United States Army
Materiel Command

Contracting XXI Blueprint

Final Report
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Note: Data collection for this report coincided with the Integrated Product Team meetings during the time period October 1997 thru March 1998. This report does not reflect recent organizational changes.

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SECTION 1: EXECUTIVE SUMMARY

KPMG was engaged by the Army Materiel Command (AMC) to analyze the cost, capability, capacity and performance issues regarding procurement/purchasing services in private sector, and compare them to current AMC practices to find innovative approaches to streamlining/ downsizing/outsourcing this function. Additionally, the KPMG team was tasked to provide a record of AMC's research, analysis, and recommendations with respect to the Integrated Product Team (IPT) Blueprint XXI.

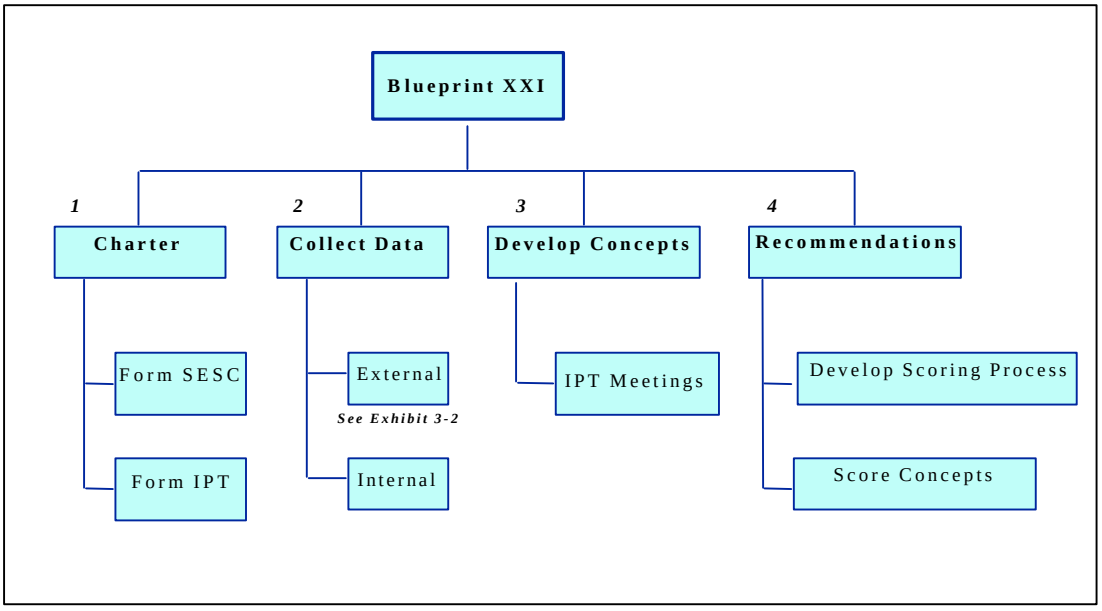
Introduction

Recent world events have had a profound impact on the requirements and needs of the Department of Defense (DoD), including potential threats, strategy, force structure, readiness posture, military modernization programs, and defense infrastructure. DoD must develop a blueprint for the future to provide a strategy based, balanced, and affordable defense program with no reduction in military readiness. This report will discuss the Army Materiel Command (AMC) and its efforts to facilitate DoD's changes through the Contracting XXI Blueprint IPT.

Methodology

The methodology used to conduct this effort and to generate final recommendations is depicted in Exhibit 1-1. Each block will be discussed individually in Section 3 of this report.

Exhibit 1-1, Methodology



Concepts

The IPT members were tasked to develop notional concepts for the future structure of AMC contracting. These concepts were based on two general timeframes, established in conjunction with General Wilson's original directives, for implementation: 2004 and 2010.

The options developed were based on different endstates and timeframes. The endstates would be an organization of five Centers by 2004, an organization of less than five Centers by 2004, and finally a single contracting command or center by 2010. The IPT members divided into two teams to develop options for each of these endstates, which would be discussed by the whole group. Consensus was actually reached on less than the maximum number of options that could have been developed. Both teams independently arrived at the same basic concept for an organization of five Centers by 2004. Both teams also arrived at a solution of three Centers for the optimum number that would satisfy the criteria of being less than five. In the end, the IPT teams developed five organizational concepts for the future of AMC contracting.

Business Issues

The members of the IPT discussed a series of business issues that have an impact both in industry and government. Some of these issues (and their related processes), when implemented by AMC, will improve the mission effectiveness of AMC contracting. These issues include core and non-core capabilities; inherent government functions; outsourcing; integrated business teams; workforce changes; skill sharing, corporate contracts, and centers of expertise; consolidated base operations; automation.

Summary

This section presents the IPT scoring results, the weights assigned by the SESC, and the final score for each organizational concept. In addition, a brief analysis of the industry and government surveys (summary of major findings) leads to a discussion of several observations which could have implications for AMC.

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SECTION 2: INTRODUCTION AND BACKGROUND

This section will introduce the Army Materiel Command (AMC), current environmental factors impacting AMC and the Integrated Product Team for Contracting XXI Blueprint. The goal of the Contracting XXI Blueprint initiative was to identify more efficient ways to provide contracting support to AMC customers. The present environment is one of dwindling resources and continually changing missions. The IPT was formed to focus on two primary issues:

- improving contracting efficiency through changes in processes, and
- developing concepts for a future organizational structure.

This was not an exercise to cut personnel directly, but rather to assure continued support in changing and uncertain times. Consideration was given to both potential decreases and increases. The IPT realized that some reductions would happen because of ongoing initiatives such as Prime Vendor Support, consolidations not yet completed, and the Quadrennial Defense Review. However, the IPT also considered that other ongoing initiatives, such as A-76 studies, might very well add contract work that AMC is not currently staffed to support.

It is this uncertain environment that we must support with sufficient numbers of skilled contracting/business experts. The need for flexibility and the ability to respond to uncertainty was a primary consideration for the concepts and general ideas developed.

AMC Introduction

The U.S. Army Materiel Command (AMC) is the Army's principal materiel developer. AMC is in about 285 locations worldwide, covering over 42 states and more than a dozen foreign countries. Manning these organizations is a work force of over 60,000 employees, both military and civilian, many with highly developed specialties in weapons development and logistics.

Mission

AMC's mission is complex and ranges from the development of sophisticated weapons systems and cutting edge research in such areas as lasers, to the maintenance and distribution of spare parts. This mission is best summarized by AMC's three core competencies: Acquisition Excellence, Logistics Power Projection, and Technology Generation and Application. Although AMC's primary focus is to support the Army, other organizations utilize AMC services. The driving force is always service to the soldier.

Supporting the Army

To develop, buy and maintain materiel for the Army, AMC works closely with industry, colleges and universities, the sister services and other government agencies to ensure state-of-the-art technology and support are exploited for the defense of the nation. But AMC also touches every soldier in the Army every day through Logistic Assistance Representatives who work directly with the units in the field.

Other Support

AMC handles diverse missions that reach far beyond the Army. For example, AMC acquires ammunition for all of the U.S. military services, manages the multi-billion dollar business of selling Army equipment and services to friends and allies of the United States, and negotiates and implements agreements for co-production of U.S. weapons systems by foreign nations. AMC also provides numerous acquisition and logistics services to the other components of the Department of Defense and to many other government agencies.

In recent years, AMC has participated in various humanitarian and disaster relief efforts both at home and abroad. Besides providing equipment and supplies, AMC has established and managed distribution centers in the affected areas to expedite supply and delivery to victims. AMC's structure is based on the support of major subordinate commands whose efforts combine to meet AMC's mission.

Major Subordinate Commands

Headquartered in Alexandria, Va., AMC accomplishes its mission through 10 major subordinate commands. They direct the activities of numerous depots, arsenals, ammunition plants, laboratories, test activities and procurement operations. The Commands are listed below with a short description of each one.

Aviation and Missile Command (AMCOM)

Provisionally established in July of 1997 as a logistical and technical command. A multi-faceted and multi-site subordinate command with headquarters at Redstone Arsenal, Alabama. AMCOM manages Army aviation and missile systems.

Army Research Laboratory (ARL)

Established in 1992 as the Army's corporate research and analysis laboratory. A multi-faceted and multi-site subordinate command with headquarters at Adelphi, Maryland. ARL is the Army's primary in-house laboratory whose mission is to execute fundamental and applied research.

Army Research Office (ARO)

ARO's mission is to seed scientific and far reaching technological discoveries that enhance Army capabilities. It is the only Army organization that transcends all of its mission areas. ARO priorities fully integrate Army-wide, long-range planning for research, development, and acquisition.

Chemical and Biological Defense Command (CBDCOM)

Established in 1993 as a center of expertise in chemical and biological defense matters. A major subordinate command with headquarters at the Edgewood Area of Aberdeen Proving Ground, Maryland. CBDCOM provides support in three main areas: research, development and acquisition; secure chemical weapons storage, remediation and demilitarization; and emergency preparedness and response.

Communications-Electronics Command (CECOM)

Established in 1963 as the U.S. Army Electronics Command. A multi-faceted and worldwide subordinate command with headquarters at Fort Monmouth, New Jersey. CECOM's mission is to research, develop, acquire, field and sustain technologically superior and integrated communications, command, control, computer, intelligence, electronic warfare and sensors capabilities.

Industrial Operations Command (IOC)

Established in 1995 to manage all Army depots, depot activities, arsenals, ammunition plants and other Army industrial activities. A multi-faceted and multi-site subordinate command with headquarters at Rock Island, Illinois. IOC's mission is to provide world-class logistics support by consolidating the management and operation of the Army's industrial facilities, as well as the manufacturing, procurement, and storage of ammunition for the Army and other services.

Soldier Systems Command (SSCOM)

Activated in 1994 to develop, integrate, acquire and sustain soldier and soldier related support systems to modernize, balance and improve the soldier's war-fighting capabilities, performance and quality of life.

Tank-Automotive and Armaments Command (TACOM)

Became a command in 1967. TACOM is headquartered in Warren, Michigan, with two large business centers located in New Jersey and Illinois. The organization's mission is to research, develop, field, and support the Army's mobility and armament systems.

Test and Evaluation Command (TECOM)

Activated in 1962, TECOM is headquartered at Aberdeen Proving Ground, Maryland. It is a major subordinate command. TECOM is the Army's premier materiel testing organization for weapons and equipment.

Other IPT Participants

In addition to the MSCs, participation in the IPT was provided by the following commands:

Army Forces Command (FORSCOM)

Activated in 1973 as part of operation STEADFAST, a reorganization of the Army's major commands (MACOM). FORSCOM is headquartered at Fort McPherson, Georgia. It trains mobilizes, deploys and sustains combat ready forces capable of responding rapidly to crises worldwide. As an Army MACOM faced with similar resource issues, and as an AMC customer with vested interests in the mission effectiveness of AMC contracting, FORSCOM was invited to share their lessons learned and participate in the IPT.

Training and Doctrine Command (TRADOC)

Established in 1973 as a new major Army Command headquartered at Ft. Monroe, Virginia. TRADOC had the responsibility for the Army's overall development, including weapon equipment requirements, tactical organizations, war fighting doctrine, training and leader development, and soldier support. It is leading the U.S. Army from a Cold War Army to a smaller, tailored, modernized, more lethal Army. As an Army MACOM faced with similar resource issues, and as an AMC customer with vested interests in the mission effectiveness of AMC contracting, TRADOC was invited to share their lessons learned and participate in the IPT.

Environment

The study team identified several reviews and initiatives impacting the current AMC contracting environment. These reviews and initiatives affect AMC's authorized personnel slots, areas of responsibility, and business operations and processes. Below is a listing, with descriptions, of these factors. Many of the studies and initiatives are impacted by the National Defense Authorization Act for Fiscal Year 1996 and the required personnel reductions stated therein.

Quadrennial Defense Review

The Quadrennial Defense Review (QDR) is required by the Military Force Structure Review Act, which was included as part of the National Defense Authorization Act for Fiscal Year 1997. The Department of Defense designed the QDR to be a fundamental and comprehensive examination of America's defense needs from 1997 to 2015: potential threats, strategy, force structure, readiness posture, military modernization programs, defense infrastructure, and other elements of the defense program. The QDR is intended to provide a blueprint for a strategy-based, balanced, and affordable defense program.

Organization and Approach

The QDR was a collaborative effort between the Office of the Secretary of Defense (OSD) and the Joint Staff, with extensive participation from the Military Services and the Commanders in Chief of the Combatant Commands. The Deputy Secretary of Defense and the Vice Chairman of the Joint Chiefs of Staff co-chaired the Senior Steering Group, which would make recommendations to the Secretary of Defense.

From the beginning of the QDR, the Senior Steering Group established a road map for the effort that required close adherence to the following milestones:

- Start-up and guidance phase (December 1996): Identify issues, provide guidance and direction to panels, and begin evaluation of the threat assessment.
- Strategy and fiscal context phase (January 1997): Present defense strategy and projection of fiscal environment and program risks.
- Analysis phase (February 1997): Report initial results of panel reviews.
- Integration phase (March 1997): Evaluate and refine integrated options within the defense strategy framework.
- Decision phase (April 1997): Present refined alternatives to Secretary of Defense for decision and identify issues for further evaluation.

To promote and protect U.S. interests, the QDR strategy has three main elements: first, the ability to shape the international environment by promoting regional stability; second, the need to respond quickly to the full spectrum of crises; and, third, the mandate to prepare now to meet the security challenges of an unpredictable future. This strategy was the conceptual foundation of the review and the QDR programmatic decisions.

Implementation

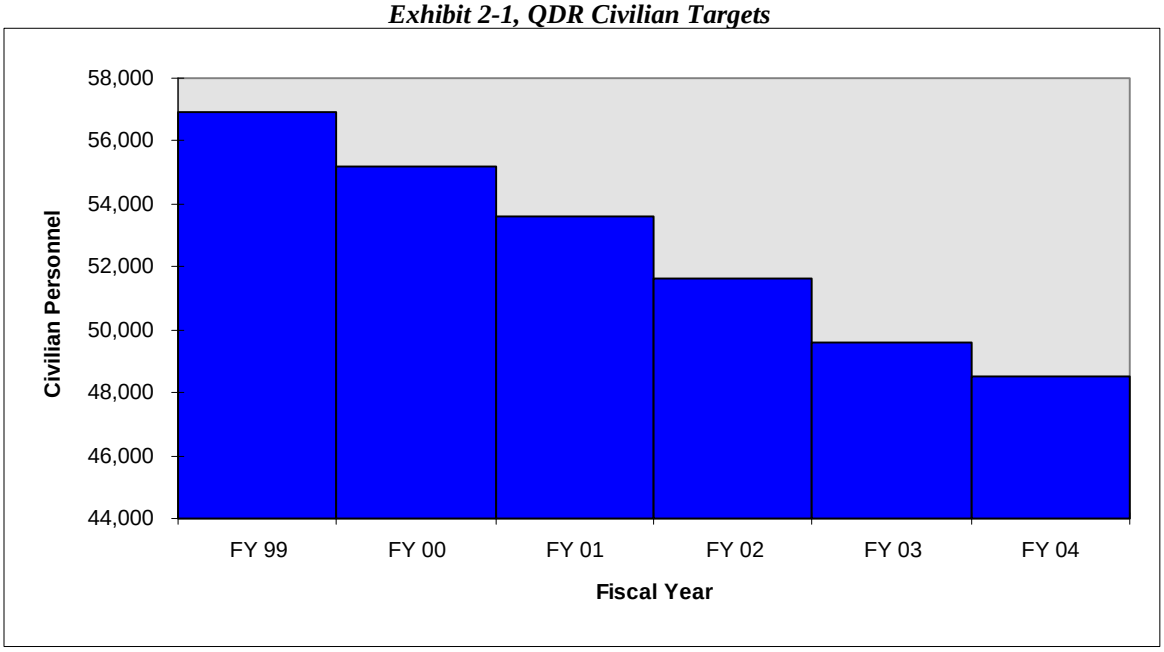
The QDR recommends cuts in personnel strength and weapons programs. As part of the restructuring of the force, the total active duty end strength will be reduced from the previously planned level of 1.42 million to 1.36 million. The Reserve forces will decline to 835,000 from 890,000, and the civilian force will fall to 640,000 from 720,000. The major force structure and modernization decisions impacting AMC include:

Army. Accelerates Force XXI modernization plan; retains 10 active, combat-ready divisions; reduces the force by 15,000 active duty personnel by deactivation, consolidation and realignment of headquarters and support facilities, and reduces its Reserve component by 45,000 through restructuring, deactivation, and conversion.

Infrastructure. Requests authority from Congress for two rounds of Base Realignment and Closure (BRAC), including a consolidation of laboratories and research, development and test facilities; seeks additional outsourcing and opportunities to re-engineer DoD business practices; and calls for broad infrastructure deregulation to permit more efficient operations.

AMC's QDR targets. Overall, AMC will target reductions totaling 2,000 military and 8,530 civilian positions. Of these reductions, 2,000 military and 1,549 civilians will be eliminated with no money to contract out. The other 6,980 civilian reductions will be achieved through an estimated 20% savings from outsourcing or increased productivity. Exhibit 2-1 shows the planned civilian reductions.

Exhibit 2-1, QDR Civilian Targets



General Accounting Office (GAO) Workforce Reduction Study

At the request of Congress, the GAO reviewed personnel reductions in 20 Defense acquisition organizations from the end of fiscal year 1995 through the end of the second quarter of fiscal year 1997. The study was intended to track progress towards meeting the goals of the National Defense Authorization Acts of Fiscal Years (FY) 1996 and 1997. Early summary findings by the GAO, as stated in correspondence to the Honorable Floyd D. Spence on October 23, 1997, are recorded below.

The preliminary results of the GAO study indicated that reductions in DoD's workforce had, through the time of the letter, exceeded requirements. In fact, the study noted DoD had reduced its acquisition workforce by 20,334 more positions than required (for a total of 50,334). Projected on this basis, GAO estimated that DoD would achieve all of its required personnel reductions (25% from FY 95 levels or 94,400 from 377,600 by the end of FY 2000. In fact, at that rate, 54% of required reductions achieved through second quarter FY 1997. DoD could achieve its target well before FY 2000; however, current reduction rates are not expected to continue.

