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# **ACQUIRING IT SERVICES: SHOULD DOD USE SINGLE OR MULTIPLE AWARD TASK ORDERS?**

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# Overview

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- **Literature Search Results**
- **Single Award Task Order Contracts (SATOC) vs Multiple Award Task Order Contracts (MATOC)**
- **USSOCOM Case Study**
- **MATOC Sources of Cost Growth**
- **Challenges to Continued Competitive Pressure**
- **Conclusion**
- **Recommendations**



# Literature Search Results

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- **Two schools of thought**
  - **Public sector believes competition motivates contractor performance & cost reduction (OFPP, 1999; Sabin, 2005)**
  - **Long-term relationships w/fewer contractors can also lead to efficiency (Kelman, 1990; GAO, 2002)**
- **Evidence supporting both sides is anecdotal**
  - **Savings estimates based on Government estimates**
  - **No SATOC/MATOC comparison under similar conditions**
  - **Effects of other factors on savings not considered**
- **Acquisition policy encourages MATOCs over SATOCs (FAR Part 16, 2012; Sabin, 2005).**
- **DOD & civilian agencies struggle to maintain continued competition under MATOCs (DOD IG, 2001; GAO, 2003)**



# SATOC vs MATOC

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- **SATOC Advantages**
- **SATOC Issues**
- **MATOC Advantages**
- **MATOC Issues**



# SATOC Advantages

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- **Reduced contractor overhead cost**
- **Reduced government resources for oversight**
- **Increased economy from requirements consolidation**
- **Reduced need for cross vendor coordination**
- **Rapid acquisition of services**
- **Increased ability to build long term relationships**



# SATOC Issues

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- **Reduced incentive for contractor to lower costs**
- **Reduced incentive for contractor to introduce efficiencies**
- **Reduced responsiveness to Government requirements without additional compensation**
- **No competition after award**



# MATOC Advantages

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- **Reduced acquisition cycle time from Full & Open Competition**
- **Increased competitive pressure to lower costs**
- **Increased competitive pressure to perform**
- **Continued competition after initial award**
- **Increased Government leverage in change negotiations**



# MATOC Issues

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- **Increased Government oversight & management**
- **Increased cross vendor coordination required**
- **Overhead cost of multiple contractors must be recouped**
- **Limited potential to reduced costs by combining tasks**
- **Longer acquisition lead time than SATOCs**
- **Larger task orders subject to protest**



# USSOCOM Case Study

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- **USSOCOM IT Acquisition History**
- **Enterprise Information Technology Contract(EITC) Model**
- **Special Operations Forces Information Technology Enterprise Contracts (SITEC)**
- **EITC vs SITEC**



# USSOCOM IT Acquisition History

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- **Prior to 2002 – Multiple contracts for IT support no enterprise contract**
- **2002 –EITC issued to:**
  - **Improve Command wide interoperability**
  - **Standardize operations**
  - **Increase overall IT performance**
  - **Improve cost of ownership**
  - **Provide a single point of contact**
  - **Improve technology refresh**



# USSOCOM IT Acquisition History

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- **2011 - SITEC Issued to:**
  - **Increase control, transparency & accountability over IT operations**
  - **Foster effectiveness and innovation**
  - **Drive cost optimization**
  - **Foster communication & information sharing**
  - **Establish flexible and scalable contract supported by a strong metrics program**
  - **Foster competition**
  - **Enable Net Centricity**



# EITC Model

- **SATOC with mandated 30% SDB goal**
- **Mix of performance based and level of effort support**
  - **Performance based:** contract management, systems administration, information assurance, configuration management, help desk, desktop support, infrastructure support, integration, testing, and disaster recovery
  - **Level of effort task orders:** hardware maintenance, training, VTC, database/web/application/portal development, surge, contingency, deployment, technology refresh, travel, and ODCs
- **Scope based on functions & technical environment at time of award**
- **Governance primarily site directed with minimal Enterprise direction**
- **Performance management based on meeting technical SLAs**
  - **4 term incentive years based on performance in years 2-5**
  - **No incentives/disincentives after award of term incentive years**



