

FAR 13.5 ACQUISITION STREAMLINING

OBSERVATIONS AND RECOMMENDATIONS FOR THE DEFENSE LOGISTICS AGENCY

RESEARCH REPORT



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April 2011

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DISCLAIMER

The contents of this paper are the sole result of the research performed by the author. The results are the opinions solely of the author and do not reflect the opinions of the TACOM Life Cycle Management Command, the Defense Acquisition University, or the U.S. Army.

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ABSTRACT

This study leveraged the published work of Cory E. Yoder, CDR, U.S. Navy, Ret., “Getting the Most from Acquisition Reforms: FAR 13.5 Test Provision for Simplified Acquisition Procedures, Commercial-item Acquisition” for the purposes of making observations and recommendations for the Defense Logistics Agency. The Acquisition Chair at the Naval Postgraduate School sponsored CDR Yoder’s paper, which was published in December 2006.

This study evaluated the foundational intent of acquisition reform compared to the Defense Logistics Agency’s (DLA) performance in utilizing the streamlined procedures afforded under FAR 13.5 in current years, namely 2009 and 2010. Hypothesis: DLA underutilized the simplified procedures afforded under FAR 13.5, which resulted in longer procurement lead times than could have been achieved otherwise.

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CHAPTER 1

INTRODUCTION GET LEAN

An era of federal government acquisition reform kicked off in 1993 with the National Performance Review, followed by the Federal Acquisition Streamlining Act of 1994, the Federal Acquisition Reform Act of 1995, and the Service Acquisition Reform Act of 2003. All the Acts (FASA, FARA, and SARA) created “commercial” buying practices aimed at garnering greater efficiency and effectiveness in the acquisition process, and at eliciting greater participation in Federal acquisitions by nontraditional contractors (Yoder, 2006). Congress has taken further steps since 2004 to help government contracting become less cumbersome. The revisions provided in FAR 13.5 titled “Test Program for Certain Commercial Items” allow contracting officials to exceed the normal \$100,000 simplified acquisition threshold and go up to \$6.5 million with an even higher threshold of \$12 million in specific contingency support situations.

DLA’S ROLE

The Defense Logistics Agency (DLA) dominates the world of defense logistics in number of items ordered, procured, and delivered annually to all U.S. military services, foreign military sales, and also to other federal organizations with the largest non-Department of Defense sector being the local schools that DLA supports for the U.S. Department of Agriculture’s nutrition program. Shay Assad, director of Defense Procurement and Acquisition Policy, said: “DoD spent \$393 billion on 3.6 million actions in 2008 in support of warfighters. DLA processed 2.4 million [two-thirds] of those 3.6 million actions.” (Hout, 2009).

DLA has thrived in this era and innovated extensively over the past 10 years, and, said Jeffrey Curtis, director, DLA Strategic Plans and Policy: “Aside from the new missions we have absorbed through the 2005 Base Realignment and Closure, the number of people we employ to support the legacy DLA business has gone up only by 1,000 or 2,000 in the past 10 years even though our business volume has doubled. We’re now doing \$42 billion in sales, where before 9/11 we peaked at somewhere around \$17 billion.” (Reece, 2011).

DLA at a Glance: (DLA Official Website)

As America's combat logistics support agency, the Defense Logistics Agency provides the Army, Navy, Air Force, Marine Corps, other federal agencies, and joint and allied forces with a variety of logistics, acquisition and technical services. The Agency sources and provides nearly 100 percent of the consumable items America's military forces need to operate . . . from food, fuel and energy, to uniforms, medical supplies, and construction and barrier equipment. DLA also supplies about 84 percent of the military's spare parts. In addition, the Agency manages the reutilization of military equipment, provides catalogs and other logistics information products, and offers document automation and production services. Defense Logistics Agency is headquartered at Fort Belvoir, Va.