The study further noted that of the 40,118 civilian employees, who have left DoD acquisitions organizations since the beginning of FY 1996, nearly 78% left DoD completely. The largest concentration of these personnel reductions occurred in seven occupational fields: Electrical Engineer, Secretary, Computer Specialist, Contracting, Miscellaneous Clerk, Management Analyst, and Miscellaneous Administrative. The largest support services contract increases occurred in fields closely related to the occupational fields identified with the largest reductions.

To summarize, the GAO study found that DoD is currently on pace to achieve required personnel reductions by FY 2000. Of these personnel reductions, nearly 78% leave DoD completely. Trends indicate the fastest areas for support services contracts are also those which have seen the largest personnel reductions.

Business Initiatives

Among several on-going business initiatives, the IPT identified and focused in particular on the following ones, discussing their provisions and implications for the implementation of the Contracting XXI Blueprint.

Automation

SPS Fielding

The Standard Procurement System (SPS) is an enormous automation effort, which when deployed, will change the way 46,000 users at 1,000 sites worldwide perform Department of Defense (DoD) procurement. The system will allow the user control their own procurement process, in an integrated desktop environment. SPS will be a cornerstone in DoD's vision of paper free acquisition.

The SPS software product, Procurement Desktop - Defense (PD2) will be tailored to fit each site's needs. PD2 will replace dozens of existing interfaces to financial, logistics, and other DoD systems. PD2 will automate the procurement process from requirements definition and receipt to acquisition planning, solicitation, offer evaluation, award, administration, and closeout. In addition, the software provides graphical document management, electronic routing and approval, on-line acquisition regulations, workload

management, and powerful ad hoc reporting. The software, when linked through the Shared Data Warehouse, will let DOD contracting offices within the Army, Navy, Air Force, and Defense agencies exchange data with other organizations in the department.

DOD's Major Automated Information Systems Review Committee has approved the first of three incremental SPS software enhancements for use at 137 contracting sites throughout the department. Although the initial software release will support only about 45 percent of DOD's basic procurement functions, the releases planned for 1998 and 1999 will satisfy the remaining
requirements.

Wholesale Logistics Model

Background. The Army's current Wholesale Logistics Management System is obsolete, as is the information technology on which the system is based. The current system is neither flexible nor adaptable to change and is very expensive to maintain and upgrade. In order to sustain the warfighter in the Army After Next, the logistics business processes and supporting information technology must provide the precision logistics essential to support the modern battlefield.

While commercial logistics concepts have evolved towards replacing inventory mass with velocity management, the Army logistics system remains based upon an inventory mass concept. For the user of the system, it is inflexible and generally unresponsive. For the corporate Army, it is outdated and costly to maintain.

System Overview. The AMC wholesale logistics management system consists of the Commodity Command Standard System (CCSS), the Standard Depot System (SDS) and associated applications. The wholesale logistics management system has evolved into a complex, tightly interwoven system that is difficult to maintain and adapt. The system provides for a flow of materiel and management information between the users of Army equipment and AMC. CCSS supports Program Executive Officers (PEOs), Program Managers (PMs), Item Managers and supporting personnel by providing life cycle support data and by interfacing with retail, financial, procurement and other systems. SDS supports depot managers, ammunition handlers and installation managers by providing the data needed to support the execution of production, operation and maintenance missions.

In October 1996, CECOM was given operational control over the Logistics System Support Center (LSSC) located in St. Louis, Missouri and the Integrated Logistics Systems Center (ILSC) located in Chambersburg, Pennsylvania. These Central Design Activities (CDAs) are responsible for the sustainment of CCSS and SDS, respectively. These CDAs also support standard business and logistics systems software for AMC, the Department of the Army and the Department of Defense.

Program Goals. The goals of the Wholesale Logistics Modernization Program are:

- Modernizing logistics through adoption of best commercial business processes and the associated commercial information technology that supports those processes. Adoption is defined as utilizing best commercial business processes with little or no change;
- Privatizing the wholesale logistics software support function. This would include sustainment of the current CCSS and SDS systems as well as sustainment of whatever commercial information technology is selected by the contractor to support the modernized logistics business processes. Sustainment is defined as providing uninterrupted, comprehensive software support;
- Mitigating a portion of the program risk by ensuring a "soft landing" for the Government CDA personnel who would be displaced by this privatization. Soft landing is defined as a pay and benefits package for displaced personnel comparable to what they have today and employment in their current geographic location;
- Achieving these goals within current CDA operating costs;
- Integrating the Wholesale Logistics Modernization Program with the Global Combat Service Support - Army (GCSS-Army) to achieve a single Army Logistics System and;
- Satisfying data processing requirements with industry facilities and equipment or by a working relationship with a Government agency.

The Government believes that a critical key to success in accomplishing the program goals involves partnering with industry. To this end, the Government intends to establish a long-term relationship with an industry partner to:

- Establish mutual goals and objectives; Build trust and encourage open communication;
- Help eliminate surprises;
- Anticipate and resolve problems;
- Avoid disputes through informal conflict management procedures and;
- Focus on mutual interests of the parties, to include shared investment and real performance incentives.

Integrated Materiel Management Center (IMMC)

The Defense Program Guidance (DPG) directed that the Components would create one virtual ICP for Defense Logistics Agency (DLA) and one virtual ICP per Military Department. The creation of a Virtual/Single IMMC is a viable method to achieve a portion of the Army's QDR reductions. Moving to a single mega-center will reduce AMCs logistics data processing. Data bases located at each site will be merged into a single AMC-wide integrated database that will be accessible to and provide all necessary information to any logistician at any location. Consolidation of common functions will create efficiencies resulting in significant manpower and dollar savings. The Army has extended this effort to encompass a Single IMMC by September 2003.

Contractor Logistics Support

Contractor Logistics Support (CLS) is a lifetime support concept, often for commercial or commercial-derivative systems, which have at least a portion of their logistics support provided by commercial standard processes. Increasingly, this concept is being applied to uniquely military hardware as well. Current DoD policy emphasizes reliance on contractor support rather than organic support. The Army’s goals are to remove the structural barriers to achieving the most efficient army possible. The time has come to better integrate the acquisition and logistics communities.

Within AMC, several CLS related efforts are being studied, including Apache Prime Vendor Support, M109 Fleet Management and the Ammunition IPT. These changes in the way AMC contracts for recurring needs or for support of major systems will change the make-up of the AMC contract workload.

Apache Prime Vendor Support

The need to re-engineer the Apache logistics support is driven by the need for modernization offset by declining financial and personnel resources within the Army. In April, 1997, the prime vendors for the Apache system, McDonnell Douglas (now Boeing) and Lockheed Martin, teamed together as Team Apache Systems (TAS) to present an unsolicited proposal for complete and total systems management of the Apache helicopter which TAS calls Prime Vendor Support (PVS). The TAS proposal assumes total responsibility (nose-to-tail) for the wholesale support of the Apache, and includes performance guarantees, modernization of the aircraft through spare parts, and partnering with Army depots. AMC is studying the feasibility of the TAS proposal and, if appropriate, intends to implement Apache PVS as one of two pilot programs within the Department of the Army to evaluate CLS for major systems.

The goals of the Apache PVS initiative are to:

- Reduce overall support costs.
- Improve parts availability.
- Maintain aircraft readiness.
- Provide funds for modernization.

The challenges achieving these goals are many, and the program is not without risk. The following measures will be used in making decisions on any Prime Vendor proposals:

- Ensure that any new approach results in no degradation of readiness.
- The approach works in both peace and war.
- That it meets applicable statutory requirements.
- The approach provides significant cost savings.
- It guarantees a competitive industrial base and vendor base will remain for the future.
- That any new approach is politically sustainable.

M109 - Fleet Management

The M109 Fleet Management (FM) Program is the second of two pilot programs designed to experiment with outsourcing of logistics support. The M109 Family of Vehicles (FOV) consists of all models of the M109 155mm self propelled howitzer and the M992 Field Artillery Ammunition Support Vehicle. M109 FOV "customers" include the U.S. Army (active and National Guard) and many foreign militaries.

The objectives of FM are to provide the user/customer with life cycle logistical support using contractors and to reduce the cost of logistical support through outsourcing. Specific objectives include:

- Evaluate the re-engineering of the sustainment process
- Evaluate the implementation of innovative business processes
- Evaluate the outsourcing of life cycle support functions
- Establish a "Fleet Manager" as focal point for all customers
- Validate the potential for 20-30% savings in life cycle support costs
- Modernize the fleet via upgraded spare/repair parts and components
- Establish a single seamless logistics support process
- Deliver parts in a timely manner

The FM objectives are closely linked to the Revolution in Military Logistics, and will:

- Shift from a mass to a distribution based logistical system using velocity management and direct communications
- Establish a seamless connection between retail and wholesale systems
- Employ the best business practices

The FM team anticipates no impact on the civilian workforce plans for a one-year transition to full implementation of FM across the M109 fleet.

Ammunition Organization

In July 1997, an Ammunition Organization Working Integrated Process Team (WIPT) was formed to address organizational alternatives under the broad umbrella of management and oversight of ammunition programs. The effort was a direct outgrowth of the Pacific Northwest National Laboratory Assessment recommendation to establish a Program Executive Officer (PEO) or Program Manager (PM) for Ammunition in order to gain visibility of true ammunition costs and integrate total ammunition program requirements. This PEO/PM would reconcile requirements across items for the industrial base, reducing sub-optimization and ensuring attainment of best prices for all ammunition, regardless of type or caliber. Results and recommendations, due in June 1998, will address whether or not a PEO/PM is required, how acquisition strategies might be fused, and the most efficient organization for the integration of all the military Services' ammunition requirements.

Army Contracting FAA

On January 13, 1995, the Secretary of the Army and the Chief of Staff of the Army jointly published the Charter for Redesigning the Institutional Army. The Charter formed the basis for a comprehensive re-engineering effort across Army Title 10 functions aimed at identifying initiatives to improve institutional efficiency and effectiveness in support of the Army Force XXI objective state.

The charter emphasized identification and removal of unnecessary altering of functions, elimination of headquarters, reduction of the size of the Headquarters, Department of the Army, reduction of the number of Field Operating Activities (FOA) and Separate Reporting Activities (SRA) and reduction in the number of Major Commands. The Title 10 functions of Equip, Supply, Maintain (E/S/M) were studied under the functional area assessment methodology as a result of the Charter mission. Study of the Services function was deferred until a later Phase II effort. The study's findings address the following contracting/ procurement areas.

- Re-engineered Process.
- redesign of the Contracting process to produce efficiency or cost savings

- Implementation of Federal Acquisition Streamlining Act (FASA).
- Workload Based Manpower analysis to determine efficiency levels across the Army and to identify potential TDA savings
- Local Contracting Office Consolidation where there are multiple offices in close proximity to one another.
- Organizational Consolidation for Army Alternatives.

The report was not considered a final statement, rather a part of an evolving improvement process. The recommendations presented by this study were intended to provide the Army with the desired contracting support at the lowest cost. Some of the original recommendations included:

- Mandate minimum credit card usage rate of at least 80% for micro-purchases -- Potential TDA savings 117 personnel; $5.9 M per year
- Implement best practices contracting in accordance with the workload based analysis -- Potential TDA savings 826 personnel; $41.3 M per year
- Eliminate multiple local policy and contracting offices -- Potential TDA savings 94 personnel; $4.7 M per year

AMC Contracting XXI Study

The Team

In July of 1995, the AMC's Deputy Commanding General commissioned the Special Assistant for Contracting to undertake a study to design a method to re-engineer AMC contracting for the 21st Century. A team of representatives from the contracting community from each of the major subordinate commands (MSC) was selected. They were instructed to look at contracting AMC wide, develop improvements to the current process, design a concept for the AMC contracting structure in the 21st century, document their research and findings, and make recommendations. An electronic network was established for team member communication - they used a group e-mail, an electronic weekly report and frequent video teleconferences (VTC) to ensure team members were informed. Group meetings were also held and facilitated the initiative

In looking at how best to re-engineer the AMC contracting infrastructure, the group was to consider:

- A 30% reduction of resources (no timeline provided within study report)
- Reduced cycle time
- Increased productivity (better use of personnel)
- Improved quality
- Increased customer satisfaction
- Consolidation of organizations, activities, such as pricing, policy, ADP support
- Regionalization, according to geographic areas or complexity of buys

- Electronic acquisition

The Process

The team reviewed concepts already developed in other studies, such as the FORSCOM study of regionalization and the AMC Vision 2000. The team also considered ongoing activities, such as the Department of the Army (DA) Functional Area Assessment (FAA) study. The Contracting XXI group was challenged to go beyond the alternatives identified by the FAA contracting group. Looking at streamlining activities in other organizations was one of the prime objectives - to learn from other government agencies and from private industry. The Common threads that came out of these interviews with both government and industry were:

- A reduction in common overhead (i.e., policy and administration) and middle management
- Effective office automation a critical element
- Shift from contract specialists to generalists with multiple areas of expertise

Conclusion

The study resulted in a report, which was the culmination of a team effort from every sector of AMC. In researching other reports, other agencies and their own organizations, the group members developed a series of efficiencies, enablers, and enhancements that could be implemented in the near term, as well as a long term concept to streamline the contracting process. The team developed 20 recommendations for near term improvements to contracting within the AMC community. The following are among the most significant changes implemented from this initiative:

- Consolidation of contracting offices, reducing the number of 'full service' centers from 41 to 14
- Total overall reduction of 1207 positions.
- Reduction in the number of Head of Contracting Activity (HCA) positions through the consolidation of six activities under the HCA at HQ.
- Reduction in layers of regulation, maximum delegation to the field, elimination of the AMC FAR supplement.
- Implementation of Corporate Contracts for cost savings through economies of scale, savings in overhead.
- Improvements in automation – increased standardization, consolidation of PADDS maintenance, increased use of WEB, electronic policy promulgation.

Integrated Product Team (IPT) - AMC Contracting XXI Blueprint

In response to the environmental pressures, General Johnnie E. Wilson established the charter for the Integrated Product Team (IPT) AMC Contracting XXI Blueprint in October of 1997. The IPT charter outlined a fast-tracked plan to develop a blueprint for further re-engineering the AMC contracting organization. The charter further identified the IPT and Senior Executive Steering Council (SESC) members.

Charter

The Charter for the AMC Contracting XXI Blueprint Integrated Product Team (IPT) full text included in appendix establishes the vision, mission, objectives, functions, funding, and milestones for the IPT. It further details the constituency of the Senior Executive Steering Council (SESC).

According to the charter, the vision for the AMC is to "*be the Army's Center of Excellence for contracting. The AMC contracting organization will efficiently and effectively support the present and future of AMC while preserving those elements of AMC core capabilities required to perform our inherent governmental functions and maintain readiness.*"

The charter states that the mission of the IPT team is to "*identify efficiencies*" to facilitate a re-engineering of processes and structure where possible. The IPT team is to define a new contracting structure that will enable AMC to continue to meet its responsibilities in an arena of increasing requirements and decreasing resources.

The charter identifies objectives for the IPT:

- Review and understand current contracting structure and environment
- Review and understand re-engineering efforts by other government agencies
- Review and understand re-engineering efforts by industry
- Identify efficiencies allowing AMC to meet and exceed current reductions
- Ensure that core responsibilities are maintainable
- Develop an implementation plan for the Blueprint XXI
- Develop a plan to inform and educate workforce on contracting initiatives

Membership

The IPT team includes members from AMC and other organizations. Exhibit 2-2 shows the representatives of each organization.

Exhibit 2-2, IPT Participants

HQ	COL Mark Flavin (Team Leader), Emily Clake, LTC Lauren Ishmael
	Steve Knight, Sandy Rittenhouse, Jim Bozzard
AMCOM	Bud Bowersox, Dan Parker
AMSAA	Steve Kratzmeier
ARL	Bob Tomko, Joan Lopresti
ARO	Larry Travis
CBDCOM	Helen Morrison
CECOM	Tom Moore, Ric Kelemen, Madonna Southcott
IOC	Diana Rowe, Kathy Ortel
SSCOM	Sean O'Day, Laura MacLean
TACOM	COL Tom Elias, Debbie Forbes, Sylvia Burdett
TECOM	Lance Davis
FORSCOM	Toni Gaines
TRADOC	Bev Stevens, Roger Ash

The Senior Executive Steering Council (SESC) was established to provide direction, oversight, and guidance to the IPT. Exhibit 2-3 lists the SESC members.

Exhibit 2-3, SESC Membership

AMCDCG-A	Dale Adams, Chairman
AMCRDA	MG John Caldwell
AMCRDA-A	Gary Tull
AMCCC	Ed Korte
AMCPE	Mike Edwards
AMCRM	Barbara Leiby
AMCOM DSA	BG Robert E. Armbruster
CACOM DSA	COL(P) Dean J. Ertwine
TACOM DSA	BG Joseph Yakovac

Milestones

The charter outlines key dates and milestones for the IPT Blueprint. Key dates from the schedule include:

Oct 97	IPT Charter approved
Oct 97	Kick-off SESC/IPT meeting
Oct-Dec 97	Researching, benchmarking, and recommendations
Feb 98	IPT draft plan and recommendations to SESC
Mar 98	Industry Study published
Mar 98	IPT plan finalized and briefed to HQ AMC, CG and AMC
Apr-May 98	Development of transition plan
Sep 98	Transition plan implementation

Conclusion

The IPT team began its study with a methodology, which would allow it to review and reference several initiatives and studies. The findings, recommendations, and initiatives of each could be incorporated by the IPT in defining the Blueprint XXI recommendations. This report will discuss each of the steps the IPT took in identifying recommendations. The following sections will discuss the methodology (Section 3), organizational concepts (Section 4), business issues (Section 5), and summary (Section 6).

