

# The Future of DoD Acquisition Reform

## Acquisition Centers of Excellence

Glenn L. Starks

**J**oint acquisition strategies within the Department of Defense will lead to greater efficiencies in meeting national and international demands on DoD. These efficiencies include streamlined acquisition processes, standardized acquisition procedures, a fusion of acquisition regulations, and, perhaps most important, established Centers of Excellence that are more agile and capable of meeting the dynamic needs of the warfighter and other DoD customers.

### What is a Center of Excellence?

Various agencies within DoD acquire many of the same products and services, and award contracts to many of the same suppliers. For example, DoD agencies individually procure parts, and many are purchased from the same suppliers. DoD agencies also individually acquire services such as security, information technology, training, and installation. In an age of outsourcing, agencies are contracting for many of the same public services from private providers. Those services range from payroll and administrative support to data analysis support.



This situation creates opportunities to merge the requirements of agencies through joint acquisitions—by creating a Center of Excellence—and streamline DoD's overall acquisition process. There are many opportunities for contracting synergies across agencies, mainly because the requirements to obtain these services are relatively uniform across DoD.

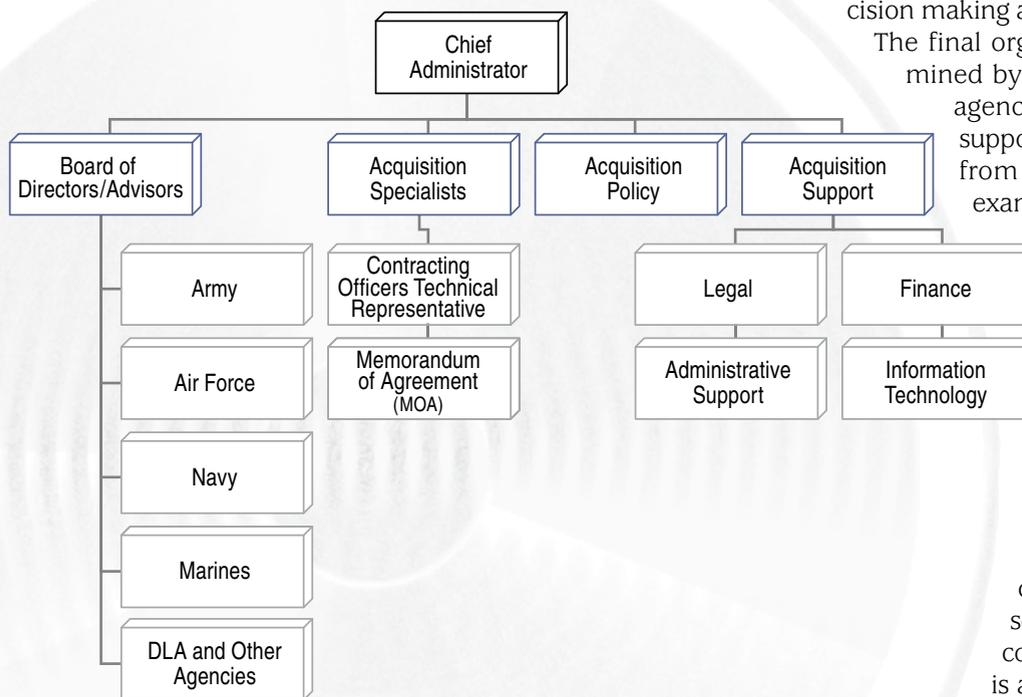
### Establishing a Center of Excellence

Centers of Excellence can be established in several ways. They may be established within agencies that already have expertise in specific areas. For example, the Air Force has expertise in procuring parts and services in support of aircraft. One of its sites might establish a contracting Center of Excellence for acquiring maintenance support across Services when its aircrafts have similar technical specifications or are provided from the same supplier.

