

Defense Logistics Agency



Acquisition Excellence in End to End Supply Chain Management

19 March 2009

Mr. John F. Qua

**Warfighter
Support**

**Stewardship
Improvements**

**Business Process
Refinements**

**Workforce
Development**



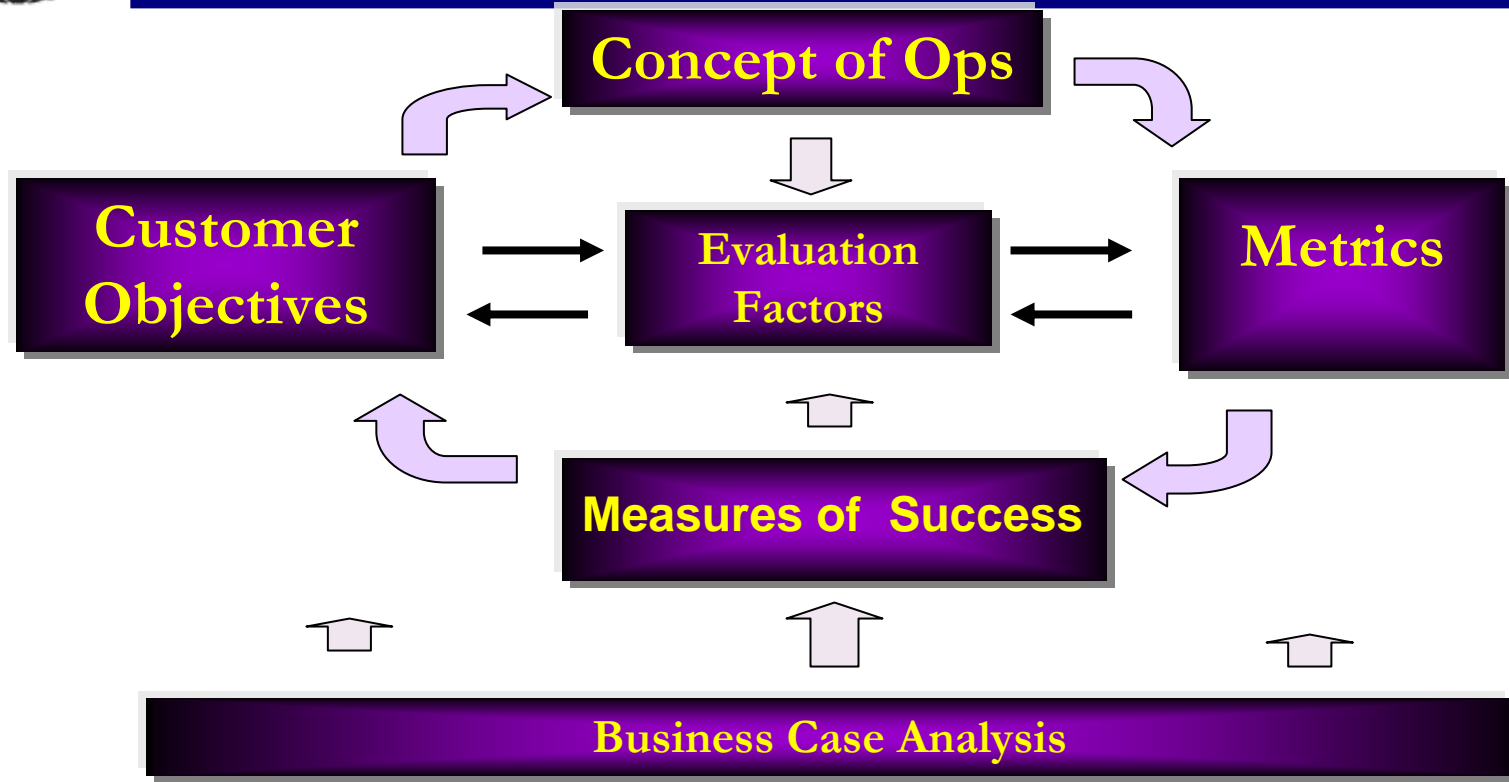
Mission

- The development, application, and oversight of DLA acquisition policy, plans, programs, operations, and functional systems.
- **Objectives:** Customer Outcomes = Customer Requirements
 - Improved Readiness
 - Shift to Strategic Sourcing
 - Improved Efficiencies & Pricing
 - Responsive, Agile, Visible Support

On Schedule, Within Budget, Right Quality
Acquisition with Integrity



Acquisition Framework



Genesis of Requirement

Execution of Contract

Successful Delivery of Product/Service



Contract Administration Campaign Plan

People:

- Staffing Model POAM established
- Acquisition Excellence Award Program created and fielded
- Contracting Officer Representative (COR) Biennial training mandated
- CA training mandated,
- CA now a critical skill in 1102 series Job Offer Announcements

Process:

- CA Summit
- Pre/post award coordination mandated prior to award
- CA Metrics developed
- High Visibility Surveillance Program
- Milestone C Integrated Acquisition Review Boards

Technology:

- CA included in eProcurement Blueprint
- use of Enterprise Linked Logistics Information Source (ELLIS) to measure contract metrics all buying activities
- CA metrics provided to eProcurement development team



Center of Excellence for Pricing

Objectives:

- **Create a Center of Excellence for Pricing that mitigates Agency, Warfighter and Taxpayer Risk through:**
 - ✓ **Active, aggressive surveillance, detection and corrective actions**
 - ✓ **Management visibility of field pricing health**
 - ✓ **Improved Corporate Decisions**
 - ✓ **Enhanced Pricing Capability**
 - ✓ **Reduce Acquisition Costs**