# EITC Issues

- **Support primarily focused on meeting site requirements**
- **Management of change costly**
  - **Negotiated 3 equitable adjustments to performance based support based on growth**
  - **Most growth resulted in level of effort task orders**
  - **Performance based support only 25%(approx) of contract base**
- **Mission changes, generically defined requirements, and undefined Government involvement made Contractor accountability difficult**
- **EITC performance was primarily reactive**
  - **Performance based support focused on day to day O&M & meeting minimum requirements**
  - **No problem resolution or proactive management**
  - **No incentive for improving performance other than award of new task orders**



# SITEC Overview

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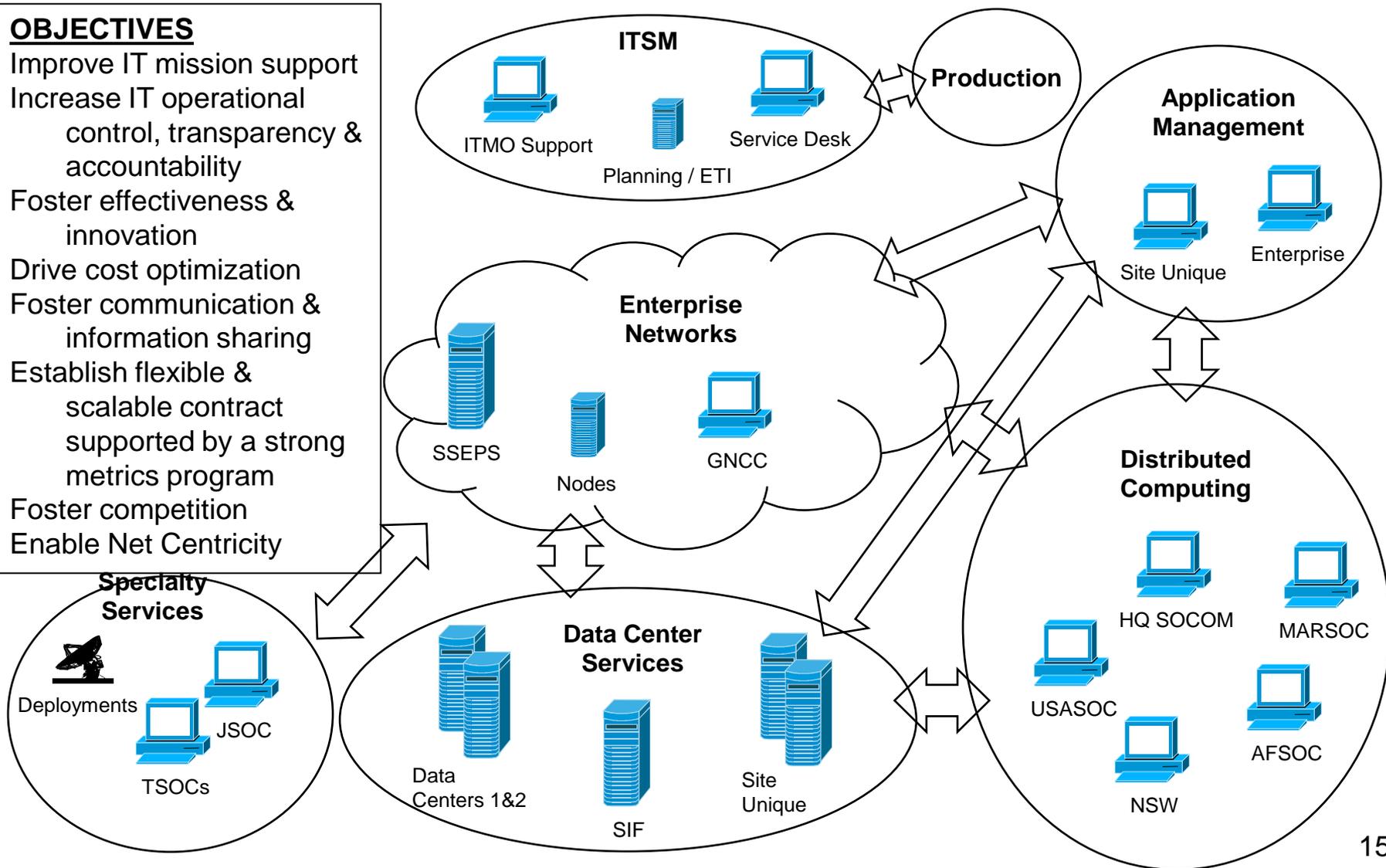
- **DPAP would not allow one SATOC to replace EITC**
- **Acquisition strategy included a mixture of SATOC & MATOCs**
- **Mix of performance based FFP, CPIF and CPFF type task orders**
- **Flexible scalable scope to accommodate organizational changes**
- **Established IT Management Office to provide:**
  - **Central point for managing SOF Information Enterprise**
  - **Centralize implementation & policy compliance for CIO policy and regulations**
  - **Complete view of all SIE assets and integration projects**
  - **Central management of all SIE and SITEC performance data**
  - **CIO and DPAP compliant approach to IT management**
  - **Structure to implement Information Technology Infrastructure Library (ITIL)**
- **Shared Performance**