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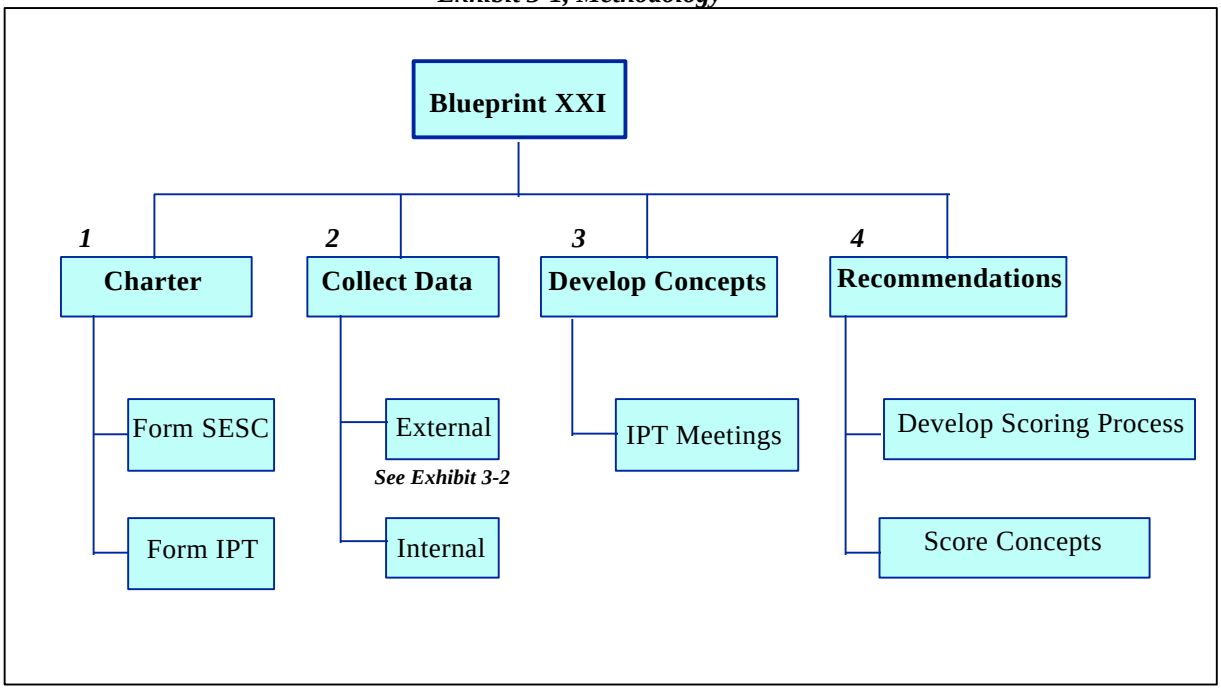
SECTION 3: METHODOLOGY

The methodology used to conduct this effort and to generate final recommendations is depicted in Exhibit 3-1. Each block will be discussed individually below.

Exhibit 3-1, Methodology



Charter

On October 28, 1997 General Wilson signed the charter that is the basis of this report (see appendix II). It outlines a fast-tracked plan to develop a blueprint for re-engineering the AMC contracting organization. The goal is to recommend an organizational structure that will serve AMC's customers in the developing environment of constrained resources and continually evolving missions.

Form Senior Executive Steering Council

A Senior Executive Steering Council (SESC) was assembled to provide overall guidance in this process and to provide significant input in the final recommendations (see appendix III for a list of SESC members).

Form Integrated Product Team (IPT)

An Integrated Product Team (IPT) was assembled under the guidance of the Senior Executive Steering Council. Both civilian and military personnel were included. The participants met on site and by Video Tele Conference (VTC), and were otherwise assigned tasks and asked to deliver data and other reading materials to AMC HQ via e-mail or fax. After each meeting, representatives from subordinate commands would brief their respective commanders and gather their inputs which were then incorporated in the discussion at the following meeting.

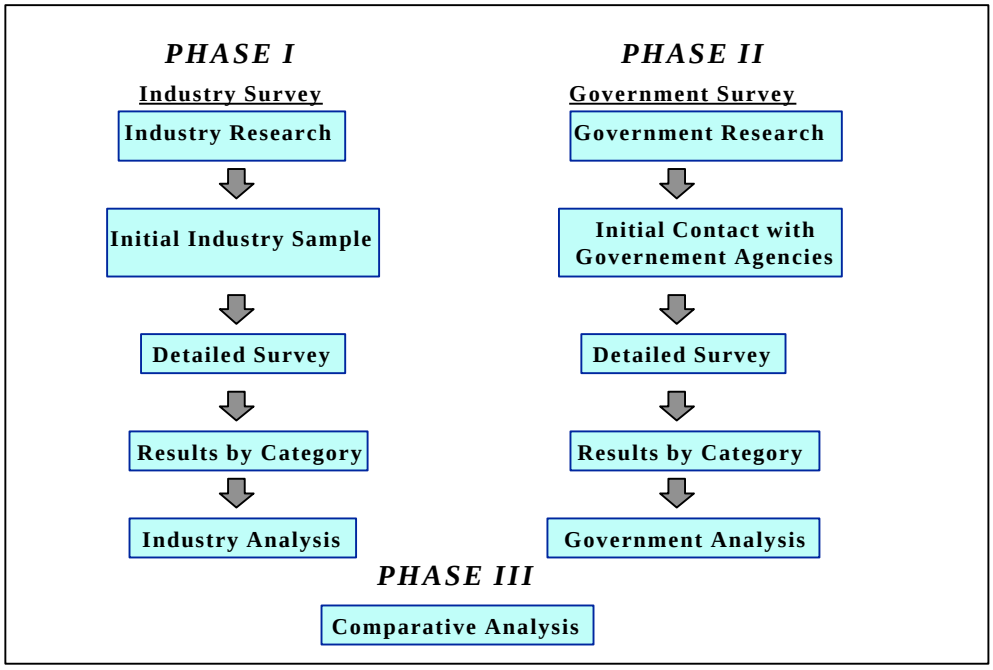
The IPT members utilized both quantitative and qualitative evaluation methods in their efforts to analyze issues and formulate organizational concepts. In particular, the Delphi technique was applied with discussions leading to consensus decisions and anonymous evaluation and scores.

Collect External Data

External data consisted of industry best practices collected by KPMG, and other government agency initiatives collected through joint IPT/KPMG survey teams. KPMG was then responsible for compilation and analysis of the combined industry and government findings.

KPMG implemented a two phased research approach to provide an accurate account of industry initiatives to downsize, outsource, and improve the procurement and contracting functions. The methodology is depicted in Exhibit 3-2 below.

Exhibit 3-2, Industry and Government Survey Methodology: Three Phase Approach



Phase I and Phase II were conducted in parallel so that results and observations would be as comparable as possible. Phase I of the approach included research of industry data, an initial sample of major corporations, a detailed survey, documentation of results by category, and an analysis of the data collected.

Phase II of the approach dealt with government agency research. It included an initial gathering of public domain agency data and initial contact by AMC with agencies that have completed or have planned procurement process reengineering. The same detailed survey that was applied to industry contacts was used, documenting results by category, and an analysis of the government data collected was performed.

The focus of the research component was to identify commercial and government best practices, initiatives in downsizing, and initiatives in improving contracting and procurement functions. The industry component was accomplished through interviews with experts from industry trade associations, key financial and procurement executives from selected industries, and other senior management executives who participated in the survey.

Both industry and government participants received and replied to the same detailed survey. In addition to the four external agencies, AMC tasked all of the subordinate commands to complete the survey.

After all of the results were recorded by category, an analysis of the data was conducted. The industry analysis identified commonalties of all or large portions of the respondents, industry trends, innovative strategies, and key factors of world class procurement systems. The government analysis identified environmental factors affecting restructuring, initiatives in paperless contracting, intergovernmental strategic alliances, and trends towards adopting commercial practices.

The comparative analysis looked at strong similarities and differences between the industry and government data. It identified significant macro similarities, examined the business supply chain as compared to the government procurement processes, and showed similar environmental forces and trends.

Collect Internal Data

The IPT decided that it was important to collect specific data within AMC on two areas:

- workload projections (see appendix III)
- 1100 series (contracting personnel - see appendix IV)

These data were collected through a series of data calls sent to all AMC subordinate commands and through specific tasks assigned to some IPT participants.

The objective was to identify all AMC contracting personnel and their functions in the current organization and in the context of the QDR. This, coupled with an analysis on projected workload, allowed and helped the members to formulate organizational

concepts that could represent the end state of an evolution from the current AMC organization, taking into consideration actual trends and constraints.

Develop Notional Organizational Concepts

Members of the IPT gathered on four occasions for several days and were otherwise in contact with AMC HQ and with each other through VTC, e-mail and phone conversations. Their responsibility was to:

- review and analyze the current AMC contracting structure
- review the efforts of other organizations to re-engineer and consolidate
- ensure that AMC core capabilities are maintained in any type of future organization
- examine business processes which could be applied to AMC

The main task was to develop notional concepts for a future AMC contracting organization to be implemented by 2001 or 2003. The original target dates were 2004 and 2010; General Wilson, however, during an IPR on February 2, 1998 directed the IPT members to be more "aggressive" with respect to the implementation timeline. Consequently, the new target dates of 2001 and 2003 were established.

IPT Meetings

At the meetings, IPT members were given a detailed daily agenda which listed specific objectives to be achieved by the end of the day. These objectives included the formulations of assumptions, requirements, and the analysis of external constraints related to the evolution toward a future organization. Issues were discussed either by the entire group or by subgroups created when necessary.

To elaborate the notional concepts, several topics needed to be addressed; when possible, consensus was reached among the IPT members on specific issues. At times, however, a decision based on majority vote was necessary to move on. Each topic discussed represented a step in the process of formulating the organizational concepts. The IPT members developed organizational concepts taking into consideration their previous discussions on assumptions, requirements, external constraints, as well as inputs from AMC's subordinate commands.

In order to provide final recommendations, the IPT members developed an evaluation method based on the "best value" notion. This evaluation method required the inputs of both the IPT members and the SESC.

Develop Scoring Process

The IPT members developed ten criteria for evaluation of the notional organizational concepts. The criteria chosen reflect all the issues that the IPT members discussed in the context of the evolution of the AMC contracting organization.

The tenth criterion, **TDA Savings** was not scored relative to each concept, but it was considered in the overall evaluation by the SESC. The following is a description of the ten criteria selected:

Political Buy-in evaluates the degree of opposition likely to be raised by the unions, special interest groups and local and national political organizations.

Mission Effectiveness addresses the degree to which the option may impact AMC's ability to accomplish its mission. It is not only a measure of acquisition and production lead times, but also considers cycle time for fielding of new systems, ability of the organization to respond to surge requirements, and overall customer satisfaction. To what degree will support to the Commanders, PEOs, PMs and other requiring activities and/or soldiers in the field be enhanced by the proposed organization?

Short Term Impact to Personnel addresses such things as forced relocation, RIFs, "brain drain", loss of productivity due to employee stress, and other considerations that affect the employees.

Cost to Implement includes the cost of infrastructure (new construction, new computer hardware and software systems), relocation costs, termination costs in the event of RIFs or forced relocation, and other non-recurring costs associated with the option.

Long Range Savings assesses the overall **cost** benefit of the option. It includes savings in facilities, and direct and indirect labor.

Implementation Schedule Risk evaluates the difficulty, or risk, associated with implementing a given option in the proposed time frame for that option.

Facilitates Standardization evaluates the degree to which the option contributes to the goal of standardizing the business process within AMC. It considers both the work process as well as standardization of procurement automation.

Facilitates Career / Professional Development evaluates the degree to which the option facilitates the development of the workforce. It considers the cross training and mentoring opportunities as well as the benefits of a centralized career development program.

Facilitates Integration and Teaming evaluates the degree to which the option facilitates integration and teaming within the workforce. It addresses integration and teaming within the 1102 workforce, as well as integration and teaming with the requiring activities and support activities (engineering, quality, RM, etc.).

TDA Reduction, though not an overall goal of this process, was recognized as an evaluation criterion that would likely receive considerable attention by the decision authority. Therefore, the evaluation of potential TDA reductions for each element was presented as a stand-alone consideration in the final IPT recommendation to the SESC.

Exhibit 3-3 below shows the criteria and available scores (1 through 5) with their definitions:

Exhibit 3-3, Evaluation Criteria

	1	**2**	**3**	**4**	**5**
Political Buy-in	Solution is expected to receive considerable union / political opposition.	Solution is expected to receive moderate union / political opposition.	Neutral	Solution is expected to be moderately endorsed by union / political interests.	Solution is expected to be vigorously endorsed by union / political interests.
Mission Effectiveness ALT / PLT, Cycle Time, Surge Capability	Solution will have significant negative impact on Mission Effectiveness	Solution will have moderate negative impact on Mission Effectiveness	Neutral	Solution is expected to have moderate positive impact on Mission Effectiveness	Solution is expected to have significant positive impact on Mission Effectiveness
Short Term Impact to Personnel Relocation Stress Learning Curve Brain drain	Solution is expected to have extreme disruption to the workforce.	Solution is expected to have high disruption to the workforce.	Solution is expected to have moderate disruption to the workforce.	Solution is expected to have low disruption to the workforce.	Solution is expected to have negligible disruption to the workforce.
Long Term Savings Facilities and Infrastructure	Solution will have significant increase in total O/H	Solution will have moderate increase in total O/H	Solution is expected to yield neither savings nor increase in O/H	Solution will have moderate savings in total O/H	Solution will have significant savings in total O/H
Cost to Implement Facilities PCS Expense Technology	Solution will have extremely high cost to implement – significant budget issue.	Solution will have significant but manageable cost to implement	Solution will have moderate cost to implement	Solution will have low cost to implement	Solution will have negligible cost to implement
Implementation Schedule Risk	Solution may be implemented per the target schedule with high degree of risk	Solution may be implemented per the target schedule with moderately high degree of risk	Solution may be implemented per the target schedule with moderate degree of risk	Solution may be implemented per the target schedule with moderately low degree of risk	Solution may be implemented per the target schedule with low degree of risk
Facilitates Standardization	Solution significantly degrades the goal of standardization of business processes.	Solution moderately degrades the goal of standardization of business processes.	Neutral	Solution moderately enhances the goal of standardization of business processes.	Solution significantly enhances the goal of standardization of business processes.
Facilitates Career / Professional Development /	Solution significantly degrades the goal of career and professional development of the workforce	Solution moderately degrades the goal of career and professional development of the workforce	Neutral	Solution moderately enhances the goal of career and professional development of the workforce	Solution significantly enhances the goal of career and professional development of the workforce
Facilitates Integration and Teaming	Solution significantly degrades the goal of integration of the business process and teaming	Solution moderately degrades the goal of integration of the business process and teaming	Neutral	Solution moderately enhances the goal of integration of the business process and teaming	Solution significantly enhances the goal of integration of the business process and teaming
TDA reduction	Solution will have significant increase in total TDA.	Solution will have moderate increase in total TDA.	Neutral	Solution will have moderate savings in total TDA.	Solution will have significant savings in total TDA.

Scoring Concepts

The IPT members evaluated the notional organizational concepts and scored them utilizing the criteria depicted above. AMC HQ and each of the AMC subordinate commands had one vote, regardless of the number of representatives. The voting was anonymous. The average score of each criterion for each of the concepts was then calculated. Following the scoring, the IPT members had an opportunity to discuss the results and clarify any misinterpretation regarding the criteria and their definitions (one criterion was further discussed and the members were given a chance to change their original vote). Exhibit 6-1 shows the results of the IPT scoring on the first nine criteria.

The IPT was also asked to evaluate each of the organizational concepts with regard to potential TDA savings. This was purely a subjective evaluation based on the members' experience and understanding of the structure of the concepts, as well as a best guess as to the savings that might accrue from implementation of improved business practices. No attempt was made to quantify the savings at this stage of the evaluation. Exhibit 6-2 shows the results of the IPT analysis of potential TDA reductions.

The members of the SESC were asked to assign weights to each evaluation criterion (for a total of 100%). This was done without the SESC knowing how the IPT members scored the concepts (similarly, the IPT members did not know what weights the SESC assigned to each criterion when the scoring took place). Exhibit 6-3 shows the average weights assigned by the SESC members to the first nine criteria. The SESC weights were then applied to the IPT scores and a weighted average calculated for each of the first nine criteria, resulting in a final total score for each concept exclusive of potential TDA impact (Exhibit 6-4).

Separate from the evaluations by the IPT and weightings by the SESC, an evaluation was made to quantify the potential TDA savings based on workload analysis. A baseline was defined consisting of the total number of actions (stratified by dollar value), the number of direct contracting positions, and the number of overhead positions within the centers. Based on the organizational concepts proposed, and the impact of downgrading the status of some centers to satellites through reduction of contracting authority, assumptions were made as to the number of positions that could migrate from the new satellites to the surviving centers. Of these, it was reasoned that a percentage of the overhead positions would be redundant. For some organizational concepts, reductions in overhead TDA in the MSC's were partially offset by other organizational changes proposed for AMC overall. The results of this quantitative analysis is included at Exhibit 6-2, and was presented to the SESC for their consideration in making a final recommendation the Commanding General. Details of the workload analysis is included in Appendix III.

The results of the evaluation process were discussed and presented to General Wilson, becoming the basis for a recommended course of action.

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SECTION 4: ORGANIZATIONAL CONCEPTS

The IPT members developed five notional concepts for the future structure of AMC contracting. These concepts were based on two general timeframes, established in conjunction with General Wilson's original directives, for implementation, 2004 and 2010.

The options developed were based on different endstates and timeframes. The endstates would be an organization of five Centers by 2004, an organization of less than five Centers by 2004, and finally a single contracting command or center by 2010. The IPT members divided into two teams to develop options for each of these endstates, which were then discussed by the whole group. Consensus was actually reached on less than the maximum number of options that could have been developed. Both teams independently arrived at the same basic concept for an organization of five Centers by 2004. Both teams also arrived at a solution of three Centers for the optimum number that would satisfy the criteria of being less than five. In the end, the IPT teams developed five organizational concepts for the future of AMC.

Assumptions

The IPT developed these concepts under certain assumptions. This section discusses these assumptions and the logic behind them.

Continuous Process Evolution

The members assumed that AMC contracting business processes are going to continue to evolve as a result of continuing acquisition reforms, continuing automation advances, and other acquisition initiatives. They also assumed that the contracting workforce will face an accelerated turnover in the near future as the more senior employees reach retirement age. This creates an erosion of corporate knowledge and a loss of skilled and experienced professionals. In addition, there could be another BRAC and additional loss of contracting professionals through further budget reductions or Congressional actions.

