WORK (SOW). PERFORMANCE BASED OR NON-PERFORMANCE BASED. Be sure that the SOW whether performance based or non-performance based, accurately portrays the nature of the required services and lists the delivery of all technical data to satisfy the requirement.

If a Performance Based Work Statement is utilized for **service** type contracts, the Performance Based Services Contracting (PBSC) methodology must be used in defining your tasks/subtasks and the standards of success by which you will measure the contractor's performance. For more information on Performance Based Services Contracting, please visit the following web sites.

Office of Federal Procurement Policy's Best Practices Handbook

<http://www.arnet.gov/Library/OFPP/BestPractices/>

Seven Steps to Performance-Based Services Acquisition

<http://www.acqnet.gov/Library/OFPP/BestPractices/pbsc/home.html>

Who develops the Performance Based Work Statement (PBWS)? Government or Contractor?

Two choices: Government can develop the (1) PBWS, (2) Performance Metrics, and (3) Quality Assurance Plan, ...or the Contractor can develop all three documents based on the Statement of Objectives (SOO) within the RFP. Government develops the Statement of Objectives (SOO), which is incorporated into the Request for Proposal (RFP). Vendors respond with a proposal to include the PBWS, Performance Metrics, and Quality Assurance Plan. The Best Value evaluation criteria must be used as each contractor will propose different business strategies for their PBWS, QASP and Metrics....these are the true discriminators among the proposals in best-value evaluation and source selection.

EVERY service acquisition valued in excess of \$100K - that is **NOT** Performance-Based or is awarded via a task order against a non-DoD contract (GSA is a non-DoD contract), requires review and approval in accordance with the NAVSUP MOPAS policy. Also see Paragraph 3 above, Acquisition Strategy.



05-08.pdf

5. INDEPENDENT GOVERNMENT COST ESTIMATE (IGCE). The IGCE helps the Contracting Officer determine the reasonableness of a contractor's cost and technical proposals and gain assurance that there is a "meeting of the minds" between the customer and the contractor regarding the scope of the contract. If discussions or negotiations are necessary prior to contract award, the IGCE assists in developing and presenting the customer's position. The IGCE is for Government Use Only and shall not be made available to contractors. When preparing the IGCE identify the cost for each performance year (Base plus option years).



IGE for LABOR.doc



IGE FOR SUPPLIES.xls

6. FUNDING DOCUMENTS. A certified funding document for the amount shown in the Independent Government Cost Estimate IGCE must be included in the Contract Requirements Package. Customers are responsible for ensuring the correct appropriation is cited and the period of performance is addressed with the correct fiscal year appropriation in order to satisfy “bona fide need” concerns. The IGCE plays a key role in both cost and price analysis. It serves as a benchmark for price analysis and in cost realism, it may also serve as a benchmark for individual cost elements.



NAVCOMPT FORM
2276.pdf

7. SOURCE SELECTION PLANS.

a. A thoroughly contemplated plan for selecting a best value source is vital to any source selection process. In all source selections, the plan is tailored to reflect the complexity of the acquisition. In more complex source selections, this plan is called the Source Selection Plan and should be prepared for the source selection authority's approval. In less complex acquisitions the plan is often referred to as the Technical Evaluation Plan. The plan is developed prior to or concurrently with preparation of the solicitation. It states your intentions for organizing and conducting the evaluation and analysis of proposals and the source selection. It contains acquisition sensitive information and is not released outside the contracting activity's source selection organization.

b. The requirement package shall include the evaluation plan, which sets forth the desired evaluation factors and associated adjective ratings. Mandatory factors are Past Performance and Cost. Although non-mandatory factors, Technical/Management Approach are customary factors. The customer must specify which specific areas of their requirement are to be evaluated. Evaluation factors shall correspond to the specific requirements set forth in the SOW. Customer may add other factors to the mandatory list if the requirements of the SOW dictate the need for additional factors.

c. Proposals can be evaluated on either a “best value trade-off” or “lowest-price, technically acceptable” basis.