# SITEC Overview

## OBJECTIVES

- Improve IT mission support
- Increase IT operational control, transparency & accountability
- Foster effectiveness & innovation
- Drive cost optimization
- Foster communication & information sharing
- Establish flexible & scalable contract supported by a strong metrics program
- Foster competition
- Enable Net Centricity





# SITEC Overview – Unit Based Towers

## Enterprise Networks

FFP Per Network Device, Limited T&M\*

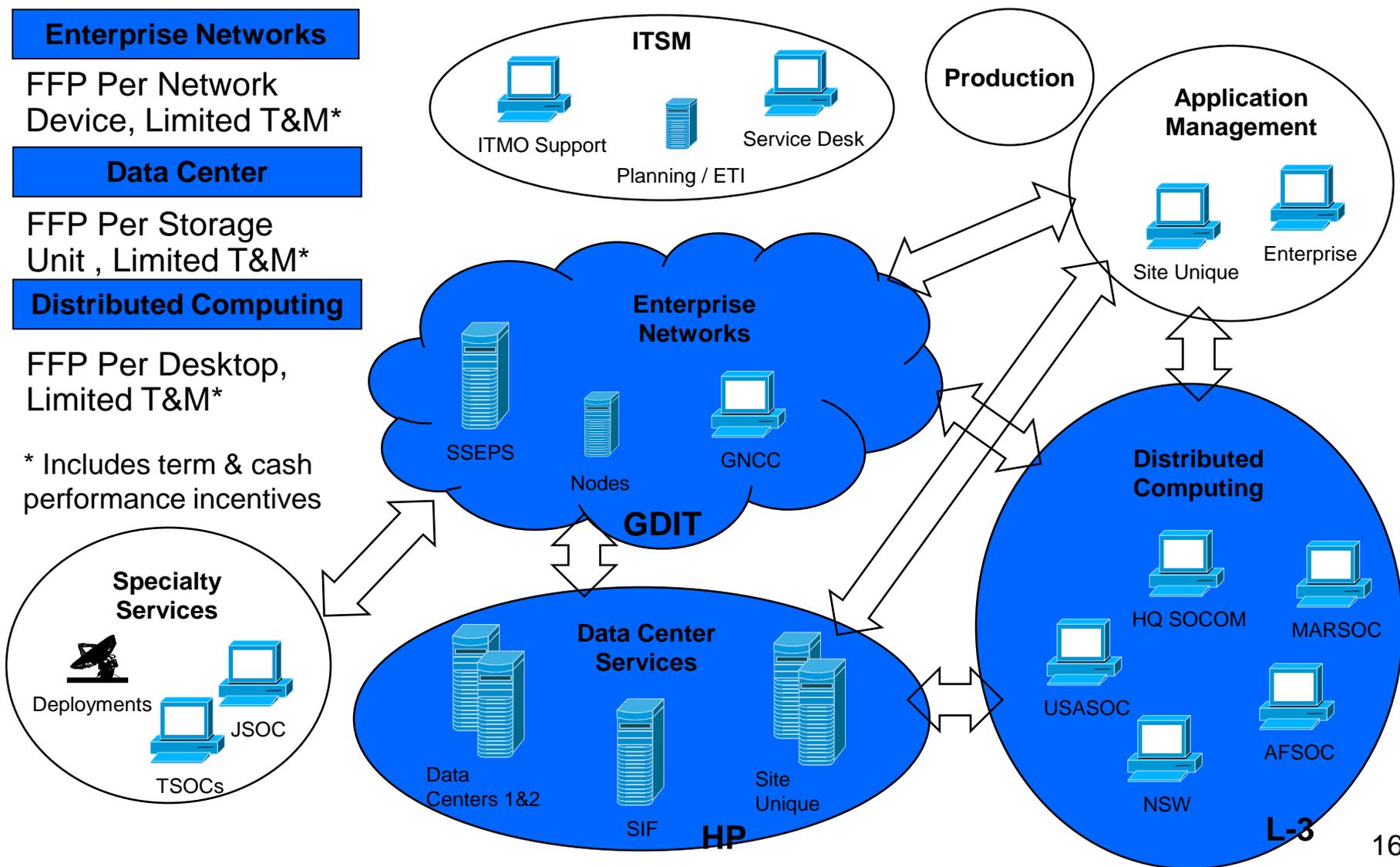
## Data Center

FFP Per Storage Unit, Limited T&M\*

## Distributed Computing

FFP Per Desktop, Limited T&M\*

\* Includes term & cash performance incentives



HP

L-3



# SITEC Overview – Multiple Award Towers

## Application Management

Multiple Award CPFF or FFP  
Awardees: BAE, Berico, CACI, Booz Allen Hamilton, L3, Pragmatics, SRA

## ITSM



ITMO Support



Planning / ETI



Service Desk

Production

## Application Management



Site Unique



Enterprise

## Specialty Services

Multiple Award CPFF or FFP  
Awardees: Arma (SB), Booz Allen Hamilton, Dell, DRS, GDIT, L3, SAIC

