

Improving/Standardizing DoD Procurement Business Processes

ELEANOR SPECTOR

Editor's Note: The following excerpt from *Defense Issues*, published by the American Forces Information Service, presents remarks by Eleanor Spector, Director of Defense Procurement, Office of the Under Secretary of Defense (Acquisition and Technology) at the 5th Annual Dun & Bradstreet Conference, Washington, D.C., June 16, 1997.

In June 1997, Secretary of Defense William S. Cohen called for an ongoing and future "Revolution in Military Affairs" or RMA, which he believes must be accompanied by a "Revolution in the Business Practices" of DoD. Spector's remarks detail how the Office of Defense Procurement is revolutionizing its business practices and in the process, achieving its own "Revolution in Electronic Interactivity."

(This material is in the public domain and may be accessed on the Internet via the World Wide Web at http://www.dtic.mil/defenseink/pubs/di_index.html.)

It is my pleasure to speak to you this morning about the state of electronic commerce. Perhaps the best way to tell you about electronic commerce is to describe how we in the defense procurement community will be making much greater use of electronic technology to conduct our business.

Standard Procurement System

As recently as the late '80s, procurement processes were generally manu-

ally intensive. There were some automated systems, but each tended to be unique to its own organization. Few performed all of the procurement functions. They involved high maintenance costs and had weak links to the finance community.

Early in the '90s, I initiated a joint Military Department and Defense Agency effort to standardize and improve procurement business processes. From 1991 to 1994, we undertook the laborious tasks of modeling the procurement process, defining our requirements for an automated system, and standardizing the data so that the system would have the broadest possible application. This was an ambitious concept. We wanted to have the same software for all DoD contracting offices to interface with other functional elements of DoD. This meant that Army, Navy, Air Force, and the Defense Agencies all had to participate in all aspects of what now came to be known as the Standard Procurement System [SPS].

By May of 1994, the modeling and requirements definition was deemed sufficiently adequate to begin testing the marketplace. We released a request for information stating that we were seeking existing commercial systems that could handle 13 basic procurement functions.

In response to this request, we had eight companies demonstrate their commercial systems. Our own user demonstrations validated the ability of the commercial systems to perform most government contracting functions.

The request for proposals was issued in October 1995. It called for a basic

contract with options for three incremental software enhancements and 10 years of support. We would use task orders for installation, integration with existing software, training and engineering support. There would be no "how to" specifications. Instead, we would have a statement of desired functions. Finally, any product would have to be year 2000-compliant and compatible with Windows™ software.

We wanted offerors to propose pricing for software licenses. These would vary with the size of the site involved. They would also propose the content of, and delivery schedule for, enhancements. We requested a commercial warranty and commercial software rights. We did not want any source code, since the government could not modify it anyway.

Phase 1

The procurement had three phases. In Phase 1, which we completed in January of 1996, we tested offerors' commercial software packages to verify their products met a technical minimum for continuation in the competition.

Phase 2

In Phase 2, completed in August of 1996, we used the Carnegie Mellon Software Engineering Institute's software capabilities methodology to evaluate the products of four offerors, tested the software to verify performance was as claimed, determined technically acceptable offers, requested price proposals and selected two offerors to continue.

Phase 3

In the final phase, we conducted user evaluations at 16 DoD contracting

activities, obtained an independent technical assessment from the national software testing laboratories, asked for updated pricing and on April 7, 1997, selected American Management Systems to deliver software, installation, training and support. Our selection criteria, in descending order, were the performance at the 16 procurement sites, the commercial enhancements and upgrades being offered, the technical and management approach for accomplishing outyear requirements, and price.

Where are we today? We have MAIRC [Major Automated Information System Review Council] approval to deploy to 125 contracting sites. The initial software release will accomplish about 45 percent of our procurement functions with FY [fiscal year] 98 and FY 99 releases accomplishing the remainder.

The users, who have already budgeted for local hardware and installation, will determine the order of site deployment. Generally, though, we expect to deploy first to non- or semiautomated major systems sites. We are also anxious to assist in resolving the unmatched disbursement problem through the use of SPS. In FY 97, we plan to issue orders for SPS installation at about 100 to 125 sites, covering approximately 5,000 users. By 2000, we expect installation in 900 procurement offices throughout the Department.

Shared Data Warehouse

Related to the development of SPS, a shared data warehouse is being developed by the DLA [Defense Logistics Agency] System Design Center. This will be a repository for contracting data that can be accessed by procurement and other functional elements. This warehouse will use DoD standard procurement data definitions.

The ultimate objectives of the shared data warehouse are to eliminate manual data entry, to facilitate information exchange between various elements in the acquisition process, such as the



finance and logistics offices, and to contribute to the elimination of unmatched disbursements. A prototype was established in May 1997 that stores data transmitted by 850/860 transaction sets. A functional warehouse will be fully integrated with the SPS by June 1998.

I believe the introduction of the SPS and the shared data warehouse will improve the overall acquisition process as well as the lives of many of us in the procurement community who often feel overwhelmed by data and paperwork. This is the way acquisition reform should work.