(1) Best Value Trade-Off. Evaluation factors shall be weighted to indicate which are most important to you in making a best value trade-off decision. Adjective ratings are applied to technical/management approach, past performance and any other non-cost factors for which you may want to evaluate contractor proposals. Cost is not weighted in order to provide an independent comparison between cost and all non-cost factors. That is how you make your best value trade-off decision. You must also indicate whether all non-cost evaluation factors, when combined, are significantly more important than, approximately equal to, or are significantly less important than cost.

(2) Lowest-Price Technically Acceptable. If cost is significantly more important than all non-cost factors combined, you may wish to consider indicating that your vendor selection will be based on the lowest-price, technically acceptable offer. In this instance, all non-cost factors essentially relate to a “pass/fail” consideration and all proposed offers that are technically acceptable “pass.” They are then compared in order to determine the lowest price, which will be the proposal that is selected for award.



Source Selection
Plan.doc

8. SOLE SOURCE OR URGENCY JUSTIFICATION. If your requirement is Urgent or Sole Source, fill out the justification form and include in your package.

Customers customarily use these two justifications.

Reference FAR 6.302-1 and 6.302-2.

6.302-1 -- Only One Responsible Source and No Other Supplies or Services Will Satisfy Agency Requirements.

6.302-2 -- Unusual and Compelling Urgency.

There are other justifications, FAR 6.302-3 through 6.302-7

FAR reference site:

http://farsite.hill.af.mil/reghtml/regs/far2afmcfars/fardfars/far/06.htm#P66_8278

NMCARS reference site:

http://farsite.hill.af.mil/reghtml/regs/other/naps/5206.htm#P10_660



COMFISC JA Cust
Form over 100k...

9. ECONOMY ACT DECISIONS. Contracting by FISC of services/supplies for another Government agency constitutes an interagency acquisition. Under the Economy Act (31 U.S.C.1535), the head of the requesting agency must determine that contracting for its requirements is in the best interest of the Government. The Economy Act determination must be identified on the funding document.

FAR reference site:

http://farsite.hill.af.mil/reghtml/regs/far2afmcfars/fardfars/far/17.htm#P219_35280

Economy Act Determination and Finding and NAVSUP Instruction 4200.90A.



EconomyActDF.doc



NAVSUP-INST
4200.90A.pdf

10. SECURITY. The Federal Acquisition Regulation (FAR) requires that a DD Form 254 be incorporated in each classified contract. The DD Form 254 provides to the contractor (or a subcontractor) the security requirements and the classification guidance that would be necessary to perform on a classified contract. Instructions and Form are provided.



DD254-Guide.DOC dd0254-fillable.pdf

11. CDRL. The CDRL is a list of the data requirements that are authorized to be acquired for a specific acquisition, which is made a part of the contract. This list is prepared on DD Form 1423 and includes all forms of data (e.g. reports, lists, computer software, etc.).



dd1423 fillable.pdf

12. COR NOMINATION LETTER. NAVSUPINST 4205.3C authorizes contracting officer designation of Contracting Officer Representatives (CORs). Contracting officers shall appoint CORs when necessary to monitor contractor support service contracts, including orders under indefinite delivery type contracts and Basic Ordering Agreements (BOAs). A COR may also be appointed to monitor contracts that are for other than contracting support services, including hardware requirements, those requiring unusual monitoring and surveillance or technical discussions to clarify the Statement of Work (SOW). An alternate COR may be authorized to perform the duties and responsibilities of the primary COR in his or her absence. The nomination and appointment letters for the alternate COR, as well as the contract must expressly state that the alternate COR shall act only in the absence of the primary COR. The nomination and appointment criteria, process, and training requirements are identical for primary and alternate CORs.



COR NOM LTR.doc 4205.3C-COR-Instr
.pdf

13. CONTRACT ADMINISTRATION PLAN. A Contract Administration Plan (CAP) is required when a COR is to be appointed under the contract. To ensure satisfactory administration of service contracts and avoid duplication of functions, the Procuring Contracting Officer (PCO) shall develop a Contract Administration Plan (CAP) which will delineate responsibilities for specific administration functions. Development of a CAP requires coordination with the requiring activity, the Contract Administrative Office (CAO) and personnel from any Government activity necessary for efficient and effective administration. If a CAP is required, the customer must fill out the following form.