## Enterprise Networks



SSEPS

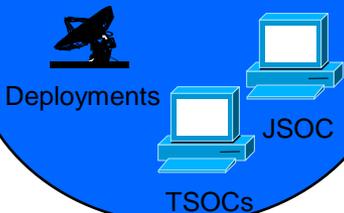


Nodes



GNCC

## Specialty Services



Deployments

JSOC

TSOCs

## Data Center Services



Data Centers 1&2



SIF



Site Unique

## Distributed Computing



HQ SOCOM



MARSOC



USASOC



NSW



AFSOC



# SITEC Overview - Towers

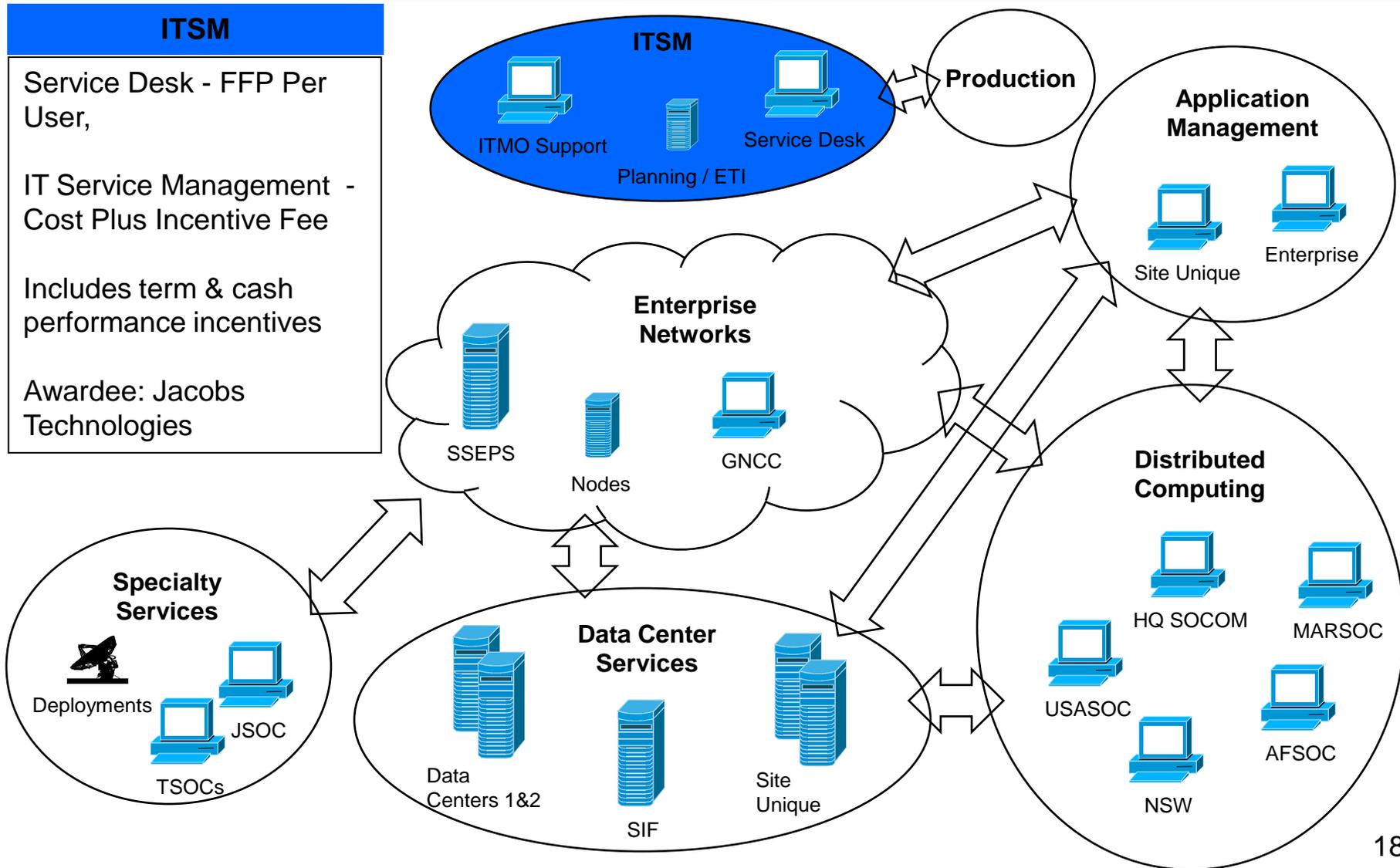
## ITSM

Service Desk - FFP Per User,

IT Service Management - Cost Plus Incentive Fee

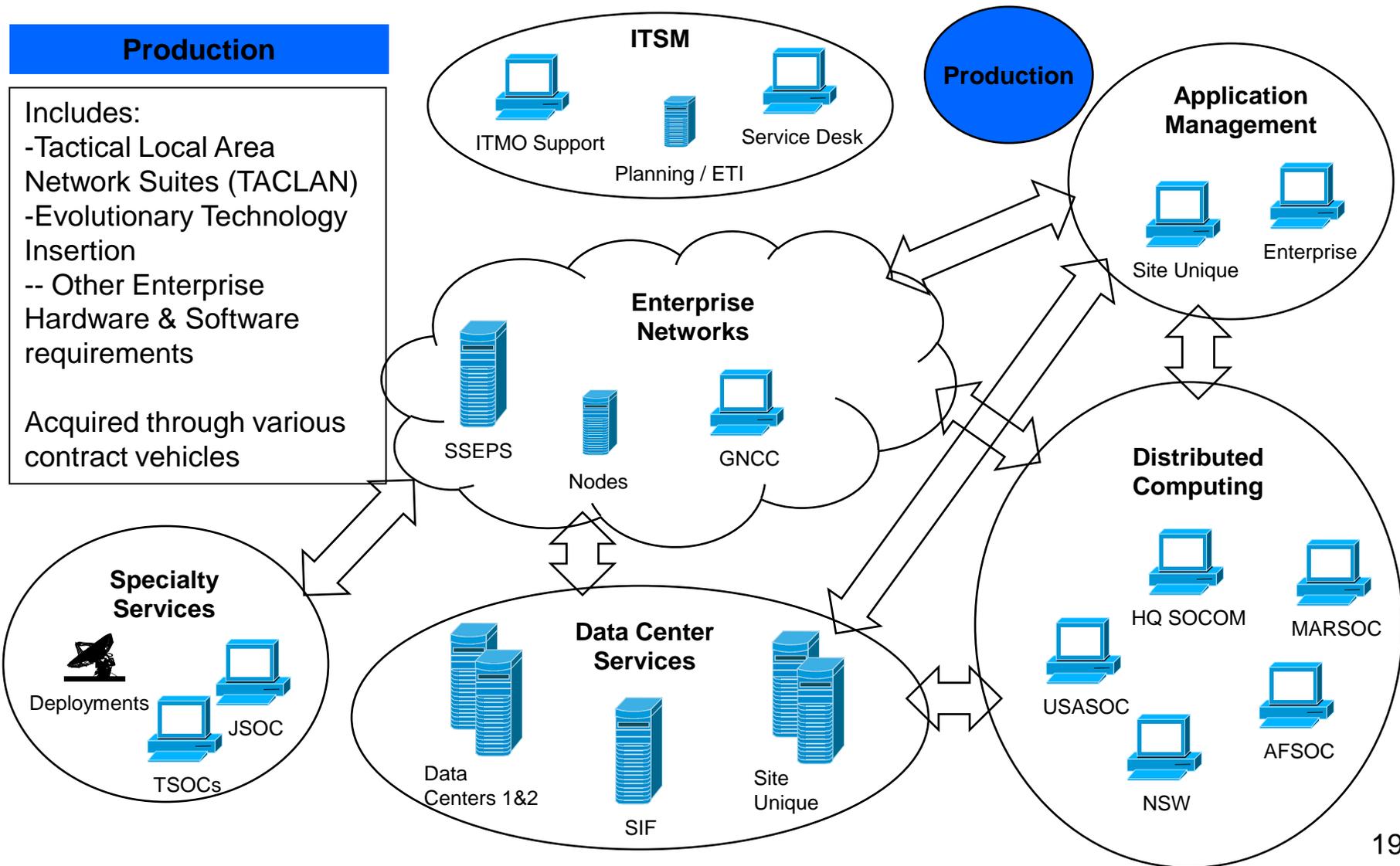
Includes term & cash performance incentives

