

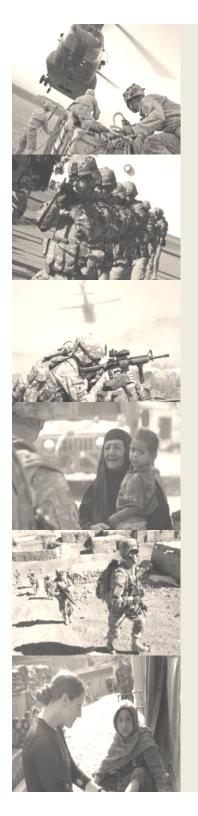
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NDIA Combat Vehicle Conference

13 October 2009

Mr. Edward M. Harrington
Deputy Assistant Secretary of the Army
(Procurement)

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Outline

- Role of the Office of the Deputy Assistant Secretary of the Army
- Contracting Reforms Impacting Systems Acquisitions
- Questions/Discussion



Role of the DASA (Procurement)

- Senior Enterprise staff responsible to the Army leadership for management, measurement, oversight, and continuous improvement of the Army Procurement Mission
- Manage the education and training of the contracting and industrial specialist workforce
- Develop policies, processes, and tools, and support
 Army doctrine for the full range of contracting
- The Army's Competition Advocate
- The Army's interface on procurement with OSD,
 Defense Agencies, Small Business, the Joint Staff,
 Congress, the Army Staff, and Heads of Contracting
 Activities, Principal Assistants Responsible for
 Contracting, and non-contracting elements



Acquisition Systems Reform Act

- Establishes Director of Developmental Test and Evaluation and Dir. of Independent Cost Assessment
- Directs an assessment of the technological maturity of critical technologies of MDAPS
- Directs the JROC to seek and consider input from Combatant Commanders on joint requirements
- Directs consideration of tradeoffs between system cost, schedule, and performance
- MDA must receive a preliminary design review and conduct a formal post-preliminary design review assessment before Milestone B approval
- Specific actions upon MDAP critical cost growth
- Establishes Conflict of Interest Review Board



Lead System Integrator Changes

- LSI: a contractor or team hired to execute a large, complex, system-of-systems program
- Section 802 of the National Defense Authorization Act for Fiscal Year 2008 limits LSI use
- Proposed DFARS language allows LSI awards when:
 - The major system has not progressed beyond LRIP production; or
 - The Secretary of Defense determines that LSI is in the best interest of the DoD
- After October 1, 2010, LSI awards prohibited
- LSI cannot have a financial interest in development or construction
- PM ensures Government performs inherently governmental functions



Presidential Guidance

procurement processes

- Fewer cost-type contracts
- Choose contract types to minimize risk and maximize value to the Government
- Develop the workforce to manage and oversee acquisitions
- Clarify when governmental outsourcing for services is and is not appropriate

The White House - Press Office - Memorandum for the Heads of Executive Departments and Agencies - Subject: Government Contracting THE WHITE HOUSE Limit non-competitive contracts

Memorandum for the Heads of Executive Departments and

Subject: Government Subject: Government Contracting

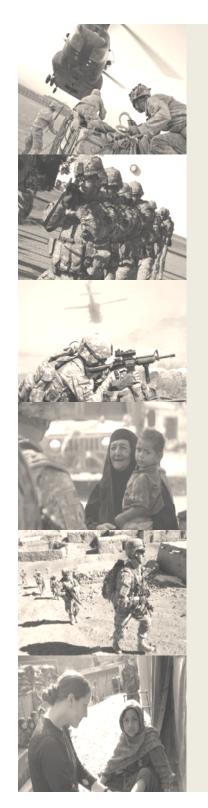
The Federal Government has an overriding obligation to American taxpayers, It should neutrino its functions efficiently and effectively while ensuring that its actions result in the actions result in the second of the second o The receral Government has an overnoung obligation to American taxpayers, it should perform its functions efficiently and effectively while ensuring that its actions result in the best

is spending on Government contracts has more than doubled, reaching over \$500.