DLA Quick Facts: (DLA Official Website)

- *Had Fiscal Year 2010 revenues of nearly \$41 billion that would put DLA in the top 60 of the Fortune 500 list, ahead of companies like American Express, DuPont and Coca Cola.*
- *Employs about 27,000 civilian and military employees.*
- *Supports nearly 1,900 weapon systems.*
- *Manages eight supply chains and nearly 5 million items.*
- *Administers the storage and disposal of strategic and critical materials to support national defense.*
- *Operates in 48 states and 28 countries.*
- *Processes 116,000 requisitions and nearly 10,000 contract actions a day.*
- *Manages 26 distribution depots worldwide.*
- *Has the third-largest storage capacity of the top 50 distribution warehouses (behind FedEx and UPS).*
- *Is a leader in DoD efforts to supply the military services with alternative fuel and renewable energy solutions.*
- *Supports humanitarian relief efforts at home and abroad.*
- *Provides logistics support to other federal agencies.*
- *Had Fiscal Year 2010 Foreign Military Sales of about \$1.6 billion, supporting 118 nations.*

STRATEGIC ACQUISITION STREAMLINING

PROGRESS

As mentioned by Mr. Curtis, the lack of growth in total DLA employment (less than one-half of 1 percent annually over the past 10 years) while handling a significantly higher business volume indicated that the agency implemented efficient practices. However, despite seeing successes in processing more throughput (fulfilling a greater number of customer orders worth more money than ever), the DLA operates in an environment where pressure is on the Department of Defense (DoD) acquisition workforce to better manage contract performance and control costs. Evidence of this pressure is found in the congressional language of 10 U.S.C. 1705, which established the Defense Acquisition Workforce Development Fund (DAWDF):

(b) Purpose – The purpose of the Fund is to ensure that the Department of Defense acquisition workforce has the capacity, in both personnel and skills, needed to properly perform its mission, provide appropriate oversight of contractor performance, and ensure that the department receives the best value for the expenditure of public resources.

According to Frank Anderson, former Defense Acquisition University president:

The DAWDF is a vital enabler in responding to several significant workforce challenges. Downsizing of acquisition organizations in the 1990s was followed by a dramatic increase in workload beginning in 2001. Those factors have strained the current 126,000-member acquisition workforce and increased the risk that DoD will be unable to achieve its desired acquisition outcomes. In 2001, the Defense Department spent \$138 billion on contracts; and in 2008, spending reached \$396 billion – of which \$202 billion was for services. During this period, dollars spent on contracting actions over \$25,000 doubled, while the defense acquisition workforce (civilian and military) remained relatively flat in size. . . . The funding level for fiscal year 2008 was set at \$253,740,000, and the funds allowed DoD to take initial steps to ensure workforce growth. . . .

While addressing this dramatic increase in workload, DoD has also been dealing with the dynamics of an aging workforce. Also, there was a significant increase in use of contractor support personnel during this period. Today, the Baby Boomer generation represents 73 percent of the acquisition workforce. Eighteen percent of the acquisition workforce is fully eligible for retirement now, and another 20 percent will become fully eligible during the next five years. . . .

The department's top training priority and most pressing area of need is to improve certification levels and provide acquisition certification training at the right time in an employee's acquisition career. DoD will reinvigorate certification standards to ensure the workforce is fully qualified to be successful in an increasingly complex acquisition environment. (Anderson, 2009)

POTENTIAL

Congressional and DoD efforts to make the acquisition workforce more professional and more adroit at managing complex contractual relationships and performance requirements are noteworthy because not only did the National Defense Authorization Act of 2008 provide the structure, but the Services have been required to pay into the fund. Freeing up DLA employees to leave their desks and participate in this much needed training requires additional efficiencies.

Maximum streamlining under FAR 13.5 and reducing the number of procurement actions may help provide breathing room for acquisition professionals to give their time and attention to improving their skills at more complicated actions such as contract management, price analysis, and risk mitigation.