Consolidation Efficiencies

Another assumption was that any consolidation of activities would result in some efficiencies. At the very least redundancies would be eliminated and space requirements reduced. These advantages have to be weighed against the costs to consolidate and the inefficiencies that develop in larger organizations. Since the timelines were far enough in the future, the costs to consolidate could be lessened by maximizing attrition and moving spaces instead of people.

Continued Information Technology Improvements

All of the options that the IPT members developed are dependent to some extent on continued advancements and improvements in information technology. These advances have to include paperless contracting, increased on-line and interactive capabilities, and greatly improved compatibility and standardization of IT systems.

Focus on Core Functions

The IPT members agreed that AMC has to increase its focus on core capabilities and functions. The command can not afford to expend its dwindling resources on functions and tasks that are not mission related or that do not contribute to making AMC the Army's Center of Excellence for Contracting. AMC's contracting community must seriously consider divesting itself of tasks that can or should be done by other organizations. The members also felt that tasks that are non-core, or not inherently governmental, should be considered for possible outsourcing. Similarly, tasks that do not add value to the AMC mission should be identified and re-assigned.

Other Studies and Initiatives

The IPT, in formulating concepts, considered studies and initiatives that are currently underway. These studies and initiatives will potentially have a great impact on the contracting community. Some of these efforts include QDR, PVS, Virtual/Single IMMC, Workforce 2010, and the Ammunition Command. The IPT considered the impact, the findings, and the recommendations of each one and used the information in considering Blueprint XXI recommendations.

The IPT members identified three overriding constraints that form an acid test for each of the concepts.

- First, the concept must continue to place the focus on customer support.
- Second, the concept must maintain the inherently governmental functions and core capabilities.
- Lastly, the concept must permit career growth and progression so that AMC's contracting workforce can continue to innovate and meet the challenges of the evolving business environment.

The best concept would obviously facilitate progress in each of these areas.

Common Requirements

Based on the results of the data collected in the Industry Study, the IPT members identified the requirements for any recommended courses of action. The IPT members discussed the feasibility of any future AMC contracting organizational structure having only one Head of Contracting Activity (HCA). Currently, most subordinate Commands

have their own HCA. A single HCA for AMC, with maximum delegation of authority to the individual centers would streamline the organization and encourage more standardization across the command. It could also make career management easier and foster more sharing of lessons learned. AMC has used this method of consolidating the HCA authority at HQ for the AMC Acquisition Center, ARL, SSCOM, and the HQ PARC Office with good results.

The members also agreed that the title of the current Principle Assistant Responsible for Contracting (PARC) should be changed to Director of Business Operations or Director of Contracts. PARC is an Army unique term and does not reflect the evolving scope of the responsibilities of the position as AMC reorients the acquisition system and the contracting workforce to a business culture.

AMC, as a command, has to make a concerted effort and commitment to keeping itself abreast with the latest state-of-the-art in IT and communication technology. Any of the options or concepts the IPT members developed depend on being able to leverage technology to improve throughput and keep up with industry. This will become even more important with the transition to a paperless environment and more use of the Web.

Finally, all of the concepts will reduce the number of locations performing full-service contracting. Customers that are not located at the full-service sites will be dependent on state-of-the-art IT and the shifting of work electronically.

These concepts represent a change in AMC, some of them quite drastic. AMC will need to work hard to ensure worker buy-in and alleviate stress as much as possible. Following is a description of the five concepts.

Notional Concepts

Based on the results of the research, the IPT team developed five notional concepts for the Contracting XXI Blueprint. Each concept is defined below with observations.

Concept 1: Five Centers by 2004

This concept was the least controversial within the IPT. It is almost a natural progression of the present evolution of AMC. The current large Centers at AMCOM, CECOM, IOC, TACOM, and the AMC Acquisition Center (AMCAC) would be the 5 full service Centers for AMC. They would maintain their current commodity orientation and retain all the functions necessary to perform the mission. All the other current contracting locations would become satellites with limited functions with a $100K threshold. Workload would be shifted to the Centers electronically and customer service would be maintained electronically. There will be a commensurate shift in workforce as workload moves to these Centers. As much as possible of this shift of personnel should be done by attrition (shift spaces as they become vacant, not bodies).

The Director of Business Operations would be delegated maximum authority. The HCA would be at AMC Headquarters. Further definition of the relationship of the Centers, Satellites, and the HCA would be worked during the planning and implementation phase of this effort.

Observations

There are several advantages that accrue as the contracting organization consolidates itself. Savings in personnel spaces could be realized simply by reducing redundant overhead functions such as secretarial support and policy positions in addition to other non-procurement functions. There are also direct labor savings that result from the synergy that larger organizations can create as they reach a certain critical mass. These more concentrated sites should also make it easier to institute such acquisition reforms as corporate contracts.

From a personnel standpoint, these larger centers could offer more career development opportunities and aid in developing a diverse workforce with a business orientation. Larger Centers would also be in a better position to respond to surges in workload and could balance their workload. These Centers could also better implement technology changes and facilitate standardization of IT systems. All of these benefits should result in better service to the customers and an increased ability to respond in a changing business environment.

Of course there are costs involved in any change or reorganization. Temporary turmoil in the workforce would be a factor as people or spaces and workload are transitioned to the larger Centers. There would be a learning curve, for both the workforce and for the customers, although the IPT members felt that it would not last long. Finally, some customers would realize a loss of personal contact with their contracting support.

Concept 2: Three Commodity Centers by 2004

This concept involves a further consolidation to only three Centers. There was no consensus on where the centers should be. An example of the commodity grouping considered was: vehicles/soldier and support/ammunition; missiles/aircraft; and electronics/command and control. Again, the Centers would maintain all the functions necessary to accomplish the mission. The definition of the relationships within the command would be similar to those in Concept 1.

Observations

The members predicted greater savings in personnel spaces than in Concept 1 since more overhead becomes redundant. There is also the possibility for greater long-term dollar savings as AMC consolidates to fewer full service centers. The same advantages are also

present on the personnel side and overall AMC could realize greater standardization of IT systems.

On the down side, there could be greater personnel turmoil because of more moves and there would be greater upfront costs to implement this concept. There are also problems that can develop in an organization as it starts to become too large: loss of customer focus and loss of responsiveness are examples. On the other hand, the IPT consensus was that larger Centers should facilitate teaming and life cycle management.

Concept 3: Three Functional Centers by 2004

This concept also evolves to 3 Centers by 2004 but with a great shift in orientation from the current structure. Instead of a focus on commodities this option uses a functional orientation. One Center would be responsible for systems, one for sustainment, and one for operations support. This last Center would handle base operations and other unique contracting support such as environmental cleanup. Each Center would retain all the functions necessary to do its job and a Director of Business Operations would head each of them. Again, more specific relationships would be delineated in the next phase.

Observations

This concept has most of the same potential benefits and costs as Concept 2 since it also goes to 3 Centers. The personnel turmoil could be greater than Concept 2. First, this is a shift in focus to functions instead of commodities. Second, the systems center would probably be very large, wherever its location. This means that attrition alone would most likely not be sufficient to build it up by 2004. These Centers will be severely imbalanced which could pose other management problems.

This concept would result in a more specialized workforce that is less diverse and may have fewer career opportunities. AMC would lose life cycle connectivity and the interfaces between these Centers could be difficult to maintain and manage.

Concept 4: Create a Single Contracting Organization by 2010

The first concept for a single contracting organization developed by the IPT members envisions a virtual organization that owns the contracting TDA for AMC. It would feature a single command structure with matrix support provided at Centers and satellites. The members considered the most probable number of Centers as five along the same lines as Concept 1. The single HCA for this concept would centralize administration, oversight, policy and career management. The procurement structure at Headquarters would become redundant and could be reduced to a small liaison function. This concept is highly dependent on IT and state-of-the- art electronic communications.

Observations

This concept offers a greater business focus to contracting and more significant overhead savings than the previous ones. It also offers stronger and more flexible career management and a greater opportunity to standardize policies and IT systems. All of these advantages could increase the opportunities for streamlining and for acquisition reforms while providing a strong advocate for Army contracting.

On the downside, this concept may stovepipe the contracting function. The IPT members felt that Commanders would be more resistant to this option since they would no longer directly own the contracting function. This concept is also a difficult transition from concepts 2 or 3 since AMC would be reducing the authority of the Centers after creating larger and more powerful ones.

Concept 5: Create a Single Contracting Organization by 2010

This Concept is the most expensive of the options but it was believed to have the greatest potential long-term savings. AMC would create a single, physical, contracting "megacenter" which would house all AMC's contracting workforce and provide matrix support to the command. Again, this solution is very dependent on IT systems. The Headquarters structure would be reduced to a small liaison staff as policy and career management is centralized in one location. If AMC creates a single physical IMMC, this concept could be co-located yielding greater savings with the sharing of infrastructures.

Observations

This concept has all the advantages of concept #4, although it does entail considerable upfront costs and maximum personnel costs and disruption. There is the real possibility of loss of corporate memory if people chose not to move.

The IPT members identified two important factors in considering this option. AMC would lose some of the innovation through competition that it has enjoyed by having various locales doing
full service contracting and each trying to be the best. A very large organization in one location could also fall prey to a loss of focus. Furthermore, a very large organization could exceed critical mass and become too large to function efficiently and effectively.

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SECTION 5: BUSINESS ISSUES

This section addresses a number of important business issues of current interest and importance in government contracting. All issues are related to objectives stated in the IPT's charter, i.e. ensure core contracting capabilities are maintained and identify enabling efficiencies that will allow AMC to consolidate or reduce its contracting structure.

The first three topics examine what knowledge, skills and abilities are necessary to a contracting organization and provide insight into which ones should be performed by government personnel and which ones can be performed by commercial sources. The primary focus here is not necessarily what work can be performed by commercial sources but rather what skills should a contracting organization retain in-house to be able to perform the mission.

The next two topics address the contracting workforce in terms of what changes in education and training are needed to meet future challenges and a recommended multi-functional organizational structure which will promote teaming and more efficient use of resources.

The last three topics address practical efficiencies which may be achieved through consolidation of requirements and sharing of skills and expertise. Automation is viewed as a key element because success in implementing almost any cross-organizational undertaking is largely dependent on standardization of and improvements to existing information technology.

Core and Non-Core Capabilities

Background

Before ideas and/or conclusions were arrived at concerning outsourcing of work, consolidating work or skill sharing, the IPT needed to determine what in-house capabilities and skills, or "core", are necessary to retain in a government contracting office for efficient performance of mission. Any skills or capabilities in support of the AMC mission of research and development, systems acquisition and sustainment are considered core.

The IPT considered the following activities or capabilities as core to a contracting office: developing and planning contractual requirements, solicitation of proposals, evaluation of proposals, pricing, contract administration, policy development and career field management. The following activities or capabilities were determined to be non-core (in whole or part) : administrative office management functions, data tracking and collection, ADPE support, contract close-out, conference planning and support, and training.

Contracting offices are increasing their use of ordering officers to place orders against pre-priced Indefinite Delivery-Indefinite Quantity (IDIQ) contracts. This allows customers to

have closer communications with the supplier and empowers them to manage their own requirements.

IDIQ contracts for acquisition of spare parts are now commonplace. Base operations support contracts for services are more often placed as IDIQ contracts. The best example of empowering customers to place requirements is the use of the credit card for micropurchases. In the past, micropurchases have accounted for approximately 68% of all actions processed by a contracting office. The reason the credit card has been such a success is because the ordering process has been streamlined to make it attractive to the customer, thus encouraging the use of the credit card. This should be a lesson learned when considering moving work outside the contracting office in the future.

As work is consolidated to contracting centers, certain core functions will shift from satellite activities to the centers. As automation improves, functions such as cost/price analysis and policy will be consolidated at the centers. IDIQ support contracts may be placed to provide contractor support during surges in workload.

Findings

- The Australian Department of Defense outsourced its entire contracting capability with negative results. This resulted in government contracting personnel not trained and capable of performing the oversight mission effectively. Their Department of Defense is currently struggling to rebuild their in-house capability.
- Consolidation of contracting requirements will transfer work from smaller satellites to centers. Base operations and depots support is a prime candidate for this consolidation.
- In some organizations the administrative process for ordering supplies is awkward and cumbersome to customers.
- Use of the credit card outside contracting is an excellent example of work once performed by contracting personnel that is now being done elsewhere.

Options

- Move standardized ordering, such as ordering from pre-priced IDIQ contracts, to ordering officers outside of contracting.

Recommendations

- IDIQ type contracts should be utilized to the maximum extent so ordering officers outside contracting can place the orders.
- Procurement overhead functions such as cost/price analysis and policy should be consolidated at centers eliminating these functions at satellite locations.
- Paperless acquisition is needed to replace existing cumbersome processes and make transfer of work more amenable and attractive to customers.
- Maximize electronic ordering.

Inherent Government Functions

Background

A final government determination as to which contracting functions are inherently governmental has not yet been made. Various opinions exist among organizations. The IPT began this effort by reviewing all 81 of the 1102/05/06/50 series functions broken out in the OPM X-118 Handbook. AMC PARC offices and legal offices also performed the review and provided comments.

In addition to the above reviews, the IPT consulted other government contracting organizations. For the most part, their views were either identical or very similar to those of the IPT.

Analysis of the contracting functions proved more difficult than originally anticipated because many of them are a series of tasks, some of which are inherently governmental and others which are not, but are dependent upon one another for a complete understanding of the process. Removing the tasks that are not inherently governmental from many processes would result in a lack of total understanding for decision-making purposes. The IPT members recognized this as having a detrimental effect on career development of contracting personnel and decided that in such situations the entire function should be considered as inherently governmental.

The area of cost/price analysis is a good example. Requesting cost/price information from an auditor and performing analysis is not inherently governmental but the determination of which costs are allowable is a decision that must be made by the government. DCAA audit reports are advisory in nature and do not represent the final government determination as to how audited costs will be treated.

Even if a function is considered as not inherently governmental, it may be difficult to perform such an effort without creating a personal services relationship between industry and government employees. Contractor personnel cannot be utilized or "supervised" as government employees. Great care would have to be taken in administration and oversight of such contracts.

Findings

The research indicated several findings.

- The majority of contracting functions performed by contract specialists, purchasing agents, procurement analysts, and price analysts constantly requires use of judgment and decision making resulting in determinations and/or approvals.
- Some simple functions are foundations for more complex actions which are inherently government and should not be separated from the work flow.

- Fragmenting contracting processes for the sole purpose of outsourcing a few functions not inherently governmental may result in higher costs, inefficiencies and impede the learning and career development of contracting personnel.
- Access to sensitive and/or proprietary industry data and information is often required. Industry is sensitive to releasing such information to contractors. This could impede the government's ability to receive such data.
- AFMC and NASA (Goddard) both felt that contracting functions were inherently governmental and should not be contracted for except for support functions. NAVSEA had not yet made a final determination but felt about 70% of contracting functions are inherently governmental.
- Current descriptions of many contracting functions in the OPM X-118 were written prior to recent regulatory changes and automation and do not accurately reflect current processes.
- The group discussed at length support and peripheral functions such as clerical, administrative, ADPE support, data collection and reporting, contract close-out (administrative portion), etc. and decided they were not, in most instances, inherently governmental.
- Outsourcing of any function requires careful planning, thought, and compliance with OMB Circular A-76, otherwise there is a high risk that personal service relationships may result if not done properly.

Options

Several options are available to the government.

- Peripheral support functions such as administrative, clerical, data collection, ADPE support, training, contract close-out, etc., are not inherently governmental and may be performed by contractors. However, such contracts must be structured and administered to preclude personal services relationships.
- Contractor personnel may be used to supplement government personnel during peak workload periods.

Recommendations

From the analysis and the options, the team developed the following recommendations:

- Contracting functions (1100 series) are inherently governmental and must not be performed by contractors. Contractor personnel may be used to supplement government personnel during peak work periods.
- Peripheral support functions should be considered for contracting out within personal services constraints on a test basis.
- Descriptions of 1100 functions in OPM X-118 Handbook need updating to take into consideration regulatory and process changes caused by automation.

Outsourcing

Background

The team considered this issue in conjunction with review of inherently governmental functions. Other government activities were queried concerning success with outsourcing of functions.

Inherently governmental functions cannot be outsourced or performed by contractor personnel. Even where possible to outsource a function, serious thoughts must be given to the best course of action. Several facts should be considered. For example, the IPT members recognized certain simple tasks that, although not inherently governmental, served as a foundation for performing more complex tasks. Outsourcing such tasks or functions would interfere with the career development of contracting personnel because it would result in a lack of understanding of the process. In such instances, it might be better to hire contractor personnel to supplement personnel in times of peak workload. The area of cost/price analysis seemed appropriate for this sort of action.

Another consideration is whether a function can be outsourced without entering into personal services relationships between government and contractor employees. Government employees cannot "supervise" contractor employees. Furthermore, the personal services issue impacts our ability to hire temporary clerical and administrative support staff to handle surge requirements. Substantial reductions have occurred through attrition and Reductions In Force (RIF) to the clerical and administrative staff of our MSCs.

In part, this is due to automation - electronic mail and other office software have made the career level employee more responsible for preparation of written communication, eliminating the need for clerk typists. However, when special projects occur, such as source selections and many other ad hoc tasks, the clerical and administrative demands exceed normal capacities. Current personnel rules allow hiring of temporary agencies only when there are not adequate supplies of skilled people available in the local area population that could be hired as government employees. However, in many cases, it may not be possible to hire additional government employees (even temporarily) due to TDA caps, hiring freezes, etc.. Thus, AMC finds itself without sufficient staff for these surge requirements, and without the ability to hire.

The IPT members also recognized that it is very important to maintain a core capability in those functions necessary to perform the contracting mission. These functions are considered to be contract specialists, procurement analysts, and cost/price analysts. Certain elements of administrative, clerical and ADPE systems support may also be considered core functions. Once lost to a contractor, it may be extremely difficult to recapture a core capability.