This this came native there have been a circuit name in the doubled. Since 2001, spending on Government contracts has more than doubled, reaching over solve billion in 2008. During this same period, there has been a significant increase in the dollars and an increase in the dollars obligated without full and onen competition and an increase in the dollars obligated through Difficit in 2006, During us same period, there has been a significant increase in the dollars obligated through contents and the collars obligated through t awarded without full and open competition and an increase in the dollars obligated throughout the dollars obligated through the dollars obligate cost-reimbursement contracts. Between iscar years 2000 and 2008, for example, dollars obligated under cost-reimbursement contracts nearly doubled, from \$71 billion in 2000 to the contracts are provided in the contracts and provided in the contracts and the contracts and the contracts and the contracts and the contracts are contracts. obligated under cost-reimbursement contracts nearly doubled, from \$71 billion in 2008. Reversing these trends away from full and open competition and toward contracts of the contracts of the contracts of the contract of th \$1.50 billion in ZUUB. Reversing these trends away from full and open competition and toward cost-relimbursement contracts could result in savings of billions of dollars each year for the

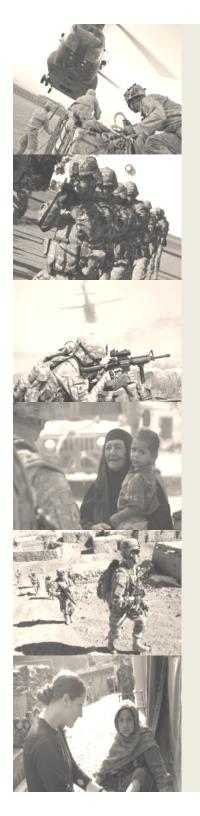
Excessive reliance by executive agencies on sole-source contracts (or contracts with a limited number of course) and contracts with a limited contract of course of co Excessive reliance by executive agencies on sole-source contracts (or contracts with a limited number of sources) and cost-relimbursement contracts creates a risk that taxpayer funds will inafficient cubiact to micro or otherwise are well number or sources) and cost-reimbursement contracts creates a risk that datapayer rungs will be spent on contracts that are wasteful, inefficient, subject to misuse, or otherwise not well accument to come the mounts of the Easteral Government or the interacts of the American pe spent on contracts that are wasterui, memcient, subject to inisuse, or otherwise not with designed to serve the needs of the Federal Government or the interests of the American transactions of the American transactions of the American designed to serve the needs of the recerds ouvernment of the interests of the American taxpayer, Reports by agency inspectors General, the Government Accountability Office (GAO), and Athan Instantant Accountability Office (GAO), taxpayer, kepons by agency properties beneral, the dovernment accountaining only and other independent reviewing bodies have shown that noncompetitive and costand other independent reviewing bodies have shown that noncompetitive and cost-reimbursement contracts have been misused, resulting in wasted taxpayer resources, poor contractor performance, and inadequate accountability for results.

When awarding Government contracts, the Federal Government must strive for an open and when awarding Government contracts, the receival Government must strive for an open and competitive process. However, executive agencies must have the flexibility to tailor contracts in carry out their miscions and achieve the native onate of the Consequence. In certain private competitive process, however, executive agencies must have the nexibility to tailor contracts to carry out their missions and achieve the policy goals of the Government. In certain exigent conscirlar whether a competitive process will not to carry our tries missions and achieve the policy guals of the Government. In certain circumstances, agencies may need to consider whether a competitive process will not circumstances, agencies may need to consider whether a competitive process will not agency's mission. In such cases, the agency must ensure that the risks



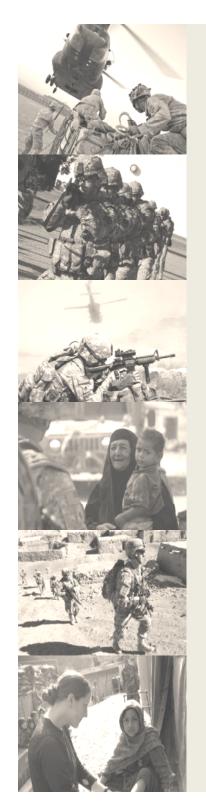
OMB Guidance: Reduce Contracts 10%

- 29 JUL 09 Memo Phase One of implementing President Obama's 4 MAR 09 guidance
- Review existing Contracts and Acquisition Practices
 - 7% savings by FY11 (of baseline contract spending)
 - 10% reduction of dollars obligated in FY10 of high-risk contracts
- Administration anticipates \$40B cost savings annually
- Phase Two guidance to be issued early FY10