Awardee: Jacobs Technologies





# SITEC Overview - Towers

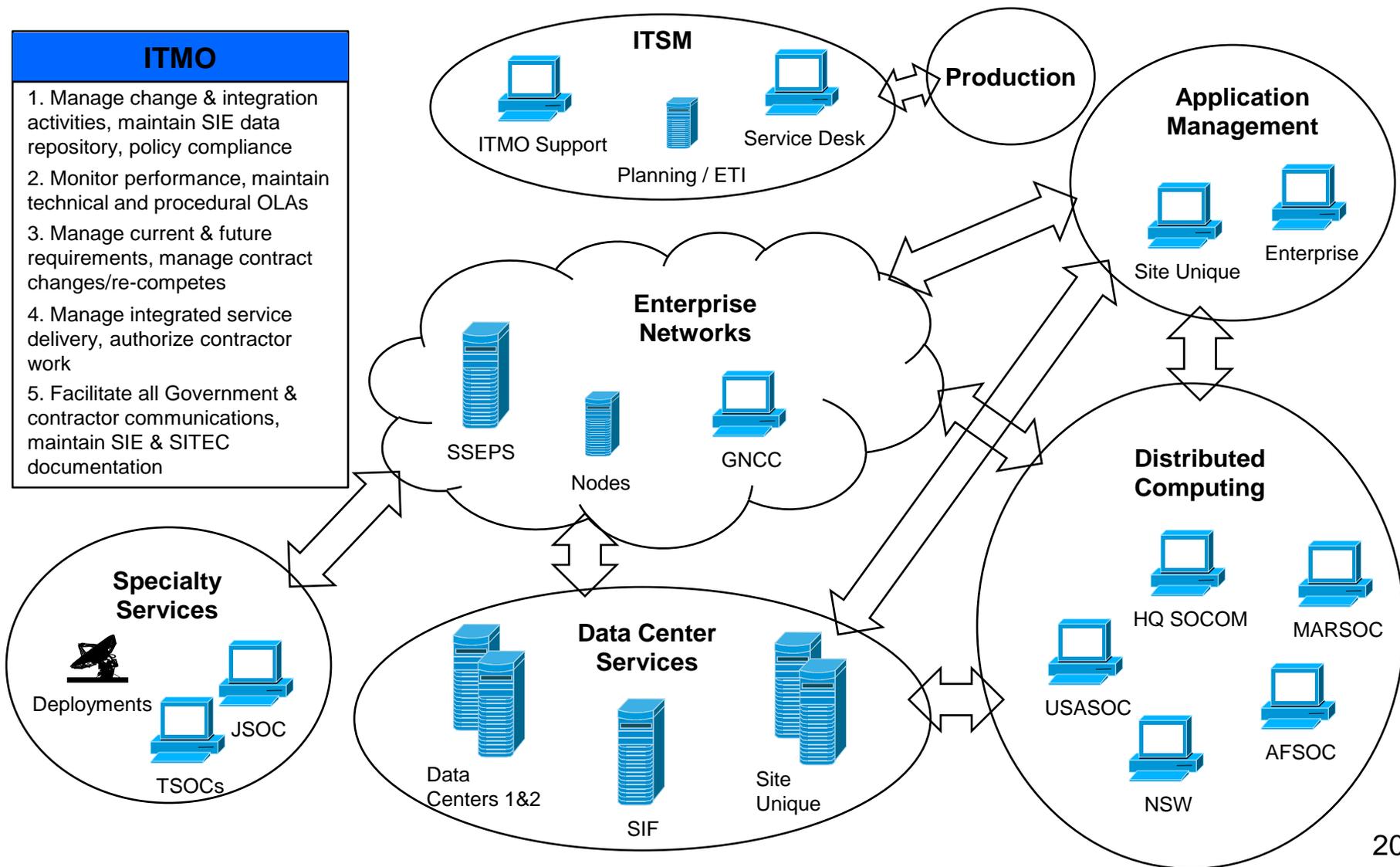




# SITEC Overview - ITMO

## ITMO

1. Manage change & integration activities, maintain SIE data repository, policy compliance
2. Monitor performance, maintain technical and procedural OLAs
3. Manage current & future requirements, manage contract changes/re-competes
4. Manage integrated service delivery, authorize contractor work
5. Facilitate all Government & contractor communications, maintain SIE & SITEC documentation





# EITC vs SITEC

## EITC

- One Contractor
- Fixed Price based on estimated # of users
- Specialty & App Mgt services – T & M
- Incentives Based on Contractor Performance
- 9 Year Contract
- Single Award Task Orders
- No Penalties for poor performance
- Contractors took direction from Government personnel

## SITEC

- Eighteen Contractors
- Fixed Prices based on actual # of users
- Spec & App Mgt – Multiple Award/CPFF
- Incentives Based on System Performance
- 3-6 Year Contracts
- Competitive Task Orders
- Price reduction for poor performance
- Well defined Enterprise and Site Governance and authorities



# SITEC Cost Savings

- **SOCOM estimates cost savings of \$50-72M per year**
  - Estimate based on Government Estimate using:
    - Gartner benchmark data
    - EITC experience
  - Calculation based on initial SITEC contract award data
- **Other factors contributing to cost savings**
  - Change in economic conditions
    - Unemployment rates: EITC – 5.3%, SITEC 11.9%
  - Change in contract type
    - EITC Single fixed price per year & T&M
    - SITEC Fixed unit prices & Cost Plus Fixed Fee
  - Implementation of new IT Governance Model
    - SITEC – Implemented Information Technology Infrastructure Library (ITIL) Structure
  - Cost growth exclusion - not included in initial cost savings estimates