Findings

- A review was made of the Australian government decision to contract out its entire contracting function. The final result was that the experiment was not entirely successful. In trying to restore the function back to the government, it was discovered the cuts made were too deep and they are now without the necessary expertise to recover smoothly.
- Both the Air Force and Navy are currently outsourcing the acquisition of non-standard Foreign Military Sales (FMS) systems (to include maintenance and repairs). The U.S. Army Security Assistance Command (USASAC) is seriously considering doing the same for non-standard Army FMS systems. Results of an independent study sponsored by USASAC indicate it would be efficient and cost effective to do so. Currently, approximately 16 government acquisition personnel at CECOM and TACOM are performing this non-core function. . The decision to initiate an A-76 study on this matter is expected in the very near future. Based on the current schedule, the results of the study would be known early in FY99. If outsourced, either the Army could award its own separate contract or it could add the effort to the existing Air Force or Navy contract.
- It is difficult to define the total job to be contracted out. Contracting processes sometimes contain certain simple actions, although not inherently governmental, which form the foundation for more complex actions and should be retained for efficiency and career development of contracting personnel. Fragmentation of processes to maximize outsourcing would, in many cases, result in inefficiency.
- Most contracting functions require judgment, determinations, approvals, etc. making them for the most part inherently governmental.
- No funds are dedicated for outsourcing. Experience shows on a per capita basis, contractor personnel are more expensive. This would require almost a two-to-one exchange rate to be economical.
- Outsourcing of simple functions that form the foundation of more complex functions will hurt the career development of contracting personnel.

Options

- Some peripheral support functions such as administrative, clerical, data collection, ADPE support, training, contract close-out may be considered for contractor assistance.
- Use of contractor assistance to supplement existing contracting staffs may be more appropriate than replacing personnel.

Recommendations

- Peripheral support functions should be outsourced on a trial basis.
- USASAC should proceed with an A-76 study to outsource acquisition of non-standard FMS systems.

- IDIQ contracts to supplement existing contracting staffs should be established.
- AMC-wide corporate contracts featuring local ordering capability should be utilized for consistency.
- Personal services contracts for clerical and administrative assistance should be authorized for short-term (e.g. NTE 120-150 days) requirements.

Integrated Business Teams

Background

AMC subordinate commands have traditionally been organized along functional lines. Each organization has had a division or directorate in each of the disciplines such as contracting, material management, engineering, production, transportation, resource management, etc. This type of organization permits consolidation of smaller organizations and the elimination of associated overhead. Overhead is easier to identify. While efficiencies may be easy to identify, a functional aligned organization is not as effective as it could be. Even though most MSC's are still functionally organized, some of the divisions have disappeared over the years such as pricing and production.

The cause of the demise of these divisions has not been so much due to doing business in a more effective manner, but rather, downsizing required spaces be taken from those disciplines that posed the least risk to mission failure. So, the AMC organizations re-engineered their business process to absorb the duties and responsibilities within the 1102 contracting series or off-loaded the responsibility (production surveillance) to the Defense Contract Management Command. The same process was followed in every discipline within AMC as a response to downsizing. Unfortunately, each organization has continued to re-engineer processes only within their functional areas. If AMC is to operate like a business, this narrow view of its business processes must change.

Let's examine the AMC mission. In essence, AMC exists to acquire and sustain weapons systems for the Warfighter. For the sake of simplicity, the process begins with the Program Manager, moves to an item manager to sustain the system and ends with demilitarization and disposal. Responsibility for the life cycle management (LCM) is segmented by the functional elements of the organization. Department of the Army has placed LCM responsibility on the Program Manager. However, the PM does not possess all of the tools necessary to perform this mission.

How can AMC operate in a more business-like manner? AMC needs to focus on long term rather than short term horizons. Any changes that are made to the organization should drive acquisition, logistics and program management together. Real future savings will be based upon change that affects how we buy, maintain and upgrade our systems and equipment. Performance specifications will become a key element of success and a large part of savings and support improvements will come from contractor logistics support.

The AMC business needs to focus on Total Ownership Costs. Key elements are Visibility of Management of Operating and Support Costs (VOMOSC) and the ability to transition to Activity Based Cost accounting and Activity Based Management. These capabilities will assist on focusing the organization and business units (PMs) on cost drivers and permit the business managers to make good business decisions in contracting. It also provides tools for the PM to fully implement Modernization Through Spares (MTS) programs to stretch system serviceability while meeting mission needs of the Warfighter.

Concept

The Contracting XXI- Blueprint envisions an AMC that looks across the entire spectrum of its business processes and reorganizes accordingly. AMC should reorganize its functional disciplines and align them to support its business units in a seamless manner. This can only be done through flexible integrated business teams. This will be done through the elimination of the functional stovepipes and placing personnel into multi-functional teams in direct support of the requirer.

Definitions

Flexible Integrated Business Team

A team consisting of multiple disciplines working together for a designated business unit. It consists of contracting, material managers, engineers and any other discipline required on a full time basis to support the business unit. What makes the team flexible is that no member is permanent to the team but tasked by the functional proponent based upon negotiation of workload requirements with the business unit manager. Therefore, size and composition of the team is based upon the requirement.

Business Unit

The business unit may be a Program Manager, Program Executive Office, or a sustainment management office. The business unit is responsible for the LCM of the system/non-system it manages.

Sustainment Management Office

An office within the organization responsible for the management of non-system equipment and/or secondary items not managed by a program office.

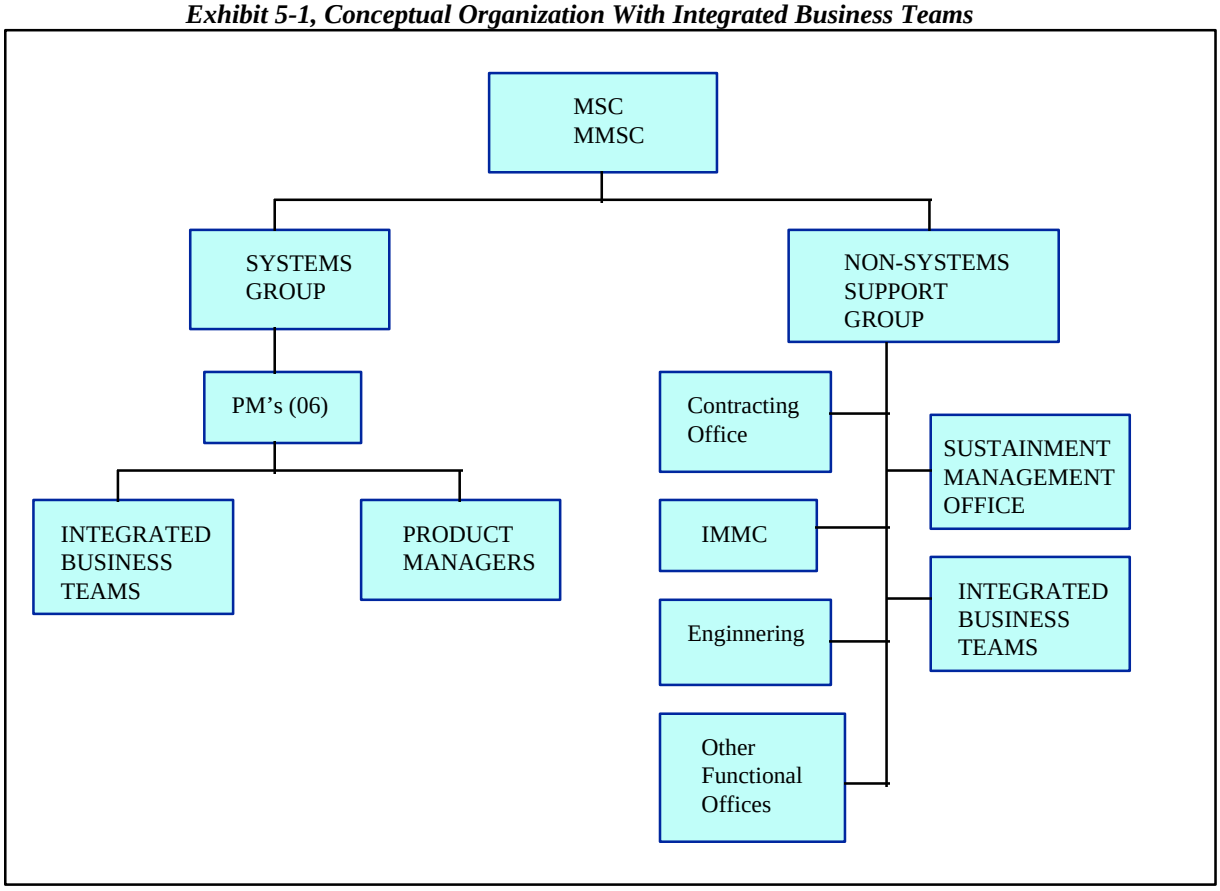
Functional Proponent

The office responsible for the oversight, training, and management of personnel in a specific professional specialty within the organization.

Organization

The organization could be organized into two groups, Systems Group and Non-Systems Support Group.

Exhibit 5-1, Conceptual Organization With Integrated Business Teams



Systems Group

This group consists of the Program Managers and is headed by the Deputy for Systems Acquisition. There are normally several basket PMs. Basket PMs normally have several Product Managers reporting to them. The PM is responsible for LCM. Each PM has a very small staff for planning and oversight. Supporting the PM and all the subordinate Product Managers is an Integrated Business Team (IBT). The organization of the IBT is negotiated and agreed upon between the PM and DSA of the Systems Group and the Director and Functional Proponent of the Non-Systems Support Group. The IBT composition is re-negotiated every six months and is based upon workload for the PM. The Team Leader may be from any functional element of the Non-Systems Support Group. The team leader is rated by the PM and the DSA with input from the functional proponent, and team members are rated by the team leader. Employee awards are based upon agreed upon metrics measuring team performance. Team members are rotated by the functional proponent at least every two years for professional development. Workload

priorities are determined by the PM. The Team Leader is designated as the Business Manager.

Non-Systems Support Group

This group consists of the Functional Proponent offices and the Sustainment Management Office. The Functional Proponent Offices own all personnel and positions within the two groups for which they have specialty responsibility. For instance, the Contracting Office would consist of the organization's senior contracting officer with a staff that provides contracting oversight, policy guidance, workforce management, and training of all contracting personnel. The senior contracting official (SCO) makes all contracting assignments and is responsible for the overall contracting mission. The SCO coordinates all contracting issues with the PMs and business team leaders. The other functional proponents operate in a similar manner.

Within the Non-Systems Support Group is the Sustainment Management Office consisting of IBT's similar in design to the IBT's within the Systems Group. These business teams handle the acquisition management of all non-systems equipment and spares. They are multi-functional teams fully responsible for the LCM of their commodities. There may be a team that handles only base operations and environmental contracting, for instance. Another may be responsible for all corporate contracting. Oversight and personnel assignments are handled by the Functional Proponents.

Business Case for Integrated Business Teams

Business teams provide the business unit manager or PM the assets necessary to fully carry out all of the requirements for Life Cycle Management. Responsibility and accountability completely reside within the business unit. The Business Team works directly for the business unit manager/PM. Performance measurements are team based. Assets can easily be added or moved between business teams based upon workload. This process can be reviewed quarterly or semi-annually or based upon business unit milestones. It focuses the assets on the business, not the function. It provides a multi-functional team that is responsive to the requirements. It also provides an oversight mechanism that insures laws and regulations are followed and that the business continues to make good business decisions.

Business teams provide a balance between effectiveness and efficiency. While greater efficiencies may be gained in a centralized stovepiped organization, effectiveness is lost because the business manager lacks the visibility and the resources necessary to manage the life cycle of the system or commodity. Business teams are easily measured through metrics. Greater visibility over Life Cycle Costs is given to the Unit Business Manager/PM because the manager can more easily assess the impact of the various forces, internal and external, that influences the product. Stovepiped organizations compartmentalize information that can directly affect cost, quality or schedule. The business team would have complete visibility over the entire process.

Recommendation

- AMC should require subordinate organizations to organize into business units with multi-functional teams to provide full Life Cycle Cost/Life Cycle Management for both systems and non-systems acquisition.

- AMC should develop a supporting workforce management and training program that develop business managers who are skilled in at least two specialties and familiar with at least four functional areas before reaching the GS-13 level. Training and assignments in multi-functional skills should be a prerequisite for promotion to business manager at the GS-14/15 levels.

Workforce Changes

Background

The AMC contracting workforce has been undergoing downsizing since the early 1990s. To date, the primary methods used to accomplish the downsizing have been base realignments and closures as well as reductions in force. Many organizations have been reduced by as much as 30-40% in number of personnel. By their very nature, application of these methods has resulted in both a decrease in personnel and an imbalance of skills needed to perform the contracting mission.

While total dollars obligated have decreased over this period, the total number of contracting actions have actually increased. Contracting offices have met these challenges with automation and by implementing acquisition reforms, resulting in process improvements to help offset the loss of personnel. However, the number of personnel will continue to be reduced. The Quadrennial Defense Review has targeted further personnel reductions in the near future. In order to meet the future challenges, an educated, well trained workforce is absolutely essential.

The IPT members recognized several issues concerning the contracting workforce which deserve immediate attention. One of these issues is the need to revitalize the intern program. The intake of new interns in most organizations has been reduced to very small numbers or does not exist at all. The primary reason is that with past and future downsizing of the workforce there are no vacancies in which to place interns. In the near future, about 20% of the senior contracting workforce will retire. Replacement with young and educated personnel is essential.

Another issue is a need for multi-functional training for contracting personnel. Downsizing of the workforce and improvements in information technology have brought about changes to the business processes utilized both in the government and in the commercial marketplace. Regulations have been streamlined, and there is an ever-growing movement toward decentralization of authority. Regulations and procedures no longer

dictate the "how to do" and instead leave employees with broad discretion in carrying out their duties.

A more thorough understanding of the business process and interrelationships of functions are required. Existing training is geared toward the traditional functional "stovepipes" and does not focus enough on the entire business process. What is lacking is multi-functional training featuring rotational assignments to develop business managers. Executive development training is focused and targeted toward high-grade personnel (GS-14, 15, and SES). This sort of training should be made more readily available to less-than-senior managers.

Findings

- Within five years 20% of the workforce will retire.
- The intern program must be strong and provide reward and motivation to individuals.
- Outsourcing functions necessary for professional development will impede future training for business managers.
- Training needs to focus on building and developing multiple business skills versus specialized functional skills.
- More executive development training is needed at the GS 12-13 level.

Options

- Selection criteria for critical Acquisition Corps positions should address multi-functional training and experience.
- Vacancies should be reviewed for the possibility of converting the positions into interns.
- Intern and journeyman training and development should be multi-functional.

Recommendations

- Revitalize and redesign the intern program with a multi-functional approach.
- Promote and support multi-functional development of employees.
- Rotational assignments to other functional areas of expertise should be made mandatory.

Skill Sharing, Corporate Contracts, and Centers of Expertise

Background

The IPT members discussed the feasibility of utilizing skill sharing, corporate contracts and centers of expertise where these mechanisms create efficiencies. The members identified skills/functions that are considered core to the contracting mission and those that are not core and could be shared.

The consensus of the IPT was that contract specialists, procurement analysts, price analysts, administrative, clerical and ADPE systems support functions are core to the organization. Each Contracting Center must possess these capabilities. Skills that can be shared, or where less than 100% capability is needed, are administration and management of government property, contract administration, production management, quality assurance, contracting generalists (1101) and purchasing agents.

Under such an arrangement, the core expertise would reside at the command or center, and the other locations would have less than 100% capability in a certain skill or function. This could be the first step toward where, in a paperless environment with maximum automation, it might be possible for the skill or expertise to reside only and entirely at one location.

Corporate contracting is a technique where one activity or center leverages the buying power of the organization. The activity consolidates the common requirements for several other activities and issues one contract to satisfy all requirements. The major advantages of this technique are conservation of contracting resources, standardization, reduced prices, etc.. The preferred methods of contracting using this technique are task order and IDIQ contracts, which allow delivery orders to be placed locally. Possible types of corporate contracts are base operations, ADPE services, data collection, A-76 requirements, etc..

FORSCOM has had great success in issuing a corporate contract for command-wide copying services where all they pay for is cost per copy. After initial resistance from customers, FORSCOM has achieved outstanding results. An excellent candidate for an AMC-wide corporate contract is acquisition of non-standard FMS systems.

Findings

- Not all organizations need a continuous capability in all contracting skill areas.
- Other Army commands have demonstrated successes in issuing IDIQ contracts at one location for ordering across the command. Such contracts leverage economies of scale and reduce effort at ordering activities.
- CECOM and TACOM have placed an AMC corporate contract for UNICOR requirements. Other MSCs can order from this contract and not duplicate the effort.

- AMCOM is responsible for PADDS maintenance AMC-wide.
- ARO and ARL have specialized expertise in assistance instruments.
- Technology improvements facilitate sharing skills and expertise where it exists, avoiding unnecessary duplication at multiple sites.

Options

- Available skills can be shared across the command.
- Contracting for common requirements can be centralized.
- Centers can be established for specialized capabilities.

Recommendations

- Centralize and/or develop sharing arrangements for contracting skill areas. Potential candidates are pricing, policy, administrative functions of contract close-out, property management, etc.
- Increase the number of corporate contracts within AMC and utilize non-AMC contracts.
- Assign responsibility for corporate contracting for common AMC requirements. Potential candidates include software maintenance, A-76 requirements, conference support, training, environmental clean-up, recruitment of research associates, studies and analyses.
- Establish centers of expertise to maximize specialized capabilities. Candidates are ARL/ARO for assistance agreements and IOC for environmental cleanup.
- Acquisition of non-standard FMS systems should be a corporate contract (and also a candidate for outsourcing).

Consolidated Base Operations

Background

The concept of consolidating base operations requirements for both cost reduction and efficiency is being looked at very closely by many government organizations. FORSCOM has done an intensive study in this area and plans to implement it in the near future. A study is being performed where the Corps of Engineers is being considered to assume a larger contracting responsibility in this area.

The IPT agreed that many types and kinds of base operations requirements are similar and subject to consolidation such as custodial services, copying services, ADPE maintenance, facilities support, lawn services, snow removal, refuse collection, food services, recycling, etc. For example, the role of the Army Materiel Command Acquisition Center (AMCAC) at Aberdeen Proving Ground could be expanded to include centralized base operations contracting for ARL, ARO, and SSCOM. As another example, FORSCOM has issued a command-wide contract for copying services where they pay cost per copy only; no

equipment is bought or leased making it a simple contract. At first there was great customer opposition to the consolidation concept. Each installation desired to have its own contract vehicle but the command-wide contract has proven itself to be both more economical and efficient than the previous method of each installation awarding its own contract for copying services.