Centers may also be established within an executive branch outside DoD. For ex-

*Starks holds a doctorate in public policy and administration from the Virginia Commonwealth University. He has 18 years of federal service and has published numerous articles on acquisition and leadership.*

## Example of the Center of Excellence Concept



acquisition support are directly involved in decision making and the execution processes. The final organization should be determined by senior personnel from the agencies providing and receiving support, as well as by a champion from their oversight bodies (for example, the under secretary of defense for acquisition, technology and logistics or the GSA chief acquisition officer).

ample, the General Services Administration (GSA) awards contracts for services such as consulting and data analysis that can be used by any government agency. Some agencies and offices within the Department of Homeland Security and the Department of Justice have similar needs as those within DoD and, thus, offer opportunities for collaborative contracting efforts.

A third option is for a centralized Center of Excellence to be established and maintained at the DoD-level (i.e., under the Office of the Secretary of Defense). The center can be staffed by permanent personnel, personnel reassigned from DoD agencies, or personnel completing rotational assignments within the center.

A fourth and final option is to outsource the center. Under this final option, however, there must be government oversight of all contracts awarded and administered, and only a government official would be allowed to actually award a contract or obligate government funds.

### Organizational Structure

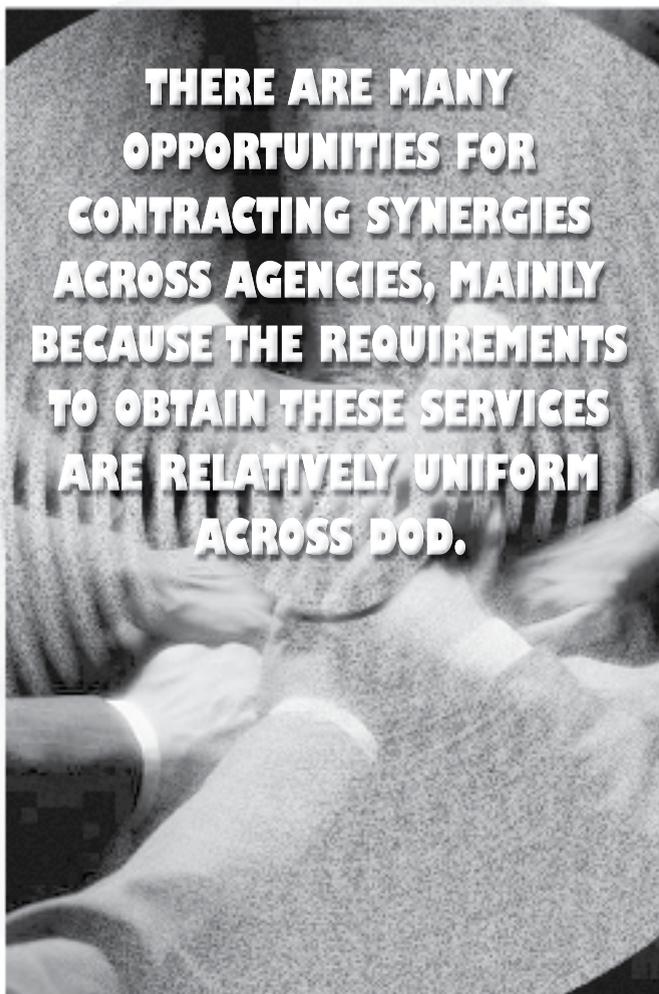
The above figure provides an illustration of the Center of Excellence concept. The organizational structure of each center will vary depending upon the needs and number of customers, number and type of personnel resources required to support those customers, and the type of service being provided. However, the basic structure of each center would be composed of the organizational components outlined in the figure to ensure there is a cohesive partnership formed with primary service providers and recipients, and to ensure that key stakeholders providing

At the top is a chief administrator who oversees the center's operations. The position is responsible for actions taken by the center's personnel and for contracts awarded, and is the senior approving official for all contract awards. This position is also the primary liaison with all agencies that are supported by contracts awarded. The board of directors consists of senior-level officials (or their appointees) of the agencies being supported by the center. Representatives from the Army, Air Force, Navy, Marines, Defense Logistics Agency, and other DoD agencies provide input and oversight of contracts awarded by the center. The members of the board of directors ensure their agency's requirements are understood and adequately covered under joint contracts. They also assist the center in tracking contract metrics. For this reason, representatives are involved in discussions when their organizations are directly or indirectly affected by contracts.