Central Contractor Registry Database

The other side of this revolution in electronic interactivity requires the contractors to be able to easily and efficiently communicate with us. To that end, we are in the process of populating the central contractor registration database, or CCR. The CCR was originally developed as a single point for contractors interested in conducting electronic data interface transactions with the government to register. As a result of the Debt Collection Improvement Act of 1996, we are now

required, for contracts resulting from solicitations issued on or after July 26, 1996, to pay contractors by electronic funds transfer, or EFT. We are also required to collect and report taxpayer identification numbers.

In order to simplify the collection of the taxpayer identification number and bank routing information for EFT payments, we concluded that using the existing CCR infrastructure would be the least disruptive to the government contracting and finance communities and would provide a single face to industry for contractors to register these data elements. Requiring contractors to register in the CCR also provides the added benefit of establishing a single database for existing automated contract writing and contract pay systems.

As we continue to improve and automate our administrative functions, the CCR will evolve as necessary to support these systems. We will use the CCR in an assortment of automated functions such as building bidders mailing lists, writing contracts, assigning contract administration functions, and in support of all aspects of electronic commerce. In time, CCR will eliminate the requirement for contractors to submit multiple Standard Forms 129, Solicitation Mailing List Application, to different contracting activities because the requisite information will reside in the central database.

Status of Mandatory Contractor CCR Registration

In early February, I signed a letter advising the acquisition community of my intention to propose regulations requiring that for awards resulting from solicitations issued after September 30, 1997, the contractor must be registered in the CCR or a contract cannot be awarded. I established an integrated product team, or IPT, to support the CCR implementation process. As we reviewed the process, it immediately became clear to me that registering in the CCR was just too difficult. We felt that the Internet registra-

ELEANOR R. SPECTOR



*Director Of Defense Procurement
Office Of The Under Secretary of Defense
(Acquisition & Technology)*

Eleanor R. Spector assumed her position as Director of Defense Procurement in March 1991. Prior to that time, she had been the Deputy Assistant Secretary of Defense for Procurement since 1985. Spector is responsible for all matters related to procurement policy in the Defense Department. This includes directing the Defense Acquisition Regulations Council and developing policy for contract pricing and financing, contract administration, international contracting, and training of contracting personnel. She is the principal advisor to the Under Secretary of Defense for Acquisition and Technology on major weapon system contracting strategies and is an advisor to the Defense Acquisition Board on procurement matters.

Spector began her career as a Navy Management Intern. She came to the Office of the Secretary of Defense in 1984 after 13 years at the Naval Air Systems Command (NAVAIR), where she was involved in all phases of airframe, radar, and missile contracting. At NAVAIR she held successive positions as contract specialist on the A-6 and F-14 aircraft; procuring contracting officer for AWG-9 Radar, Phoenix Missile, and LAMPS Helicopter; branch head for all Navy Missile Programs; and director of the Cost Analysis Division, where she supervised the development of all NAVAIR weapon systems budget estimates.

Spector was awarded the Navy Superior Civilian Service Medal in 1982; the Navy Distinguished Civilian Service Medal in 1985; the Department of Defense Medal for Meritorious Civilian Service in 1986, 1993, 1996, and 1997; the American Society for Public Administration 1987 Mid-Career Award; the Presidential Meritorious Rank Award in 1989 and 1994; the Presidential Distinguished Executive Rank Award in 1990; and the Distinguished Civilian Service Medal in 1991 and 1994.

Spector received her Bachelor of Arts in Political Science from Barnard College and has completed post graduate courses in business and public administration at The George Washington University.

Her professional activities include: National Contract Management Association Advisor and Fellow; Defense Systems Management College Board of Advisors, 1987-90; Chairman of the DoD Federal Advisory Panel on Uncompensated Overtime, 1989; Chairman of Government-Industry Advisory Panel on Rights in Technical Data, 1992-94; and Chairman of the Procurement and Contracting Functional Board, Defense Acquisition University, 1992-present.

Spector was born in New York City. She and her husband, Mel, have a daughter and son, Nancy and Ken.

tion process was too cumbersome, and we found that many of our contractors simply could not access the Internet.

We also concluded that the time lag between submission of a registration package and the completion of the registration process was too long – it has taken some companies as much as 30 days to complete the registration process.

As a result of the problems we encountered with the registration process, Dr. [John] Hamre, [then] Comptroller of the Defense Department, and I signed a letter delaying implementation of the requirement for contractors to register in the CCR as a condition for receiving a contract. We are currently assessing the schedule to improve the registration process, and we have not established a firm date for implementation of the registration policy. For planning purposes, however, the policy will not be implemented earlier than March 31, 1998.

We are taking a number of steps to improve the CCR registration process. We are developing a seed file from existing government and Dun and Bradstreet files to pre-populate the CCR database. We are revising the Web registration process and the registration form to be much more user friendly. We are working with the electronic commerce resource centers to develop outreach centers to help the smaller contractors register in CCR. Finally, we are working to significantly reduce the time it takes to register.

As soon as we analyze the steps necessary to improve the registration process, we will establish a firm date when contractors must be registered in CCR as a condition to receive a contract.

We know that CCR is a new way of doing business, and we are convinced that over time it will support automated systems that will improve our productivity.