DOCUMENTATION
FORM FOR CONTRAC

14. LEASE VS. PURCHASE. In accordance with FAR 7.4, agencies should consider whether to lease or purchase equipment based on an evaluation of comparative costs. If your activity decides to lease, it is necessary to provide justification that demonstrates leasing is in the best interest of the government. If equipment is to be leased for more than 60 days, the requiring activity must prepare and provide the contracting officer with the justification supporting the decision to lease or purchase (NAVSUP Policy Letter 03-29).

FAR reference site:

http://farsite.hill.af.mil/reghtml/regs/far2afmcfars/fardfars/far/07.htm#P244_47324



Lease
Justification.doc



NS PL 03-29.pdf

15. ELECTRONIC AND INFORMATION TECHNOLOGY (EIT). EIT implements section 508 of the Rehabilitation Act of 1973 (29 U.S.C. 794d), and the Architectural and Transportation Barriers Compliance Board Electronic and Information Technology (EIT) Accessibility Standards (36 CFR part 1194). Further information on section 508 is available via the Internet at <http://www.section508.gov>.

When acquiring EIT, agencies must ensure that-- (1) Federal employees with disabilities have access to and use of information and data that is comparable to the access and use by Federal employees who are not individuals with disabilities; and (2) Members of the public with disabilities seeking information or services from an agency have access to and use of information and data that is comparable to the access to and use of information and data by members of the public who are not individuals with disabilities.

FAR reference site.

http://farsite.hill.af.mil/reghtml/regs/far2afmcfars/fardfars/far/39.htm#P63_11228



EIT Exception
Det.doc

16. ACQUISITION PLANNING. If the contract is expected to exceed the DFARS dollar threshold of \$30M or more for all years, or \$15M or more for any fiscal year, the customer agency is required to prepare an Acquisition Plan and submit it along with the requirements package. See FAR 7.105 and DFARS 207-105 for the contents of acquisition plans.

FAR reference site:

<http://farsite.hill.af.mil/reghtml/regs/far2afmcfars/fardfars/far/07.htm>

DFARS reference site:

<http://farsite.hill.af.mil/reghtml/regs/far2afmcfars/fardfars/dfars/dfars207.htm>

17. LABOR CATEGORY DESCRIPTIONS. For service type contracts, identify the labor category descriptions to be incorporated into the contract. However, if your requirement is a Performance Based acquisition, discuss with the assigned buyer, as contractors propose the labor mix.

18. MANDATORY SOURCES AND ITEMS REQUIRING SPECIAL ATTENTION.

Mandatory Sources: Before you begin searching for a local vendor for that supply or service you need, we'd like to remind you of some mandatory sources that must be reviewed before you make that local call.

Items requiring special attention: There are times that law or statutes require special approvals or waivers before FISC can contract for certain types of requirements. Additionally, there are specific items that cannot be procured with appropriated funds.

Read the reference document.



Mandatory Sources
of Supply.pd...

19. ENVIRONMENTAL PROTECTION AGENCY. EPA's mission is to protect human health and the natural environment. Visit the EPA web site to learn more about Clean Water Act, Cleanup, Hazardous Waste, Oil Spills, Ozone, and other topics. (www.epa.gov)

EPA: The Comprehensive Procurement Guidelines (CPG)—a key component of the government's "buy-recycled" program. Today, more and more products are made from recycled materials—from the carpeting and insulation used in office buildings, to the reams of office paper purchased each day. Buying recycled helps "close the recycling loop" by putting the materials we collect through recycling programs back to good use as products in the marketplace. Visit the EPA web site and view the list of EPA products. <http://www.epa.gov/cpg/products.htm>

Customers should be aware of the "buy-recycled" program when determining their procurement needs, as agencies must not require virgin material or supplies composed of or manufactured using virgin material unless compelled by law or regulation or unless virgin material is vital for safety or meeting performance requirements of the contract.