The third line in the figure outlines the operational personnel and other offices or departments within the center. Acquisition specialists award contracts and provide contract administration for awarded contracts. They are supported first by acquisition policy specialists who provide pricing support and regulatory oversight, and assist in the development of business case analyses. Acquisition support includes the legal staff, finance personnel, administrative support, and information technology support. Personnel in the acquisition policy and acquisition support areas may actually be employed within the Center of Excellence or be provided via matrix support from agencies being supported. Personnel in these areas may also support other Centers of Excellence.

The contracting officer's technical representative provides contracting support at the actual customer location(s)

being supported by each contract. These are personnel from each agency or location being supported. They have intimate knowledge of the level of support required by the supplier under contract and interact directly with the acquisition specialist and supplier to ensure the requirements of their respective locations are being supported. Contracting officer's technical representatives provide acquisition specialists with weekly, monthly, or quarterly information on the contractor's performance, depending on the agreed-upon reporting time frames.



Notice that a memorandum of agreement is put in place between the Center of Excellence and the agency and/or location being supported by a joint contract. An MOA outlines the specific roles and responsibilities of the Center of Excellence, contracting officer's technical representative, and other personnel involved in the administration of each contract. The MOA outlines items such as how joint agency requirements will be developed; how supported agencies have influence on contract negotiations and the determination of suppliers; who is responsible for tracking and reporting metrics; what these metrics are and how they will be measured; what methods will

be used to maintain communication; and who has the authority to alter the terms and conditions of the MOA. The MOA clearly outlines the lines of responsibility and accountability for each contract. Responsible officials from the Center of Excellence and each party being supported sign the MOA.

### **What Are the Benefits?**

**Improved oversight of contracts.** Agencies often assign contracts for different types of products and services to their contract administrators based on region or industry. A single administrator may have to juggle administering contracts for multiple vendors, sometimes providing similar products and sometimes providing different products from their various divisions. The administrator, thus, does not gain the expertise with the products or the familiarity with the supplier that is needed to provide effective oversight. An effective contract administrator requires sufficient knowledge of supplier capabilities and processes to handle issues and provide effective oversight.

**Dedicated personnel can provide faster responses to issues.** Dedicated contracting personnel managing contracts based on a specific product or service group can quickly respond to issues such as increases in operations tempo, customer requirements, and other emergency needs.

**Acquisition specialists gain expert knowledge of industry practices, the various suppliers available, and the products and services they supply.** Industry practices include processes to obtain resources, production processes, and pricing methodologies. Gaining expertise in all of those areas leads to government-industry partnerships that may be tailored to meet the needs of specific customers. Those partnerships that will be a catalyst for more agile approaches to meeting customer needs, and the lessons learned from the partnerships can be imported to other Centers of Excellence.

**Consistent application of policies and procedures** based on best government and commercial practices is the result of combining the benefits noted above.

### **What Are the Challenges?**

Many issues and challenges potentially exist when there's a single Center of Excellence that provides contract support for various agencies.

**Security.** Different DoD agencies (and even branches within agencies) have varying requirements for entry to their sites, into different buildings, and to computer systems and information. It is very difficult for a single contract for security personnel, for example, to address varying security requirements and have terms and conditions flexible enough to adapt to dynamic changes in security requirements. In this particular example, contracts could

be segregated by the level of security required; customers with high security requirements could be covered by one contract, those with medium requirements by another, and those with low requirements by another. It is also critical that security requirements be accurately and fully outlined in the MOAs between the Center of Excellence and its customers, and in statements of work and subsequent contracts. Overcoming this challenge requires a clear definition of requirements in performance-based terms, notably in specific guidelines for compliance and an outline of consequences for non-compliance. Requirements should be re-evaluated on a semi-annual or annual basis (depending upon the nature of their criticality to the customer) with all stakeholders involved.