CHAPTER 2

LITERATURE REVIEW

The usefulness of FAR 13.5 to streamline acquisitions was supported by numerous extension requests from 2001 through 2010 by the Department of Defense and Civilian Agencies. More recently, the Department of Defense Competition Report for 2009 mentioned the benefits of FAR 13.5:

*The Department submitted a report to Congress on its use of the Test Program for Commercial Items authorized by section 4202(e) of the Clinger-Cohen Act of 1996 (10 U.S.C. note 2304) and implemented at FAR 13.5 on Nov. 25, 2008. The program provides for the use of simplified procedures for the acquisition of commercial items in amounts not exceeding \$5.5 million (\$11 million for certain acquisitions in support of contingency operations). **Some reported benefits of the Test Program are increased competition and small business participation, decreased acquisition lead time, enhanced workforce morale, and decreased costs all while increasing the warfighter’s capabilities.** Extension to the Test Program through Jan. 1, 2012, was authorized by Section 816, National Defense Authorization Act of Fiscal Year 2010. (DoD’s Competition Report, FY 2009).*

Although the DoD Competition Report made a very broad statement regarding the benefits of the Test Program, several previous General Accounting Office (now the Government Accountability Office) (GAO) audits addressed the general topic of Acquisition Reform and could not determine whether organizations were benefiting as intended (2001, GAO 01-517; 2003, GAO-03-1068).

CDR Yoder’s 2006 study was the only specific source of information that dealt with the unique application of FAR 13.5. As a result, this study leveraged the published work of Cory E. Yoder, CDR, U.S. Navy, Ret., “Getting the Most from Acquisition Reforms: FAR 13.5 Test Provision for Simplified Acquisition Procedures, Commercial-item Acquisition,” for the purposes of making observations and recommendations for the Defense Logistics Agency. The Acquisition Chair at the Naval Postgraduate School sponsored CDR Yoder’s paper, which was published in December 2006. CDR Yoder focused on Naval Fleet Industrial Support Center contracting offices and research from 2004, 2005, and 2006. CDR Yoder’s hypothesis was that “Many contracting activities may not be effectively utilizing the legislative and regulatory authority under FAR 13.5 to garner desired efficiencies and effectiveness.” The same hypothesis was applied to this research paper with the exception

of inserting Defense Logistics Agency in the place of United States Navy Fleet Industrial Support Center(s) and broadening the title of the paper to include both general observations and specific recommendations.

CDR Yoder's paper provided the foundation for the FAR 13.5 Test Program for Certain Commercial Items as well as detailed information necessary to gather DLA performance data from the Federal Government Procurement Data System.

The background, history, and context for FAR 13.5 found in CDR Yoder's 2006 study still hold true today:

The past decade has seen a significant change in business practices within the Federal contracting arena. Acquisition reform initiatives have fundamentally transformed the protocols and processes the Federal Government utilizes to procure billions of dollars' worth of goods and services every year. Reforms provided under the Federal Acquisition Streamlining Act (FASA), the Federal Acquisition Reform Act (FARA), and the Services Acquisition Reform Act (SARA), along with ensuing regulatory provisions in the Federal Acquisition Regulation (FAR), have created a more business-to-business-like contracting methodology. One such methodology is the FAR 13.5 Test Program for Commercial Items. FAR 13.5 allows the utilization of Simplified Acquisition Procedures (SAP) for all commercial-item designated goods and services up to and including \$5.5 million. The FAR 13.5 provisions are aimed at improving the efficiency and effectiveness of Federal contracting processes. The FAR 13.5 regulatory provision has tremendous potential to alleviate field contracting activities' work-in-process backlogs, improve cycle-time, reduce transaction costs, and increase customer satisfaction in the business processes designed to provide essential goods and services (Yoder,2006).