FAR reference site:

http://farsite.hill.af.mil/reghtml/regs/far2afmcfars/fardfars/far/11.htm#P138_21345

Note: This section may not be applicable to OCONUS acquisitions. Customers should check with your local OCONUS contracting office.

20. OCCUPATIONAL SAFETY & HEALTH ADMINISTRATION (OSHA). The Occupational Safety and Health Administration (OSHA) is responsible for issuing and administering regulations that require Government activities to apprise their employees of --

- (1) All hazards to which they may be exposed;
- (2) Relative symptoms and appropriate emergency treatment; and
- (3) Proper conditions and precautions for safe use and exposure.

OSHA's mission is to assure the safety and health of America's workers by setting and enforcing standards; providing training, outreach, and education; establishing partnerships; and encouraging continual improvement in workplace safety and health.

Visit the OSHA web site: <http://www.osha.gov/>

Customers should be familiar with this section when determining your procurement needs. To ensure that the solicitation includes the appropriate clauses for shipping/marking and handling of hazardous material, the Contracting Officer needs to know if hazardous material will be required during performance of the contract. If required, the customer must provide a list of hazardous material with your procurement package.

FAR reference site:

http://farsite.hill.af.mil/reghtml/regs/far2afmcfars/fardfars/far/23.htm#P49_5129

Note: This section may not be applicable to OCONUS acquisitions. Customers should check with your local OCONUS contracting office.

21. GOVERNMENT FURNISHED PROPERTY. *Government-furnished property* means property in the possession of, or directly acquired by, the Government and subsequently made available to the contractor. *Contractor-acquired property* means property acquired or otherwise provided by the contractor for performing a contract and to which the Government has title. *Government property*, means all property owned by or leased to the Government or acquired by the Government under the terms of the contract. It includes both Government-furnished property and contractor-acquired property.

Customers should be familiar with this section when determining your procurement needs. To ensure that the solicitation includes the appropriate Government Property clauses, the Contracting Officer needs to know if the activity will provide any Government-furnished property during performance of the contract. If required, the customer must provide a list of GFP with your procurement package.

FAR reference site:

http://farsite.hill.af.mil/reghtml/regs/far2afmcfars/fardfars/far/45.htm#P2_56

22. INFORMATION TECHNOLOGY-RELATED PROCUREMENTS. The ASN (RD&A) memorandum dated October 18, 2002, subj: "Information Technology-Related Procurements," requires review of all prospective information technology procurements in excess of \$25,000 up to and including \$1,000,000 (over the life of the contract), including orders to be placed on existing contracts. The review precludes duplication of expenditures for Information Technology (IT) capabilities that are available under the Navy Marine Corps Intranet (NMCI) contract.



infotechrelatedproc
urements.pdf...

Note: This section is not applicable to OCONUS acquisitions.

23. BUY AMERICAN ACT. Supplies and Construction Materials

Supplies. Buy American Act (41 U.S.C. 10a-10d) and Executive Order 10582, December 17, 1954 restricts the purchase of supplies that are not domestic end products. For manufactured end products, the Buy American Act uses a two-part test to define a domestic end product.

- (1) The article must be manufactured in the United States; and
- (2) The cost of domestic components must exceed 50 percent of the cost of all the components.

FAR reference site:

http://farsite.hill.af.mil/reghtml/regs/far2afmcfars/fardfars/far/25.htm#P199_18550

Exceptions to the above are (1) Public Interest and (2) Nonavailability.

FAR reference site:

http://farsite.hill.af.mil/reghtml/regs/far2afmcfars/fardfars/far/25.htm#P212_20224

Note: Buy American Act section is not applicable to OCONUS acquisitions.

Construction. Buy American Act (41 U.S.C. 10a-10d) and Executive Order 10582, December 17, 1954 applies to contracts for the construction, alteration, or repair of any public building or public work in the United States.