**Supports Defense Procurement and Acquisition Policy
Focus on Pricing**



COEP Tenets

- A Center of Excellence (COE) of independent “expert” pricing professionals who provide oversight, fraud detection, pricing assistance and training to the field in support of all Supply Chains
- Consider Counterfeit Material/Unauthorized Product Substitution (CM/UPS) model for enterprise expansion
- Link with OGC’s local Fraud Counsel for pricing focused detection training
- Established knowledge portal where sharing of best practices within DLA resides
- Tailor Intern program to develop pricing specialty for subset of Interns



COEP Actions

- Prime Vendor Pricing Oversight
 - Conduct Quarterly and Annual On-site Audits on 14 programs
 - Conduct on-site annual reviews with DCAA on contractors
- Pre-Award Acquisition Strategy Reviews
 - Discount Pricing Structure for large orders on Metals PV Program
 - Improved pricing structure for shipping and distribution
- Way Forward
 - Industrial Prime Vendor Programs
 - Review of Exclusive Dealers Pricing
 - One Pass Pricing Validation



Exclusive Distributors

- **Situation**

- Manufacturers (OEMs) using Exclusive Distributors for spare part sales to DoD, specifically DLA.

- **Issue**

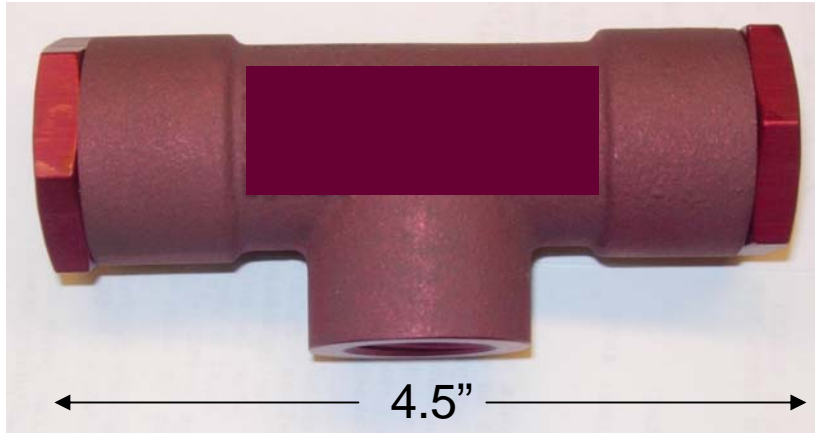
- Excessive pricing suspected as a result of Exclusive Distributor-OEM relationships with Distributors adding little or no value.

- **Action Plan**

- Identify the extent of Distributor-OEM relationships within DLA
 - Eight primary Exclusive Distributors identified (\$192M over 3 FYs)
- Determine if excess pricing exists and to what extent
 - Under assessment by the DLA Supply Centers
- Engage the Distributors & OEMs concerning their pricing practices
 - Engagements initiated by the DLA Supply Centers
- Aggressively develop alternate sources to stimulate competitive pricing
 - Acquisition Management & Value Engineering joint effort



Exclusive Distributors (Suspected Excessive Pricing)



Check Valve

Expected Price (2007) = \$105.00/unit

Estimated \$846K in Excessive Charges for
2007 Contracts to Exclusive Distributor

12 JUN 2006 – Original Manufacturer purchased by an OEM Group

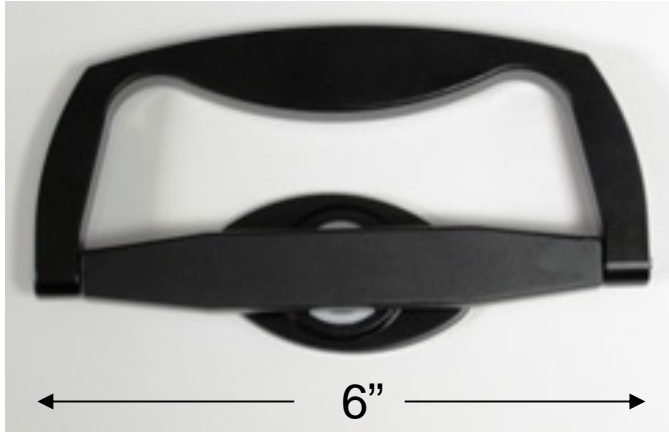
13 JUN 2006 – OEM Group designated an Exclusive Distributor for Government sales

Check Valve Procurement History

Award Date	Award Qty	Award U/P	Award Amount	Awardee
OCT 2007	810	\$ 675.45	\$ 547,114.50	Exclusive Distributor
JUL 2007	655	\$ 691.49	\$ 452,925.95	Exclusive Distributor
AUG 2005	605	\$ 97.30	\$ 58,866.50	Original Manufacturer
SEP 2004	183	\$ 96.75	\$ 17,705.25	Original Manufacturer
AUG 2000	172	\$ 80.60	\$ 30,305.60	Original Manufacturer



Exclusive Distributors (Alternate Source of Supply)



Helicopter Door Handle

\$267.27 – OEM price in 2002

\$464.96 – Distributor Price in 2004

US Army Aviation & Missile (Organic Manufacturing)

\$298.00 – 900 units in 2005

\$253.85 – 552 units in 2006

Cost Avoidance = \$228K

Competitive Procurement

\$136.47 – 1275 units in Aug 2008

\$124.47 – 1275 units in Nov 2008

Cost Avoidance = \$832K



Acquisition Excellence with Integrity

Questions?