Base operations requirements are very sensitive to local commanders because many of the services have an impact on the quality of life. "Ownership" and control of this area is very desirable as it effects both mission performance and morale of personnel. Resistance to regional contracts may be encountered. Use of pre-priced IDIQ contracts may help in this area because service orders could be placed locally instead of at the contracting center.

Another consideration in this area is that of small businesses. Small businesses perform most of the base operations requirements across the government when contracted for locally. Consolidating requirements may require open competition because most small businesses will not possess the management expertise or experience to manage larger, geographically dispersed requirements.

Findings

- Base operations contracting work can be consolidated to a great extent.
- Requirements could be consolidated regionally allowing each center in a region to be responsible for all base operations contracting in that region.
- Alternatively, each command in a region could be assigned several services for that region.
- Pre-priced IDIQ contracts can be utilized for base operations requirements to a great extent allowing service orders to be placed locally.
- Strategies must be developed for small businesses to win some of the prime contracts, instead of being subcontractors, in order to satisfy the requirements.
- Because base operations affects quality of life many commanders may be hesitant to give up their ability to exercise control over this area.

Options

- Permit the Corps of Engineers to assume responsibility for contracting for a large portion of base operations.
- Consolidate remaining base operations requirements and issue IDIQ contracts where practical.
- Establish a dollar threshold so some requirements can be contracted for locally.

Recommendations

- Conduct a data call of requirements from the Acquisition Centers and their future satellites to identify potential savings and efficiencies.
- Consolidate all base operations contracts over $100K into the AMC contracting centers, or choose one center as a test case.
- Explore offloading all base operations contracting to the Corps of Engineers.

Automation

Background

Increased and improved use of information technology (automation) is vital to the future of contracting. Many of the recommended efficiencies identified by acquisition reform studies depend on improved automation. A number of automation initiatives already underway will impact the acquisition community such as the fielding of the DOD Standard Procurement System by the end of FY99 and the Army's commitment to have a paperless office by the year 2000.

Findings

- Use of 586 computers is highly recommended for use with the Standard Procurement System (SPS). Each activity is responsible for providing its own hardware. Total funding shortfall in AMC is about $5-6M.
- SPS by itself will not bring about the paperless office. Other existing functional automation systems such as logistics, budget, resource management, inventory, etc. need to be linked to accomplish a paperless environment. This is in line with the private industry movement toward automating the entire process instead of parts of it.
- If accomplished properly, automation will enhance and promote best practices, corporate contracting and decentralization of authority.
- As with corporate contracting and skill sharing, improvements in automation can help achieve the virtual office and consolidate such functions as pricing and policy.
- Improvements to existing processes can be achieved through automation, e.g. contract close-out.
- "Stovepipe" automation systems are neither economical nor practical. Automation is most successful when it involves application to the entire business process to include contracting, budget, resource management, logistics, program management, etc..
- Automation is a large investment; careful planning of the best path to take is important. Developing a new system from the ground level is very expensive. The most economical approach is to link existing commercially available systems with software bridges.

- The AMC CIO is currently involved in four Information Technologies initiatives which will help to standardize processes and reduce the number of databases within AMC: creation of an Acquisition Toolbox which will allow electronic processing of all data associated with AMC acquisition processes at an estimated cost of $5.35M (funded); Web Electronic Contracting which will use the World Wide Web to transmit and receive contract and solicitation information to vendors at an estimated cost of $150K per site (unfunded); Web Corporate Data Access which will provide statistical information for decision making estimated at $500K plus annual maintenance of $75K (unfunded); and Remote Site Processing and Enterprise Workflow Manager which will use commercially available software to allow PADDS to be used on the Internet at an estimated cost of $694 plus annual maintenance of $75K (funded).
- Provided that architectural standards are followed, today's technology affords us the opportunity to provide a large toolbox of applications to accomplish interoperability among software systems.
- More and more activities are using the Internet for electronic commerce and finding it both cost effective and practical.
- With the technology the Internet now affords, there is no advantage to forcing a standard Web system on all Army activities. Most, if not all, Army installations/activities have a World Wide Web page available at their level. The Army should capitalize on the excellent work already underway while allowing each site to control, manage and tailor their own web page to fit their individual needs.
- Creation of new databases without considering interoperability with existing ones is a problem that prohibits transfer, sharing and consolidation of information.

Recommendations

- Budget for necessary hardware to implement the Standard Procurement System (586 capability required).
- Identify SPS interfaces and funding necessary to automate the entire business process.
- Provide the remaining funding for the CIO Information Technologies initiatives.
- Use our existing (until the SPS is fielded) procurement systems to perform the contracting mission while using the Internet as a means to move solicitation and contract data back and forth from these systems to industry.
- Need to limit/standardize AMC databases. Current AMC Information Technology regulations need to be amended empowering the Corporate Information Office as a "clearinghouse" for all future database development.

Contracting XXI Blueprint Final Report

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SECTION 6: SUMMARY

This section will present a brief analysis of the industry and government surveys (summary of major findings). In addition, the section displays the IPT scoring results, the weights assigned by the SESC, and the final score for each organizational concept

Industry and Government Surveys

Contact with procurement and contracting leaders in the corporations reveals that there is no one single "secret" formula for success. However, all respondents indicate a migration to the more centralized center for corporate contracts and general policy by decentralized application of buying. Generally, procurement organizations and functions are changing from a procurement-specific nature to a part of the overall business supply chain process. Part of this change involves the use of what has been defined by participants as "industry best practices" -- some of these involved detailed process flows while others may require only initial analysis and tracking.

With the move of contracting authority to decentralized locations in industry, the critical procurement factors are directly tied to the overall success of projects. This means that procurement planning is handled by personnel with a greater understanding of the complete business process of their organizations or project teams and that procurement quality is infused form the onset of a requirement concept.

The use of information technology has the most profound influence on the efficiencies of the procurement and business management functions within the companies responding. It must be pointed out that the successful use of IT involves the analysis of the entire business process -- including accounting, inventory control and program management as well as procurement.

An overall analysis of the commercial industry demonstrates the following:

- Procurement is no longer a separate entity of business operations but is a part of the overall business process
- Procurement personnel are becoming overall business managers with responsibility assigned to profit and loss of the company
- Regulations and operations are becoming very decentralized -- a central office to establish and monitor general policy and authority delegated to individual business managers and business unit leaders
- Increased use of selected vendors under long-term agreements -- increased use of vendor screening
- Strategic teaming with vendors and suppliers -- however, keep pushing for better business arrangements
- The driving factor and measurement is ultimate shareholder value and return -- recent financial results where this has occurred demonstrate continued business process

improvement and use centralized established corporate contracts with decentralized ordering ability

As with industry, the main lesson learned is to involve all customers, both internal and external, in the design of the procurement practice. The procurement department must work with its customers to understand their needs and design a system that effectively and efficiently meets those needs. The procurement system must also be integrated with other systems within the agency to create a cohesive and efficient operation. Several agencies surveyed are also using employee empowerment to increase the efficiency of their operations.

Several agencies have implemented new initiatives to improve the time and cost associated with federal procurement transactions. The use of purchase cards for small dollar value procurements has greatly increased throughout the government. Generally, there are caps on the amount that can be purchased with a card, but the time to obtain materials is greatly reduced. NASA has implemented a new process for mid-range procurements that has reduced leads times by as much as 84%. The FAA has changed the way it presents requirements to potential contractors and has adopted the use of oral proposals to significantly reduce the solicitation process. NAVSEA has used Blanket Purchase Agreements (BPAs) to reduce both the cost and lead time of procurements.

IPT Scoring Results

The IPT members individually and anonymously scored each concept based on the ten criteria (available scores were 1 through 5 with 5 being the best). The scores were then turned in for calculation of the average score. Exhibit 6-1 below shows the average score for each criteria:

Exhibit 6-1, IPT Scoring Results

	CONCEPT 1	CONCEPT 2	CONCEPT 3	CONCEPT 4	CONCEPT 5
Political Buy-in	3.5	2.3	1.5	2.0	1.2
Mission Effectiveness	3.8	3.5	2.2	2.9	2.6
Short Term Impact to Personnel	4.3	2.7	1.8	2.3	1.0
Long Term Savings	4.0	4.5	3.9	3.7	4.6
Cost to Implement	4.4	2.7	1.9	2.5	1.1
Time to Implement	4.7	2.8	1.9	2.7	1.3
Facilitates Standardization	3.8	4.4	3.2	4.2	4.6
Facilitates Career and Professional Development	3.6	4.2	3.0	3.9	4.5
Facilitates Integration and Teaming	4.1	4.0	2.6	2.9	2.5

The IPT unanimously decided not to evaluate the concepts based on “TDA Reduction”. The SESC was asked to evaluate this particular criterion separately. The IPT members,

however, did rank the five concepts according to their projected TDA reduction potential. The IPT consensus and separate quantitative analysis are as follows:

Exhibit 6-2, Potential TDA Reductions

	CONCEPT 1	CONCEPT 2	CONCEPT 3	CONCEPT 4	CONCEPT 5
Subjective IPT Evaluation	Lowest Potential	Higher Potential	Higher Potential	Lowest Potential	Highest Potential
Quantitative Evaluation	15-34	33-71	33-71	70-87	115-129

While it is readily apparent from the table above that variation exists between the subjective evaluation of the IPT and the quantitative analysis, it must be remembered that each approach relied on assumptions regarding the structure of the future organizations. It should also be noted that these analyses were only intended to provide a rough order of magnitude regarding potential reductions. In the final analysis, of the 2,698 positions projected for the end of FY-98, the potential reductions shown above are relatively insignificant and do not represent a major factor in the final decision.

Weights Assignment by SESC

The SESC assigned the following weights to the nine criteria:

Exhibit 6-3, Assigned Weights

Criteria	Weights
Political Buy-in	**5%**
Mission Effectiveness	**31%**
Short Term Impact to Personnel	**5%**
Long Term Savings	**14%**
Cost to Implement	**12%**
Time (Risk) to Implement	**5%**
Facilitates Standardization	**8%**
Facilitates Career and Professional Development	**10%**
Facilitates Integration and Teaming	**10%**
TOTAL	***100%***

Final Scores

The final scores for the concepts were calculated by applying the weight of each criterion (assigned by the SESC) to the average score (calculated from the IPT scores) of each criterion. Exhibit 6-4 below shows the final scores.

Exhibit 6-4, Final Scores

Concepts	Score
1	**3.96**
2	**3.60**
3	**2.53**
4	**3.08**
5	**2.82**

Conclusion

Although Option #1 received the highest score, the collective decision, and recommendation, of the SESC was to select Option #4, the Virtual Organization, and move toward that as the end state. (The target dates for the near and long term organizational concepts had been moved from the original dates of FY2004 and FY2010, to FY2001 and FY2004, respectively, based on guidance from the Commanding General during an In-Process Review in early February.)

The SESC members recognized that Option #1, Consolidation to Five Contracting Centers, had many aspects that were already well on their way toward implementation, and that Option #1 had scored the highest in the weighted criteria. They concluded that implementing Option #1, by FY01, worked well as a first phase in moving toward the end state of Option #4, the Virtual
Organization. Members wholeheartedly endorsed the Business Process Improvements as a positive foundation for organizational evolution. With the improvements projected for automation, and the emphasis on being "paperless", the SESC felt that the Virtual Organizational structure was a direction that AMC needed to move toward for FY2004.

Shortly after the SESC February meeting, the AMC Deputy Commanding General, LTC Benchoff, was briefed on their recommendations. He concurred with them, but recommended that the time-lines be moved up, to FY99 and FY01. This would align the Virtual Contracting Center with another AMC initiative, the Virtual/Single IMMC.

In a subsequent video teleconference with the entire team and the MSC Commanders, some concerns were voiced about the collapsed timeline. There were questions raised about whether information technology capabilities could support virtual organizations so soon. The integration of other AMC initiatives (discussed in Section 2) and their

respective timelines was also a concern. In discussions, there was general consensus that the Business Process Improvement areas should be accepted and recommended for implementation.

The organizational options and their integration with other AMC initiatives and programs remain an area of discussion. They were topics at the mid-April Executive Steering Committee, attended by the MSC Commanders, AMC senior staff and the Commanding General. Background, concerns and recommendations were presented to the Commanding General, who will make a decision at the end of April on how AMC should proceed with implementation of these options for a future contracting organization.

Contracting XXI Blueprint Final Report

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Appendix I – Contracting XXI blueprint Participants List

CONTRACTING 21 BLUEPRINT - MEMBERSHIP LIST

LOCATION		NAME		PHONE	FAX	E-MAIL	Last Update
				COMM/	DSN		2-Apr-98
				DSN			
AMCOM				COMM (205)876-			
	PARC Ofc	Bowersox	Bud*	746-7307	897-2392	bowersox-wg@redstone.army.mil	
	DSA Ofc	Parker	Dan	645-6460	645-0043	parker-jd@redstone.army.mil	
AMSAA				COMM (410) 278-			
		Kratzmeier	Steve*	298-5372	298-2788	stevek@arl.mil	
ARL				COMM (301) 394-			
	PARC Ofc	Tomko	Bob	290-3691		rtomko@arl.mil	
		Lopresti	Joan	290-2963		jlopresti@arl.mil	
ARO				COMM (919) 549-			
		Travis	Larry*	832-4271	832-4388	travis@aro-emh1.army.mil	
CBDCOM				COMM (410) 278-			
	PARC Ofc	Morrison	Helen*	584-2554		hemorris@apgea.army.mil	
CECOM				COMM (732) 532-			
	PARC Ofc	Moore	Tom*	992-3028		mooret1@doim6.monmouth.army.mil	
	Deputy	Kelemen	Ric	992-5603			
		Southcott	Madonna*	992-1840		southcot1@doim6.monmouth.army.mil	
HQ				COMM (703) 617-			
	Con Ops	Flavin	COL Mark	767-6741		mflavin@hqamc.army.mil	
	Con Ops	Clarke	Emily *	767-9404		eclarke@hqamc.army.mil	
	Con Ops	Ishmael	LTC Lauren	767-8671		lishmael@hqamc.army.mil	
	Con Ops	Knight	Steve	767-9351		sknight@hqamc.army.mil	
	Policy	Rittenhouse	Sandy	767-8262		srittenhouse@hqamc.army.mil	
	Policy	Bozzard	Jim	767-8243		jbozzard@hqamc.army.mil	
IOC				COMM(309) 782-			
	PARC Ofc	Rowe	Diana*	793-3402		drowe@RIA-emh2.army.mil	
		Ortel	Kathy	767-5899	(HQ detail)	kortel@hqamc.army.mil	
SSCOM				COMM (508) 233-			
	PARC Ofc	O'Day	Sean*	256-5316		soday@natick-emh2.army.mil	
	PARC Ofc	MacLean	Laura	256-5028		lmaclean@natick-emh2.army.mil	
TACOM				COMM (810) 574-			
	PARC Ofc	Elias	COL Tom*	786-7026		eliast@cc.tacom.army.mil	
	(BMO)	Forbes	Debbie*	786-7293		dforbes@cc.tacom.army.mil	Debbie
	DSA Ofc	Burdett	Sylvia*	880-7266	**(Picatinney**	sburdett@pica.army.mil	Walker
				880-7578	**VTC Room**	1-973-989-6821, dial up number	-8042
	DSA Ofc	Firrincelli	George	880-6922	(Picatinney)		
TECOM				COMM (410) 278-			
	PARC Ofc	Davis	Lance*	298-1196	298-8602	ldavis@tec1.apg.army.mil	
					410-2788602		
FORSCOM				COMM (404) 464-			
	PARC Ofc	Gaines	Toni*	464-5530		gainest@ftmcphsn-emh1.army.mil	

Appendix II – Charter

CHARTER

INTEGRATED PRODUCT TEAM
AMC Contracting XXI - Blueprint

1. **Purpose**: This charter establishes the AMC Contracting XXI - Blueprint Integrated Product Team (IPT). It provides overall guidance and direction for the IPT to examine the contracting organization and recommend a structure and organization that will serve AMC in the future.

2. **Vision**: AMC will be the Army's Center of Excellence for contracting. AMC's contracting organization will efficiently and effectively support the present and future AMC while preserving those elements of AMC's core capabilities required to perform our inherently governmental functions and maintain readiness.

3. **Mission**: The AMC Contracting XXI - Blueprint IPT will identify efficiencies that will enable AMC to re-engineer its contracting organization. The IPT will develop and recommend a structure for contracting that will carry AMC into the future. The resulting organization will maintain the level of service required to meet near and far term readiness requirements in a developing environment of constrained resources and continually evolving missions

4. **Objectives**: The objectives of the IPT are to:

a. Review and analyze the current contracting structure. Understand the baseline and near term reductions already identified to meet goals established under other programs. Review the previous efforts of the Contracting XXI/Phase I effort.

b. Review and analyze successful re-engineering of contracting efforts made by other government agencies, including but not limited to consolidation, downsizing or out-sourcing efforts. Capture the lessons learned from these efforts and any relevant methodologies that can be applied to the AMC.

c. Review and analyze consolidation, downsizing or out-sourcing efforts made by industry as appropriate. Capture the lessons learned from these efforts and any relevant methodologies that can be applied to AMC.

d. Identify enabling efficiencies that will let AMC consolidate or reduce its contracting structure. (This reduction is in addition to the 31% reduction already identified in Contracting XXI Phase I.)

e. Ensure that the core contracting capabilities are maintained so that AMC can continue to efficiently and effectively perform its inherent governmental functions.

f. Develop an implementation plan for execution of Contracting XXI -Blueprint.

g. Develop a plan for informing and educating the contracting workforce about the recommendations and their effects as soon as practical.