**Awarding joint requirements that fully encompass the performance metrics of various customers.** A contract covering maintenance services at three defense industrial sites, for example, may require metrics for different technical and quality standards, delivery parameters, onsite support, and cost structures for the same level of support. Incorporating different performance requirements makes it difficult to track contractor performance and also increases the contractor's costs. However, this challenge can be overcome by establishing local, regional, or satellite contract administration offices based on the level of support required by customers, or by adding contract stipulations requiring local customers to provide contract administration support in the area of tracking and reporting contractor performance metrics. On a recurring basis (perhaps quarterly), performance management reviews would need to be held with the government and the contractor to evaluate all the performance data.

**Funding.** Specifically, each agency supported by the contract must have funds set aside to pay for its portion of the contract. Funds should either be transferred to the Center of Excellence (most often by means of a financial document called a military interdepartmental purchase request [MIPR]) or each agency would have to independently set funds aside in its budget. Funds would have to be available from each agency for the base period of the contract and for each option year. If not, the government would be in violation of the Anti-Deficiency Act, which forbids an officer or employee of the U.S. government or the District of Columbia government from making or authorizing an expenditure or obligation exceeding an amount available in an appropriation or fund for the expenditure or obligation. In other words, government contracts cannot be awarded to commit the United States to make payments for goods or services unless money has been set aside specifically for that purpose. Funds must be available to cover any guaranteed minimum quantities the government promises to buy from a supplier on a contract. This challenge is overcome by ensuring that finance personnel are involved in contracting decisions early in the award process and a MIPR is issued at the time of contract award or that each

agency provides certified proof of funds availability in its financial records. It is also important to maintain a single office of responsibility and accountability for receiving, tracking, and reporting funds.

Other challenges:

- Ensuring all customer requirements are adequately covered in joint requirements. A joint requirements document should be developed to outline common requirements for all customers, but also specific requirements for each particular customer. As stated earlier, all requirements should be stated in performance-based terms.
- Tracking actual savings across the entire contract to ensure the achievement of anticipated savings outlined in the business case analysis. This requires an upfront commitment (i.e., documented in the MOA) from all parties to maintain data starting from the date of contract execution through the end of each performance period. This data should track the contractor's performance in meeting cost, schedule, and quality requirements. The Center of Excellence should have responsibility for outlining how the data are collected and reported and for tracking and reporting all performance data based upon a consolidation of input from each customer site.
- Ensuring the benefits gained by awarding a single contract within a Center of Excellence outweigh the costs. The costs of establishing and maintaining a Center of Excellence should be compared annually to the actual savings achieved through the contracts awarded themselves and through the customers' not having to invest their own resources in awarding and maintaining individual contracts. Savings will be based upon actual costs achieved, as well as opportunity costs forgone.

## **Examples of Current Centers of Excellence**

Various agencies currently offer acquisition services for other agencies in DoD evidencing government attempts to provide interagency support and provide lessons learned for a full transition to a DoD network of Centers of Excellence.

### **General Services Administration**

The GSA awards "schedules," which are long-term contracts with commercial firms that can be utilized by any government agency. These schedules currently cover more than 11 million products and services. DoD is attempting to increase its use of GSA schedules in accordance with law and through formal agreements. H.R. 3222, signed Nov. 23, 2007, by President George W. Bush encourages DoD to increase its use of GSA acquisition services.

The director of defense procurement and acquisition policy in the Office of the Under Secretary of Defense for Acquisition, Technology and Logistics, and the GSA chief

acquisition officer have signed an MOA that outlines the way in which the organizations will work together to promote excellence in acquisition. The agreement notes steps such as ensuring statements of work or performance work statements are complete when used in connection with a contract or order issued by either DoD or by GSA in support of DoD; ensuring interagency agreements between DoD and GSA describe the work to be performed by GSA on behalf of DoD and any other applicable requirements;

entities will meet quarterly to evaluate and address the effectiveness of this plan and identify emerging interagency acquisition issues.