Contract Type Changes

- Preference for Fixed Price (FP) contracts over Cost
 - Preference for FP in R&D, System Design & Development (SDD)
 - Also a tenet of the Presidential memo
- Move from Award Fees toward Incentive Fees
 - From FPAF to FPIF, from CPAF to CPIF
 - Ensure measurable criteria for award fees
 - Avoid factors like customer satisfaction, responsiveness
 - Prefer factors like on-time delivery, savings
- Reduce the number of Time & Materials contracts
 - Defense Contract Audit Agency estimates T&M contracts are as much as 30-40% too costly



Increased Emphasis on Competition

- Higher Army competition goal 69%
 - Increased by 4% for FY09
 - Current FY09 competition percentage is 63%
- Impacts of increased goal on programs
 - J&As Greater scrutiny by AAE
 - Shorter duration/reduced quantities
 - Approval pending AoA for ways to increase competition
 - TDPs Conduct a careful business case analysis
 - Can TDP purchase up front result in lower total ownership cost?
 - Data Rights conduct a careful business case analysis
 - Are Government Purpose (GP) rights sufficient to permit competition?
 - Have firms retained full rights to the key technologies making competition impossible even with GP right?

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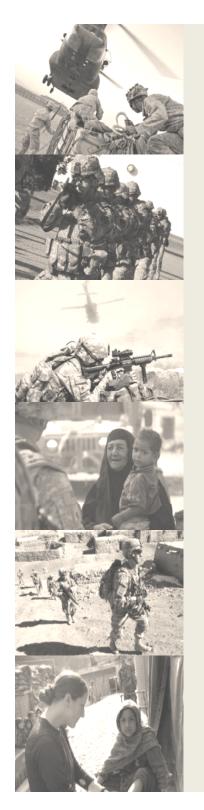
- Consider human element of the design
- Consider maintenance ease and footprint



Contractor Business Processes and Systems

Additional importance of:

- Accounting
- Estimating
- Purchasing
- Internal Controls
- Quality Management
- Earned Value Management
- Supply Chain Quality Management



Increased Scrutiny

- Peer Reviews for Services Contracts over \$50 Million
 - Over \$500M requires Army review
 - Over \$1B requires OSD review
- Congressional scrutiny
 - Zero-defect mentality for systems impacting:
 Life, Health, Safety, or Combat Power
- Technology Readiness Levels
 - Moving to low rate production before achieving acceptable
 TRLs rarely results in a successful program
 - Acquisition Reform Act language



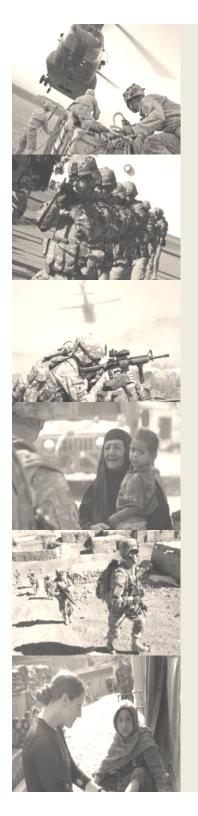
Congressional Notification

- Do not award contracts over \$5.5 Million without advance notice to Congress
- Even when the base award has already been announced, provide notification of task orders with:
 - Significant local impact
 - Significant political interest
- Congressional notification cannot be waived
- Follow AFARS 5105.303 and DFARS 205.303



Conclusion

- Regulatory restrictions increasing
- Increased focus on competition
- Increased scrutiny of systems affecting life, health, safety, and combat power
- Increased importance of effective business systems



Questions / Discussion

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Army Contracting: Procuring Army Strength