5. **Functions**: The IPT will:

a. Collectively have a full understanding of the issues that need to be addressed to achieve the objectives of the IPT.

b. Consider contracting for a full time consultant to assist the IPT in such areas as collection and analysis of data and preparing reports and presentations.

c. Meet as requested by the IPT Leader including regularly scheduled reviews with the Senior Executive Steering Council (SESC). Electronic communications and/or videoteleconferencing will be used to the maximum extent possible to enhance communications and effective exchange of ideas.

d. Have the following members:

Name	Organization	Phone/DSN
COL Mark Flavin Team Leader	AMCRDA-AC	767-9351
Sandra Rittenhouse	AMCRDA-AP	767-8262
Helen Morrison	CBDCOM/TECOM	584-2554
Robert Tomko	ARL	290-1090
Cheryl DeLuca	SSCOM	256-4514
Steve Kratzmyer	AMSAA	298-5372
Ray Mongiat	AMSAA/IEA	793-5748
Emily Clarke	AMCRDA-AC	767-9404
Steve Knight	AMCRDA-AC	767-9351
Jim Bozzard	AMCRDA-AP	767-8243
TBD	(AMCOM PARC Representative)	
TBD	(AMCOM DSA Representative)	
TBD	(CECOM PARC Representative)	
TBD	(CECOM DSA Representative)	
TBD	(TACOM PARC Representative)	
TBD	(TACOM DSA Representative)	
TBD	(IOC PARC Representative)	
TBD	(TRADOC Representative)	
TBD	(FORSCOM Representative)	

6. **Senior Executive Steering Council:** The SESC will:

a. Provide direction, oversight and guidance to the IPT.

b. Meet as requested by the Chairman including regularly scheduled reviews with the IPT. Electronic communications and/or videoteleconferencing will be used to the maximum extent possible to enhance communications and effective exchange of ideas.

c. Have the following members:

Name	Organization	Phone/DSN
Dale Adams, Chairman	AMCDCG-A	767-9560
MG John Caldwell	AMCRDA	767-9490
Gary Tull	AMCRDA-A	767-8168
Ed Korte	AMCCC	767-8031
Mike Edwards	AMCPE	767-4551
TBD	(AMCRM)	
TBD	(Senior AMCOM DSA Representative)	
TBD	(Senior CECOM DSA Representative)	
TBD	(Senior TACOM DSA Representative)	

7. **Funding:** Funding in the amount of $300,000 (FY98) to provide consulting/support services for the IPT for the duration of this effort was approved by Gen. Wilson on 7 Oct 97. Funding will be provided by AMCRM to the Deputy Chief of Staff for Research, Development and Acquisition (AMCRDA) specifically earmarked for the Contracting XXI - Blueprint IPT. All other expenses for the SESC and the IPT will be funded by the member's organizations.

8. **Milestones**:

Event	Date
IPT Charter approved	Oct 97
Brief AMC PARC Conf	Oct 97
Kick-Off SESC/IPT Meeting	29-30 Oct 97
IPT researching, benchmarking, and developing recommendations	Oct-Dec 97
IPT draft plan and recommendations briefed to SESC	Jan 98
IPT plan finalized	Feb 98
Prebriefs to HQ AMC principles	Feb 98
Decision brief to CG, AMC	25 Feb 98
Development of the Transition Plan	Mar-Apr 98
Brief Transition Plan to CG	30 Apr 98
Transition Plan IPRs to SESC	May-Sep 98
Transition Plan Implementation	30 Sep 98

9. **Duration:** This charter shall remain in effect until all issues associated with developing and approving a reengineered contracting structure are completed or until disestablished by the undersigned.

10. AMC – America's Arsenal for the Brave.

//S// 28 OCT 97

JOHNNIE E. WILSON
General, USA
Commanding

Appendix III – Projected Workload Analysis

Projected Workload Analysis

The goal of the Contracting XXI Blueprint initiative is to identify more efficient ways to provide contracting support to the customer through improvements to contracting business processes, and by developing concepts for a future organizational structure that would most efficiently manage our shrinking manpower resources. The IPT recognized that further capitalization of the "Centers and Satellites" concept would offer opportunities for consolidation of overhead functions, yielding the potential for reductions in TDA. This analysis is intended to quantify, by rough order of magnitude, those potentials.

Workload Modeling

The Contracting Operations Division of AMCRDA has developed a "Workload Model" or "TDA Allocation Model" that uses the number of contract actions and their dollar value to determine what percent of the total AMC contracting workload each buying office has. The model was first developed for use in downsizing activities related to the FAA and Contracting XXI studies.

The data used to create the model was gathered from the DD350 database (Individual contracting Action Report) and the 1057 Report (Monthly Contract Actions $25,000 or Less). FY95 and FY96 data was originally used.

The model assumes that the higher the dollar value of a contract action, on average, the greater the amount of effort involved. Relative complexity weights (shown below) were assigned to each stratum using collective judgement of contracting personnel in the headquarters and in the field.

Stratum	Assigned Weight
<$2500	.02
$2500-25K	.05
$25K-100K	.10
$100K-500K	1.00
$500K-1M	2.00
$1M-10M	3.00
$10M-50M	10.00
>$50M	20.00

As mentioned earlier, the model was originally designed to allocate reductions of TDA spaces resulting from the FAA and Contracting XXI studies. As a result of those actions we were allocating a total of 2,698 contracting personnel to the different buying offices. The sample excel spreadsheet is attached to show how the model operates.

The model was used in the Blueprint Study only to allocate the percentage of each office's workload above and below $100K as required by several of the optional scenarios.

TDA Reductions Estimate

The following discussions outline the methodology that was used in developing preliminary estimates of the TDA spaces that could be saved through implementation of the various concepts. These estimates will evolve as definitions are refined and data adjusted. Due to the evolving nature of this project, it is possible that the totals shown below may not match the latest numbers that are being briefed.

Concept #1

Based on MSC inputs to the workload study, we see no reduction in the future workload, but there are opportunities to reduce TDA spaces through consolidation of O/H functions. The concept is to consolidate workload and associated TDA spaces, and then look for duplication of effort between the O/H functions currently being performed at the center receiving the new work, and the O/H spaces transferring in. For example, if 60% of a center's weighted workload, as calculated using the Gleason model, is for actions valued at greater than $100,000, then 60% of the workforce will be required to transfer to the receiving center to accomplish this mission, including a proportional share of the total O/H. Of that total O/H, the ratio of supervisors to direct contract specialists would not change, and therefore no reductions in supervisory positions would be warranted. Of the remaining O/H spaces that would transfer to the receiving center, some proportion of those spaces will duplicate functions that are presently performed by the receiving center. It is estimated that 25% to 50% of the O/H spaces transferred from the new satellites to the centers (other than supervision) would be redundant. It is these redundant positions which are identified for TDA reductions. The combined reduction in O/H positions would be a total range of 15 to 34 spaces.

Concepts #2 and #3

The methodology for concepts #2 and #3 is the same as for concept #1. A total of 150 positions would transfer from the satellites. Of these 33 to 71 would be redundant and could be eliminated.

Concept 4

Concepts #4 and #5 introduce a separate contracting command, or center, as the owner of all 1102's within AMC. Concept #4 is a virtual organization that could be implemented with a minimal amount of disruption to the current organizations in terms of relocation of personnel and workload. Concept #1 with 5 centers was used as the baseline. Policy and data collection / reporting functions in the centers could be reduced by 50%, with 50% of those savings reverting to the center. Compliance requirements and contract review in the centers would not change. The goal is to maintain the delegation of authority at the

lowest level (i.e. the centers), while consolidating the overhead support functions in a central command structure.

Potential O/H savings for concept #4 range from 70 to 87. The baseline for concept #4 reductions is the concept #1 endstate that reduced O/H positions in the 5 centers.

Combined with concept #1 reductions, the total reduction in the centers is 125 to 139 spaces. An estimated 25% to 50% of HQAMC spaces could be given up upon implementation of a separate contracting center. The new command/center would absorb 50% of the spaces given up by the centers.

Concept #5

Concept #5 builds on the structure defined by concept #4 by pulling all the work into a single contracting center, efficiencies of scale and the ability to more efficiently manage workflow should allow a reduction of 20% in O/H staffing relative to the distributed workforce in concept #4.

Under this concept all work is consolidated at a common physical location, therefore the baseline O/H spaces at the centers (347) have been eliminated and the corresponding workload and spaces are now included at the command/center HQ. However, the workload is not expected to be reduced. To develop a staffing model for the consolidated "Mega" contracting command/center, the approach is to view concept #5 as an iterative conclusion to the concept #4 scenario. Concept #5 proposes that all but five HQAMC spaces transition to the "Mega" command/center, and all remaining O/H in the centers would transition to the "Mega" command/center, less 20% for efficiencies gained in a single command/center.

The total savings in O/H positions for each concept is summarized below:

	Transferred TDA	**Potential O/H Redundancies**	**HQ / New Command**	**Net Savings**
Concept #1	**71**	**15 - 34**	**0**	**15 - 34**
Concepts #2 & #3	**150**	**33 - 71**	**0**	**33 - 71**
Concept #4	**N/A**	**125 - 139**	**(55 – 52)**	**(70 - 87)**
Concept #5	**N/A**	**347**	**(232 to 218)**	**115 to 129**

FY96 DATA														
ACTIONS:	<2500	2500-	25K-	100K-	500K-	>1M-	>10M-	>50M		% Work	TDA	FY98	FY95	FY98
		25K	100K	500K	1M	<10M	<50M					Delta	TDA	TDA
ARL	5211	2221	216	191	27	16	1	0	0	0.00%	45	0	101	45
ATCOM - Granite City	363	793	89	22	3	4	0	0	0	0.00%	0	0	24	0
ATCOM - St. Louis	266	1878	599	622	176	248	39	10	0	0.00%	0	0	484	0
ATCOM - Ft. Eustis	1	23	38	47	13	13	1	0	127	1.61%	18	(1)	20	19
CECOM - Monmouth	3565	5232	1872	1632	414	519	48	2	0	0.00%	529	0	585	529
AMCOM	2212	4051	1449	1176	262	301	32	7	3455	43.93%	733	(2)	680	735
ARO	262	347	239	53	5	7	0	0	0	0.00%	16	0	16	16
SSCOM	2733	1215	121	55	14	4	0	0	0	0.00%	45	0	33	45
TACOM - Warren	1385	8687	998	707	147	225	43	5	2768	35.20%	421	(35)	559	456
TACOM - RDEC	1041	2828	308	251	48	70	11	2	900	11.44%	126	(41)	203	167
TACOM - ACALA	544	1177	199	177	40	66	7	0	615	7.82%	86	(98)	230	184
IOC - Rock Island	28636	14304	943	709	120	234	29	2	0	0.00%	428	0	607	428
ABERD ACQ CENT	11682	10145	1616	826	122	106	3	0	0	0.00%	208	0	302	208
PM SANG											18	0	27	18
HQAMC											25	0	34	25
Totals	57901	52901	8687	6468	1391	1813	214	28						
AMC WEIGHTS	0.02	0.05	0.10	1.00	2.00	3.00	10.00	20.00	7864	100%	2698		3905	2875
Total Work Units	1158	2645	869	6468	2782	5439	2140	560		1100				
										501				
										782				
										272				
										43				
										2698				

Appendix IV – 1100 Series Functional Analysis

1100 Series Functional Analysis

The U.S. Army Materiel Systems Analysis Activity (AMSAA) conducted a survey of the primary organizations associated with the U.S. Army Materiel Command's (AMC) contracting workload. The goals of the survey were to:

1. Determine the total number of personnel involved in contracting.
2. Determine the number of personnel outside of the organization's acquisition center performing contracting functions.
3. Determine contracting functions and associated workyear efforts that could be reduced and augmented by contractor support.
4. Provide quantitative data useful in determining potential personnel impacts during the evaluation of alternatives proposed by the Contracting XXI Blueprint Integrated Product Team (IPT)

The organizations surveyed included:

1. U.S. Army Aviation and Missile Command (AMCOM)
2. U.S. Army Communications and Electronics Command (CECOM)
3. U.S. Army Industrial Operations Command (IOC)
4. U.S. Army Materiel Command Acquisition Center (AMCAC)
5. U.S. Army Research Lab (ARL)
6. U.S. Army Research Office
7. U.S. Army Soldier Systems Command (SSCOM)
8. U.S. Army Tank, Automotive and Armaments Command (TACOM)

Since AMC has considerably reduced its contracting personnel over the past few years, it was important to get the current "snap-shot" of staffing levels. Therefore, each organization was requested to provide the number of personnel in the following categories:

1. Contract Specialists
2. Price Analysts
3. Procurement Analysts
4. Contract Administrators
5. Procurement Clerks
6. Other Contracting Functions and/or Personnel

Additionally, the average grade and job series was also linked to each of the above categories by command. The goal was to determine the number of 1100 job series personnel and any other support personnel that may have different job series. Figure 1 *(briefing chart #1)* summarizes the total number of personnel by category and Figure 2 ***(briefing chart #2)*** summarizes the total number of personnel by command. In total, there are approximately 2,986 personnel within AMC directly involved with contracting realizing, however, there is a negligible amount of additional contracting personnel throughout AMC's smaller organizations. This data formed the baseline used in determining personnel impacts with reorganization options proposed by the IPT, such as, consolidating multiple contracting centers into one.

The next step in the survey was to determine what specific functions within contracting, if reduced, could be augmented by contractor support. The majority of the IPT came to a consensus that those functions are as follows, in priority order:

1. Systems Administration and/or Automation
2. Statistical Support
3. Training
4. Contract Closeout
5. Administrative Support
6. Simplified Acquisition
7. Pricing

A determination was made by each command as to how many productive workyears were associated with each of the above functions. Figure 3 ***(briefing chart #3)*** summarizes the results by function and Figure 4 ***(briefing chart #4)*** summarizes by command. Figure 4 attempts to relate the total number of personnel associated with contracting and the potential workyears available for contractor support. The key issue remaining in this area is the question of whether the functions listed above can be efficiently and effectively separated from other functions performed by contracting personnel. For example, with today's technology certain "administrative" efforts (e.g., requesting wage information) are more efficiently and effectively conducted as part of the contracting officer's day-to-day efforts. That is, if requesting wage information were to be contracted out, then a contracting officer would still have to request his/her support contractor to request the same information. This would essentially double the time and money spent today for this function.

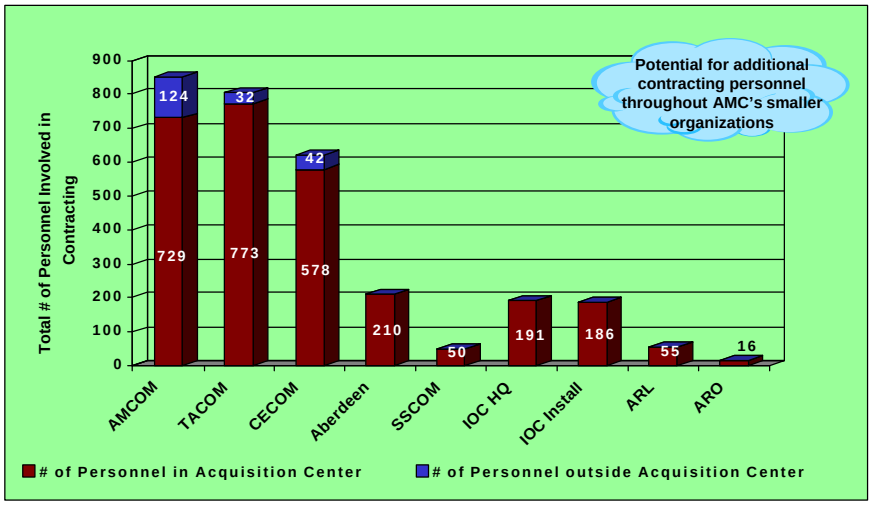
Total MSC Contracting Personnel (cont.)

Huachuca & Washington
12 - 1101
88 - 1102
1 - 1105
11 - 1106

	CECOM (Ft. Monmouth)		
	# of Personnel	Average Grade-Step	Job Series
# of Contract Specialists	292	11-?	1102
# of Price Analysts	15	11-?	1102
# of Procurement Analysts	72	11-?	1102
# of Contract Administrators	1	11-?	1102
# of Procurement Clerks	43	5-?	1105
Other Contracting Functions/Personnel	43	11-?	1102
Total	466		

42 additional personnel outside acquisition center
14 - 1101
25 - 1102
1 - 1105
1 - 1106
1 - 1150

Total MSC Contracting Personnel (cont.)



Potential for additional contracting personnel throughout AMC's smaller organizations

A total of 2,986 personnel involved in contracting within AMC

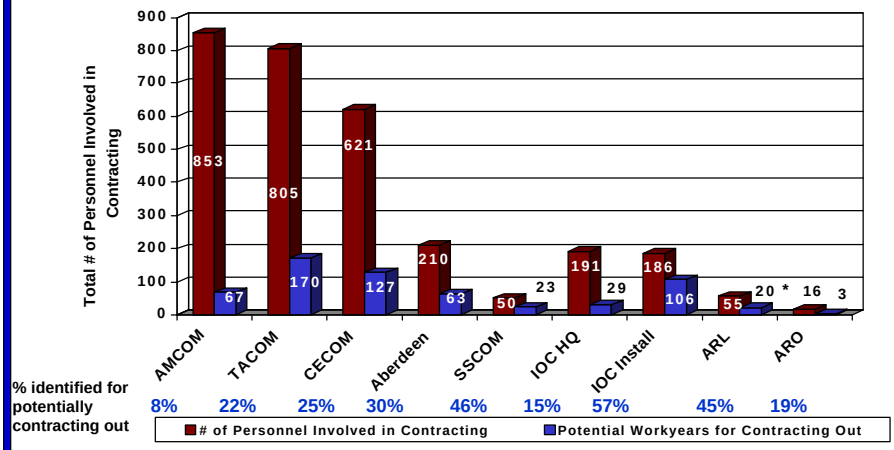
Potential Functions Identified by IPT for Contracting Out (cont.)

In priority order:

Category	Workyears
Systems Administration/Automation	39
Statistical Support	37
Training	7
Contract Closeout	47
Administrative Support	128
Simplified Acquisition	263
Pricing	87
Total	608*

* ARL has an additional 4 workyears contracted out

Potential Functions Identified by IPT for Contracting Out (cont.)