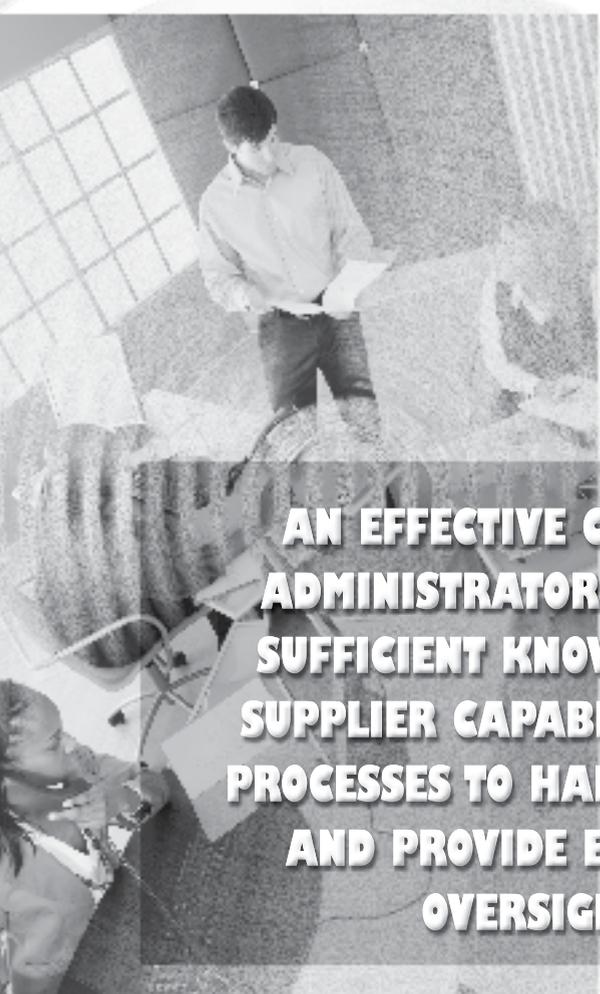
### **Defense Logistics Agency**

The Defense Logistics Agency awards contracts for consumable and repairable items managed by DLA and the military services. DLA has established strategic alliances with several of DoD's largest suppliers, many of which are also original equipment manufacturers for many of the military's primary weapons systems. These strategic supplier alliances are established by charters that outline the overarching relationship of each supplier with each government entity that is a party to the alliance (i.e., DLA and the Army, Air Force, Navy, and/or the Defense Contract Management Agency). The charter serves as the official document of the alliance agreement, outlines general roles and responsibilities, and is signed by senior-level officials representing the supplier and each government partner.

All alliances are executed by long-term contracts that cover items managed by each government partner. DLA sponsors quarterly, semi-annual, and annual meetings with each supplier in order to address strategic issues impacting the alliances and tactical issues impacting customer support. DLA has established specific integrated supplier teams that award and monitor contracts, oversee the management of items covered by the contracts, and interact with military service partners on the alliance. DLA's alliances provide valuable lessons that may be used as a foundation for establishing Centers of Excellence.

### **The Way of the Future**

Acquisition Centers of Excellence can provide valuable benefits to DoD in accomplishing its dynamic and evolving mission. Centers can also offer DoD streamlined acquisition processes as it seeks to operate in a more agile and efficient manner, while reducing personnel levels. In addition, they will provide efficiencies from joint collaborative acquisition efforts that can be used by the entire executive branch. While there are challenges in developing joint initiatives, if centers are structured and operated efficiently, the benefits realized outweigh the costs of overcoming those challenges.



**AN EFFECTIVE CONTRACT ADMINISTRATOR REQUIRES SUFFICIENT KNOWLEDGE OF SUPPLIER CAPABILITIES AND PROCESSES TO HANDLE ISSUES AND PROVIDE EFFECTIVE OVERSIGHT.**

ensuring price reasonableness determinations are completed on every contract or order either placed by DoD or by GSA on behalf of DoD; and ensuring acquisition practices across GSA are applied consistently with GSA policy. The agreement also covers critical areas such as providing effective contract oversight, the efficient management of joint contract funding, maintaining price competition, stating requirements in performance-based terms, providing training and education to customers, issuing timely progress reports, and maintaining open lines of communication between DoD and GSA leadership.

DoD and GSA have developed a more detailed action plan that defines their respective roles and responsibilities. The agreement also stipulates that senior leaders from both

The author welcomes comments and questions and may be contacted at [glenn.starks@dlc.mil](mailto:glenn.starks@dlc.mil).