Three military leaders, Ciccotello, Green, and Hornyak, who looked forward from 1997 to the 21st century, commented in their Acquisition Review article that evaluated the progress of acquisition reforms: "Despite these reform attempts, numerous factors – such as DoD's complex organizational structure, lack of incentives to improve operations, dynamic requirements, and shifting direction – hamper efforts to improve acquisition management" (Ciccotello, Green, Hornyak, 1997). They also presented the viewpoint that public sector organizations often have problems achieving efficiency without compromising mission. Prager argues the public sector is inefficient because of "a lack of political will to establish efficiency as a high-level priority of government operations." He argues that public sector management is not given sufficient flexibility to pursue efficiency goals. Improving public sector efficiency is further complicated by an incentive structure that is neutral or even discouraging toward cost savings (Prager, 1994). The previous interpretations of the fundamental issues in 1997 affecting acquisition reform will be evaluated against today's environment, 14 years later.

Current literature sources have not robustly analyzed the actual benefits of FAR 13.5 in comparison to other acquisition procedures. Due to a lack of centralized performance information, CDR Yoder's study relied heavily on interviews with experts in order to determine the actual impact of using FAR 13.5.

CHAPTER 3

RESEARCH METHODOLOGY

The research methodology was formulated based on what was necessary to evaluate the foundational intent of acquisition reform of FAR 13.5 compared with the Defense Logistics Agency's actual performance in utilizing the streamlined procedures afforded under FAR 13.5 in current years, namely 2009 and 2010.

Reading FAR 13.5 from a "plain language" perspective results in the understanding that FAR 13.5 allowed contracting officers to utilize simplified request for quote procedures and other simplified acquisition templates already in existence without the need for time-consuming tailoring. Basically in its simplest form, the research methodology had to answer the question of whether exempting a portion of federal buys previously subject to complex practices, through the use of the streamlining initiative, could achieve substantial benefits for DLA – and, if so, whether DLA took advantage of those opportunities. The following methodology was utilized to develop a clearer picture of DLA's performance:

- o Acquisition Policy Reviews
 - Policy and Practice at separate buying activities
- o Expert Interviews
 - Perceived positives and negatives of implementing FAR 13.5
- o Contracting Data Analyses
 - Federal Procurement Data System
 - Comparison between Requests for Quotes and Requests for Proposal

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CHAPTER 4

DATA ANALYSIS AND RESULTS

ACQUISITION POLICY

In order to better understand Acquisition Policy, it is important to be aware of DLA's contracting activity profile. Historically, the traditional powerhouse contracting activities with the most contract specialists and contracting officers responsible for the most contracting actions and dollars within DLA have been:

- Troop Support in Philadelphia, PA
 - Construction and Equipment
 - Subsistence
 - Clothing and Textiles
 - Medical
- Land and Maritime in Columbus, OH
 - Land Detachment Philadelphia, PA
 - Maritime Detachment Philadelphia, PA
- Aviation in Richmond, VA
 - Aviation Detachment Columbus, OH – disestablished April 30, 2009
- Energy in Fort Belvoir, VA

Although critical for their particular mission, the following contracting activities traditionally have smaller contracting staffs and process fewer actions and dollars:

- Disposition Services in Battle Creek, MI
- Distribution Services in New Cumberland, PA
- Document Services in Mechanicsburg, PA

In the past four years, DLA increased its depth and reach with the addition of strategic contracting activities

and as a result of Base Realignment and Closure (BRAC):

- Aviation in Warner Robins, GA – established Oct. 31, 2008
- Aviation in Huntsville, AL – established Jan. 30, 2009
- Aviation in Ogden, UT – established June 3, 2008
- Aviation in Oklahoma City, OK – established June 6, 2008
- Aviation in Philadelphia, PA – established Oct. 31, 2008
- Land in Aberdeen, MD – established Nov. 9, 2009
- Land in Warren, MI – established Jan. 9, 2009
- Maritime in Mechanicsburg, PA – established Oct. 17, 2008
- Maritime in Portsmouth, NH – established Jan. 8, 2010
- Maritime in Puget Sound, WA – established June 16, 2009
- Maritime in Norfolk, VA – established April 30, 2009
- DLA Contract Support Offices – established under J72, Jan. 8, 2008
 - Richmond
 - Columbus
 - Philadelphia
 - Battle Creek
 - Fort Belvoir

Consistent with its approach to allow substantial autonomy to the legacy buying activities, the DLA has

also allowed autonomy for its newest contracting offices. Generally, each activity has a chief of the Contracting Office (CCO) while some offices share or piggyback their acquisition policy with other offices. The degree of autonomy made it cumbersome to research FAR 13.5 acquisition policy. FAR 13.5 policy spanned the entire range from the least cumbersome to the most cumbersome implementations of FAR 13.5 across DLA.