A total of 608 (20%) of 2,986 workyears have been identified for potentially contracting out

* ARL has an additional 4 workyears contracted out

Appendix V – 81 Contracting Functions

Review of 81 Contracting Functions

CONTRACT SPECIALIST
Reviews requisitions to determine if specifications/descriptions are included in solicitation documents. Selects clauses to cover special conditions. Contacts technical personnel to resolve questions of applicability of specifications, classifications of terms, or acceptance of substitute items. Determines appropriate method of procurement, i.e., formal advertising or negotiation. This includes citing the authority in determinations and findings reports prepared for the contracting officer when procurement is by negotiation.
Develops procurement plans by reviewing previous history, market conditions, and specifications or technical data packages. Determines adequacy and completeness of description, which involves research of various manuals and catalogs, or discussions with manufacturer's representatives or requisitioning sources to identify and initiate any corrective actions required.
Compiles bidders' list from qualified bidders' applications, knowledge of suppliers, contacts with trade associations, Small Business Administration, or other sources.
Prepares and issues solicitation documents. Selects appropriate clauses, ensure clear and complete specifications including packing and delivery requirements or other stipulations, and services as a central point of contact on assigned procurements to respond to inquiries.
Performs detailed analysis of bids or proposals received. This includes insuring strict compliance with specifications on advertised procurements, and recommending award to lowest bidder providing such compliance.
Negotiates procurements, contacts offerors or contractors to negotiate prices which appear either excessive or underestimated, to request earlier delivery date or closer conformance to specifications or similar matters.
In both formal advertised and negotiated acquisitions, performs detailed analyses to determine bid responsiveness and responsibility of offeror. This includes review of past bids and awards, request of preaward survey, and establishment of price reasonableness by either price or limited cost analyses.
Drafts final contract including specifications, packing and shipping requirements, inspection instruction, and all other special and standard clauses. Prepares recommendations for award, documenting reasons for decisions including justifying basis for not recommending lowest bidder.
Coordinates activities with other Government agencies having interrelated requirements, e.g., obtains wage rate information from Department of Labor, requests audit reports or preaward surveys from Defense Contract Audit Agency ; obtains clearances from the Small Business Administration, and advertising work to be contracted in the Commerce Business Daily of the Department of Commerce.
Coordinates all areas of the acquisition process with other functional area representatives. Serves as contracting office member on various Integrated Process Teams.
Procurement planning. Identifies within assigned major progam(s) those large-scale subsystems, components, equipment, and services to be acquired by contract. Develops procurement objectives for the program in terms of competition and price range, and constructs the contractual vehicle including use of pricing arrangements, subcontracting policy, set-aside policies, and similar considerations. Prepares and maintains current acquisition plans, appropriate milestone charts, and related schedules.

Advises program officials in procurement planning meetings. Advises program officials of the procurement objectives to be used, and assists in the preparation of statements of work. Prepares determinations and findings and solicitation documents. Perform a detailed analyses of all elements of cost in contractor proposals, and make competitive range determinations. Conduct preproposal conference(s) with prospective contractor(s) to arrive at a clear understanding of what is required under the proposed contract. Obtain appropriate data from business and technical officials. Issue necessary modifications to clarify questions concerning such topics as specification changes, language ambiguities, or clarification of contract clauses. As required by the lack of meaningful cost and price information, explore new or innovative contracting approaches to arrive at an equitable contract arrangement.
Serves as lead negotiator. Plans the negotiation strategy, coordinates strategy with negotiation team, and leads the negotiations which are conducted with contractors to develop the contract prices and terms. Awards the contract.
Performs contract administration. Performs and processes documents dealing with incremental funding, preparation of rate and cost adjustments, redirection of effort, coordination of time extension, incorporation of change orders, issuance of stop work orders, issuance of cure notices or show cause letter, monitoring of Government property reporting, approval of progress payments, final payment, and contract closeout.
Terminates contracts for the convenience of the Government or default by the contractor.
Plans, develops, and establishes the contractual strategy for the overall acquisition program. Develops a prenegotiation position, determines the types of contracts and negotiation authority to be used, and prepares justification.
Functions as team leader during contract negotiations. Coordinates with the engineering and production departments, legal counsel, audit, and subordinate activities. Personally negotiates the majority of contracts. Assigns portions of the contract to subordinate activity contract specialists.
Directs the full range of contract administration actions required for the acquisition program, including the issuance of contract modifications, negotiation of changes, exercise of options, investigation and resolution of contractor delays, contractor performance appraisal, subcontractor surveillance, disposition of claims and similar matters.
Serves as principal contracting advisor to the program management office, and represents the agency or department as the program's contractual authority at conferences and meetings.
Coordinates the efforts of various subject-matter specialists engaged in the acquisition program (e.g., engineers, production specialists, legal advisors, auditors, logistics management specialists, and financial managers).
Serves as representative for the Agency/United States Government on interagency task forces at national and international conferences dealing with the contractual aspects of major systems acquisition programs.
Review termination notices for extent of action (partial or complete), and for special conditions or instructions, e.g., shipment of Government-furnished materials. Analyzes the contract and related documentation, e.g., unsettled engineering or value engineering change proposals, payment provisions, contract status and other provisions, and establishes the contract price of items terminated. Recommends the release of estimated excess funds. Acts on contractor's request for submitting proposals on the total cost basis.

Negotiates: (a) a partial settlement for those elements on which there is an agreement, reserving the right of parties on excluded or unsettled elements for later resolution, or issuing a unilateral determination on elements for which an agreement cannot be reached; (b) equitable adjustments in the continued portion of a partially terminated contract; (c) contractor's claim or settlement proposals, including such elements as the difficulty of work; efficiency, risks, and estimate to complete; (d) reduction in fees for contracts with fee provisions; and (e) no cost settlements when the contractor does not owe the Government and when the contractor either has incurred no costs or waives such costs.
Evaluates, as necessary, the contractor's systems for settling terminated subcontracts, and issues.
Acts on final voucher or invoices. Issues determinations of costs disapproved due to unallowability, or unreasonableness. Requests funds to cover the proposed settlement agreement, and presents proposed agreement to a review board, if required. Executes modifications in settling terminations and/or claims and obtains contractor's release of claims. After settling a claim prepares a memorandum for file setting for the principle elements of settlement.
Issues a unilateral determination when an agreement cannot be reached and advises the contractor of appeal rights. In appeals cases, assists the Government attorney in preparing the Government position and participates in legal proceedings. Alerts counsel and other interested parties of actual or potential litigation, e.g., bankruptcies, unilateral determinations, appeals. Testifies as a Government witness before appeals boards.
PROCUREMENT ANALYST
Review procurement request to determine whether the procurement can be performed by small businesses. Initiates action to have all or part of a procurement set-aside exclusively for small business performance.
Provides small and disadvantaged business firms with information regarding means for doing business with the Federal Government, including assistance available from Federal agencies. Advises potential suppliers on procedures concerning formal advertising and negotiated acquisitions, subscribing to the Commerce Business Daily, submitting unsolicited proposals, and information regarding bids, bidder's mailing lists, and commodity lists.
Locates and furnishes information on capable small and disadvantaged business firms for consideration as potential sources for current and future acquisitions. Advises firms on federal requirements.
Implements Government policy designed to assure uniform application throughout the assigned area with respect to subcontracting programs involving the various small and disadvantages businesses. Reviews and evaluates prime contractor's small and disadvantaged business subcontracting plans. Advises contracting officers on determining acceptability of subcontracting plans submitted by prime contractors. Recommends items negotiation.

Schedules and conducts compliance reviews of prime contractors having contracts with a small business subcontracting plan clause. Reviews prime contractor programs for possible breakout of items suitable for small and disadvantaged business concerns. Reviews subcontracting plans for adequacy, verifies supporting records, and takes a random sample of subcontract solicitations to ascertain the contractor's performance on the program. Monitors contractor performance on the program. Monitors contractor performance through quarterly reports. Prepares reports of findings. Reviews facility expansion and modernization programs submitted by prime contractors to determine impact on small businesses. Provides comments on negative preaward survey reports concerned with small business firms. Investigates complaints and provides information on findings.
Participates in interagency program and in Government-industry conferences to promote and assist small and disadvantaged business concerns. Conducts instruction and training for personnel whose functions affect small and disadvantaged business concerns.
Responsible for the analysis and evaluation of contracting matters, and the initiation, development, and recommendation of contracting policies, procedures, guidance, and control for subordinate contracting activities within a department or agency.
Initiates, develops, and recommends contracting policies and procedures for the guidance and control of subordinate contracting activities. Evaluates and recommends disposition on requested waivers to statutory requirements.
Reviews, evaluates, and provides specific guidance concerning contracting policies and procedures relative to Government facilities, special tooling, special test equipment, component breakout, warranties, recovery of nonrecurring costs, high dollar spare parts breakout program, industrial preparedness, production planning, and interdepartmental coordinated procurements.
Participates in the development of policy as a representative to special task groups within the agency or department. Develops position papers relating to various phases of contracting.
Provides advice and guidance on contracting matters to project managers and contracting officers at subordinate contracting activities.
Advises management and contracting officers on matters pertaining to contracting policies and procedures. Assistance is provided upon request regarding specific situations or problems and upon receipt of changed procedures imposed by higher headquarters involving regulations, laws, and good business practices.
Conducts Business Management Reviews (BMR) and Procurement Management Reviews (PMR) of contracts or contract changes within predetermined categories based on dollar value, method of acquisition, and other factors. Reviews for appropriate contract type, pricing provisions, selection of source, acquisition method, determinations and findings, documentation, clarity of contract terms, propriety of cited funds, and need for issuance of unpriced contractual documents.
Develops guidance material for activity contracting personnel, Publishes informational material to inform, clarify, and explain regulatory and policy changes, and to note recurring errors observed during contract review.
Conducts training of contracting personnel to improve acquisition practices. Subjects are chosen on the basis of need reflected during contract review or upon development of new regulatory requirements.
CONTRACT PRICE/COST ANALYST

Analyzed and evaluates unit cost and pricing data contained in proposals to determine reasonableness of all elements of cost. Prepares report of findings for forwarding to the contracting officer.
Analyzed and evaluates findings contained in audit reports, such as cost items questioned or unresolved. Supports recommendations with detailed analysis of each cost element, as necessary. Assists contracting officer in resolving areas involving routine costs and accounting issues.
Performs analysis of contractor's projected estimated cost for reasonableness and fairness.
Consults with contractor personnel, engineers, auditors, and administrative personnel to determine that pricing, make or buy decisions are in the best interest of the Government. Assists the contracting officer in negotiations or conducts the final price negotiations, as requested.
Ascertains reasonableness of proposed labor and overhead rates and labor escalation factor based on audit reports or other available sources, e.g., rates in the Department of Labor Index, labor unions agreements, payroll records, salary and wage schedules, and publications of recognized economic forecasting services.
Reviews proposed costs to protect against excessive charges to the Government. Visits contractor's facilities to obtain, verify, and analyze data offered in support of proposals when adequate data or information is not furnished or available.
CONTRACT ADMINISTRATOR
Conduct conferences with contractors to clarify issues on contractual requirements, such as billing procedures, material submittals, and socioeconomic clauses.
Monitors contractor performance through telephone conversations, correspondence, and visits for compliance with applicable laws, delivery schedules, payment provisions, inspections, and other requirements as stated in the contract. Provides guidance to contractor concerning obligations to perform within contractual terms.
Reviews, analyzes, and recommends action on problem situations relating to incomplete specifications, deficient Government-furnished property, material shortages, and terminations for convenience.
Negotiates extensions of delivery schedules, price adjustments, labor hours, modifications to the contract, and similar agreements when precedents are will established and the contractor's and Government's bargaining positions are close. Prepares determinations and findings of fact relative to negotiations and pricing actions. Coordinates contractor's requests for deviations with buying or requiring activities, and makes recommendations.
Recommends issuing cure or show-cause notices when the contractor is not in compliance with contract provisions. Investigates circumstances to determine alternative courses of action, such as extension of delivery schedule for considerations flowing to the Government.
Performs initial conferences with the contractor to provide information and clarify standard and special provisions of the contract. Throughout the life of the contract, maintains discussions with contractor to interpret contractual obligations and to resolve contractual problems. Issues changes to the contract, highlighting conditions that could jeopardize contract performance.
Makes decisions on problems of production, delivery, Government-furnished property, quality assurance acceptance, or other areas affecting the contract.

Negotiates prices and executes supplemental agreements for spare parts, provisioned items, and repairs. As authorized, negotiates overhead rate agreements, resolves disagreements between auditor and contractor involving audit determined rates, negotiates and executes supplemental agreements, and negotiates prices for unpriced orders under basic ordering agreements. Personally review contractor proposals when precedents are available, or obtains technical reviews when in depth evaluations are necessary. Establishes a negotiation position based on technical reviews, personal knowledge of contractor's operations, and established guidelines governing profit or fee. Negotiates directly with contractor personnel to obtain a final settlement. Administers advance payment provisions of contract, including preparation of necessary modification to contract. Prepares negotiation memoranda to explain rationale and methods used in arriving at the final settlement.
Assures contractor compliance with cost accounting standards. Negotiates cost impact of accounting system changes or noncompliance, based on information provided by the auditor. Determines allowability and allocability of costs based on such reviews.
Directs the performance of various contract administration functions, such as verifying evidence of contractor's progress for approval of progress payments; reviewing and making recommendations on pricing reports; reviewing and negotiating spare parts orders; reviewing and providing recommendations on contractor proposals resulting from change orders; negotiating delivery schedule changes; monitoring contractor's compliance with contact, regulatory, and statutory provision, such as patent and royalty, duty and customs, small business and labor surplus, and reporting requirements; monitoring expenditures on cost, incentive, and certain fixed-price contracts requiring funds control; reporting on anticipated deviations from estimated costs; and performing preaward surveys upon request.
Develops and maintains systems to evaluate and monitor contractual performance related to such areas as delivery, cost, amount of progress or advance payments, effective use of Government-furnished property, scheduling and usage of facilities, and management of overhaul or maintenance and repair efforts. Identifies potential areas of production difficulties, cost overruns, and need for future funding requirements. Initiates appropriate remedial action to avoid or minimize delays.
Negotiates forward-pricing rates agreements after analyzing elements such as the various expense pools, labor rates, contractor's business volume forecast, economic conditions, business trends, union agreements, local market conditions, and inflation rates. Analyzes and negotiates overhead rates after developing the Government position on the reasonableness, allowability, and allocability of incurred costs.
Evaluates adequacy of contractor's business management systems in terms of Government contracting requirements. These business systems include insurance, estimating methods, pensions, employee compensation plans, purchasing and subcontracting procedures, and accounting methods, procedures and practices.
Consents to placement of subcontracts after considering elements such as the technical capability of prospective subcontractors, reasonableness of proposed costs and profits or fee, type of contract, degree of competition, need for small and disadvantaged business involvement, and compliance with applicable laws and contractual provisions.
Plans and conducts postaward conferences to ensure compliance with, and full understanding of, contractual requirements and to preclude unauthorized changes or alternations in contract provisions.

Incorporates changed contract requirements or settles issues that develop after contract placement, e.g., equitable adjustments in price and/or delivery schedule for unilaterally directed changes in the work, for damages suffered by the contractor due to late delivery or defective condition of Government furnished property, for increases or decreases in taxes included in the contract price, or similar conditions.
Determines allowability of costs claimed under cost contracts, including evaluation of large number of subcontractor claims.
Serves as team leader over a variety of functional specialists, such as auditors, cost accountants, engineers, scientists, cost analysts, and attorneys to prepare the Government position and conduct negotiations with the contractor.
CONTRACT NEGOTIATOR
Performs procurement planning and, in coordination with the technical program office, develops the contractual strategy to be used in the procurement of a specific contract program. Prepares required determinations and findings. Prepares and assembles solicitation document. Processes and evaluates proposals received. Analyzes proposals, performs cost analysis, makes competitive range determinations, and develops a prenegotiation position. Negotiates individual contracts within the program to obtain services for the Government at a fair and reasonable cost within acceptable time frames. Designs final contract and makes recommendation for awards.
Functions as team leader during contractual negotiations. Coordinates throughout the procurement process with representatives from the program office, financial office, office of the Chief Counsel, and the small and disadvantaged business representative. Analyzes data provided.
Serves as principal contact for the contract, and represents the agency in conferences with industry and State and local governments pertaining to the procurement.
PROCUREMENT CLERK – 1106
Assist contracts person during bid opening process. Schedule bid openings, open bids, and abstract important bidder information. Review recurring offers for a variety of commercial items and exceptions that were taken to the solicitation terms and conditions.
Create automated contract items, and special reporting files. Compare buyer-coded source documents to hard copy contract to detect incompatible or questionable elements.
Monitor deliverables by established and maintaining purchase or contract tickler files for purchases. Examine files for late delivery or urgent orders, and telephone or send the appropriate form letters to vendors to get status or reasons for delays. Answer recurring questions from various personnel about the status of requisitions, changes in orders or delivery dates, and reasons for delay.
Investigate payment discrepancies on closed contracts. Review and reconstruct contract files that contain many line items, destinations, vouchers, invoices, modifications, and letters.
Support contracting personnel by monitoring the work progress and the delivery status of contracts for items, items with shelf life, or buys of similar difficulty.
Screen documents for missing or incompatible information; assemble and prepare the forms, clauses, or other paperwork that make up the order or contract file. Use reports or other data to monitor the status of deliverables; recognize and reconcile discrepancies, and prepare contract and order files for closeout; and/or use automated systems to access, retrieve, and generate various procurement data and reports.

Perform various procurement support duties; transactions are not completely standardized; deadlines are continually changing; functions assigned are relatively broad and varied; or transactions are interrelated with other systems and require extensive coordination with various personnel depending on the nature of the problem.
Prepares termination files for use in contract termination actions, including amounts paid, audit reports, product rejections, and other related documentation. Reviews termination inventories.
Review completed official contract file to determine that all contractual action are satisfied, that there are no pending administrative actions to be resolved, that all file documents are signed, that there are no litigation actions pending, and that the contract is complete in every respect and ready to be closed.
ADDITIONAL ACQUISITION CENTER FUNCTIONS IDENTIFIED BY MSCs
Internal Operating Budget Development & Execution
Administrative Support: Travel, training, security, equipment management, supply, internal mail, personnel actions, and career management
Industrial property determinations & assistance
Automation Assistance

Appendix VI – GAO Report: DOD Workforce Reduction

(available from GAO -- see ordering info)

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