FAR Reference site:

http://farsite.hill.af.mil/reghtml/regs/far2afmcfars/fardfars/far/25.htm#P354_29153

Exceptions to the above are (1) Impracticable or inconsistent with public interest, (2) Nonavailability and, (3) Unreasonable cost.

http://farsite.hill.af.mil/reghtml/regs/far2afmcfars/fardfars/far/25.htm#P212_20207

Note: For NAVFAC construction acquisitions, customers must contact the local NAVFAC office.

https://portal.navfac.navy.mil/portal/page?_pageid=181,3446484&_dad=portal&_schema=PORTAL

24. ACQUISITION SUBMISSION DATES: To ensure that requirements with expiring funds are obligated prior to the end of FY06, including those requirements with a contract award date of 01 October 2006, adherence to cut-off dates is critical to successfully meet customer needs.

<u>DUE DATE</u>	<u>ESTIMATED AMOUNT</u>	<u>TYPE</u>	<u>OF</u>	<u>ACTION</u>
28 APR 06	OVER \$1 MILLION	CONTRACT/DELIVERY		ORDER
26 MAY 06	\$100,001 TO \$1 MILLION	CONTRACT/DELIVERY		ORDER
26 MAY 06	ANY DOLLAR AMOUNT	EXERCISE OF OPTION/ANNUAL RENTAL & MAINTENANCE (ARMS)		
11 AUG 06	\$25,001 TO \$100,000	PURCHASE/DELIVERY		ORDERS
25 AUG 06	\$2,501 TO \$25,000	PURCHASE/DELIVERY		ORDERS
25 AUG 06	UNDER \$2,500		MICROPURCHASE PER EBUSOPSOFFINST 4200.1A	

25. CONTRACT TYPE:

The following paragraphs describe each contract type and the conditions for their usage:

- a. Firm Fixed Price (FFP). A FFP contract provides for a price that is not subject to any adjustment. It places upon the contractor financial risk and full responsibility for all costs and resulting profit or loss. It also provides maximum incentive for the contractor to control costs and perform effectively. It is suitable for acquiring services on the basis of a reasonably definite performance-based SOW when performance

uncertainties can be identified and reasonable estimates of their cost impact can be made.

FAR reference site:

http://farsite.hill.af.mil/reghtml/regs/far2afmcfars/fardfars/far/16.htm#P40_7898

b. Cost Reimbursement (CR). A CR contract type may only be used when uncertainties involved in contract performance do not permit costs to be estimated with sufficient accuracy **and** the fixed labor rates in the contract cannot apply (e.g., OCONUS work). A CR contract type may only be used after the KO executes a determination and findings that shows this contract type is likely to be less costly than any other type or it is impractical to obtain services of the kind or quality required without the use of this contract type. In order to use this type of contract, ***the customer must provide rationale as to why the fixed labor rates cannot apply and provide the reasons why this contract type is likely to be less costly than any other type or why it is impractical to obtain services of the kind or quality required without the use of this type of contract.***

FAR reference site:

http://farsite.hill.af.mil/reghtml/regs/far2afmcfars/fardfars/far/16.htm#P290_49396

c. Time-and-Materials (T&M). A T&M contract may be used only when it is not possible at the time of placing the contract to estimate accurately the extent or duration of the work or to anticipate costs with any reasonable degree of confidence. This type of contract provides no positive profit incentive to the contractor for cost control or labor efficiency. Accordingly, appropriate Government surveillance of contractor performance is required to give reasonable assurance that efficient methods and effective cost controls are being used. A T&M contract type may only be used after the KO executes a determination and findings that no other contract type is suitable. Therefore, ***the customer must provide the reasons why it is not possible at the time of placing the contract to estimate accurately the extent or duration of the work or to anticipate costs with any reasonable degree of confidence.***

FAR reference site:

http://farsite.hill.af.mil/reghtml/regs/far2afmcfars/fardfars/far/16.htm#P474_81282

d. Indefinite Delivery: There are three types of indefinite-delivery contracts: definite-quantity contracts, requirements contracts, and indefinite-quantity contracts. The appropriate type of indefinite-delivery contract may be used to acquire supplies and/or services when the exact times and/or exact quantities of future deliveries are not known at the time of contract award.

FAR reference site:

http://farsite.hill.af.mil/reghtml/regs/far2afmcfars/fardfars/far/16.htm#P326_56040

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