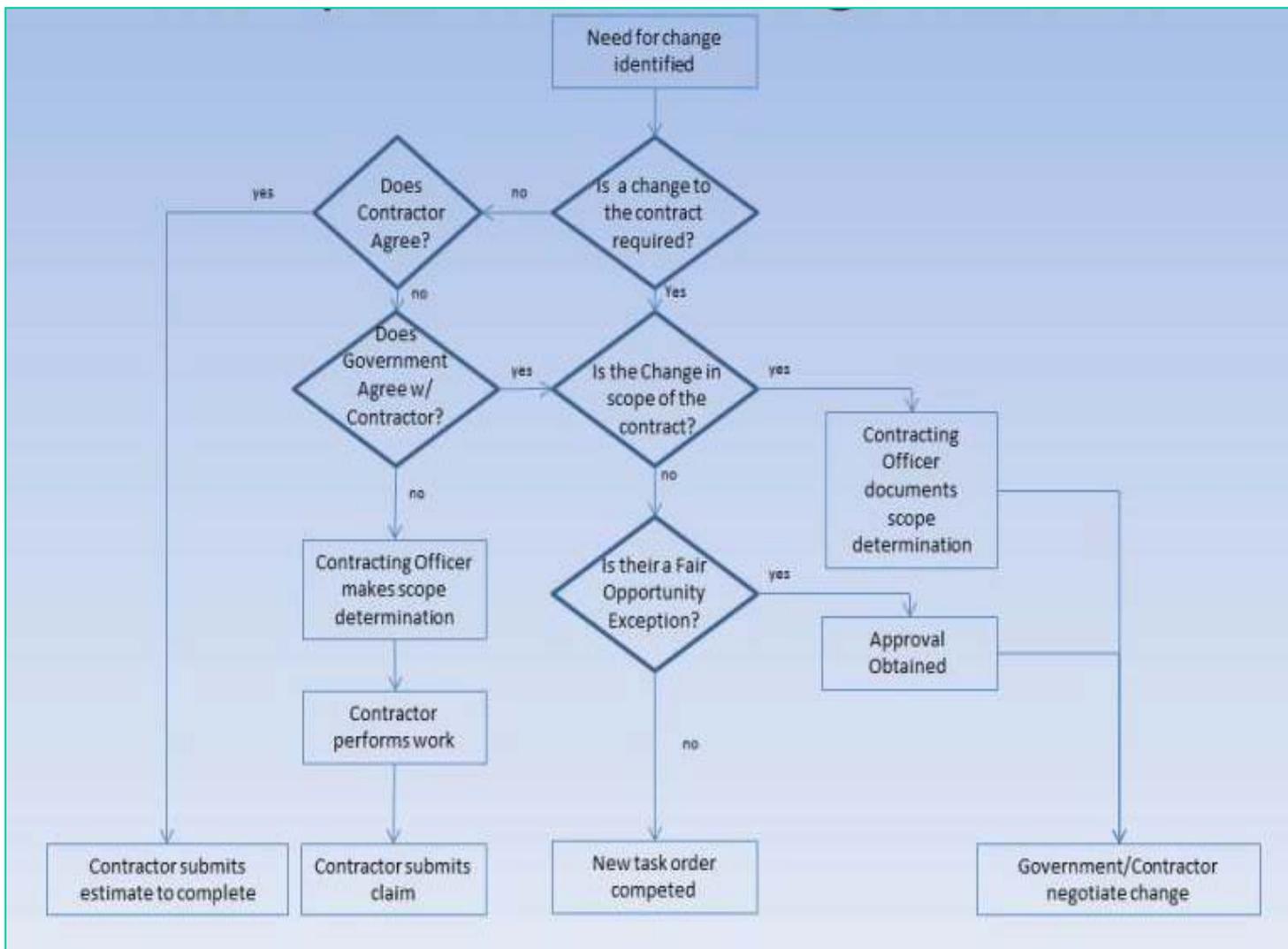
# MATOC Sources of Cost Growth

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- **Contract Changes**
- **New Work**
- **Cost Overruns**



# Multiple Award Change Process





# Challenges to Continued Competitive Pressure

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- **Improper use of multiple award contracts**
  - **DOD IG found only 3 of 15 units used MACs correctly(2001)**
- **Exceptions to Fair Opportunity process**
  - **GAO cited inadequate justification of exceptions in civilian agencies (2003)**
- **Inadequate Government resources to administer contracts and monitor performance**



# Conclusion

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- **Competition can motivate performance and cost savings**
- **Combining IT services can help achieve efficiency**
- **Public policy currently favors competition over consolidation**
- **Preponderance of the current literature on DOD organizations supports the use of MATOCs over SATOCs**
- **Evidence used is anecdotal without empirical testing**
- **Evaluation of SATOCs to MATOCs difficult**



# Recommendation

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- **Develop research tools to evaluate SATOC/MATOC cost savings & factor out the effects of other factors such as:**
  - **time**
  - **technology and process improvements**
  - **economic conditions**
  - **mission requirements**
  - **contract type**
  - **organization differences**
  
- **Factors analysis may help identify factors to:**
  - **help determine which method to use under varying circumstances**
  - **determine which factors contribute to the ability of either method to achieve desired results**
  - **develop tools to evaluate the effects of factors on cost growth**



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# Questions?



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