Review of the different policies indicated that business practices and policies of some “field” offices “transitioned in place,” which added complexity when making recommendations since nearly every office is doing things a different way. Research of existing acquisition policy at each DLA buying activity should not be considered exhaustive or completely authoritative, given the likelihood of not capturing every nuance in the different policies.

As previously mentioned, the policy guidance for FAR 13.5 varies among the DLA contracting offices. At one contracting activity, the acquisition policy directs contracting officers to maximize use of these simplified procedures for requirements exceeding the SAT not greater than \$6.5 million, including options, for the duration of the test period – i.e., through Jan. 1, 2012, in accordance with the conditions at FAR 13.500, and then instructs contracting personnel to use large-purchase requests for proposals (RFPs) unless they take additional steps to coordinate and consult with Procurement Staff.

The various policies made available for this study are in Table 1:

Table 1	Pre-Solicitation	Pre-Award
Contracting Activity 1	<p><\$1M No Contract Review</p> <p>>\$1M Contract Review</p> <p>Acquisition Plan >\$5M<\$50M Division, Contract Review, Legal, and Small Business</p>	<p>Regardless of Dollar Amount: Pricing Review, Contract Review, and one level above Contracting Officer</p> <p>No Legal Review</p>
Contracting Activity 2	<p>J & A <\$650,000 Contracting Officer</p> <p>J & A >\$650,000 Competition Advocate</p> <p>Acquisition Plan <\$1M Contracting Officer and Supervisor</p> <p>Acquisition Plan >\$1M Acquisition Review Official</p>	<p>Bilateral agreement required for all FAR 13.5</p> <p>Abstract SF 1409 required for >\$100,000</p>
Contracting Activity 3	>\$5M<\$50M - Select documents are reviewed	>\$5M<\$50M - Select documents are reviewed
Contracting Activity 4	Post Award Reviews	Post Award Reviews
Contracting Activity 5	<p>Contracting officers should maximize the use of these simplified procedures for requirements exceeding the SAT not greater than \$6.5 million, including options, for the duration of the test period, i.e., through Jan. 1, 2012, in accordance with the conditions at FAR 13.500.</p> <p>Mandatory use of RFP – (buyers desiring to use RFQs must consult with the Contract Review Division and the Systems and Procedures Division of the Procurement Process Support Directorate).</p>	In accordance with local Contract Quality Management Plans

Many interwoven elements of policy and regulation impact the degree to which contracting professionals utilize FAR 13.5, not the least of which is the commercial item definition. Common sense would seem to downplay the need for a commercial item definition, yet it is a linchpin that significantly impacts the potential benefits of FAR 13.5. The current definition is lengthy and is found in the FAR 2.101 excerpt:

“Commercial item” means –

(1) Any item, other than real property, that is of a type customarily used by the general public or by nongovernmental entities for purposes other than governmental purposes, and –

(i) Has been sold, leased, or licensed to the general public; or,

(ii) Has been offered for sale, lease, or license to the general public;

(2) Any item that evolved from an item described in paragraph (1) of this definition through advances in technology or performance and that is not yet available in the commercial marketplace, but will be available in the commercial marketplace in time to satisfy the delivery requirements under a Government solicitation;

(3) Any item that would satisfy a criterion expressed in paragraphs (1) or (2) of this definition, but for –

(i) Modifications of a type customarily available in the commercial marketplace; or

(ii) Minor modifications of a type not customarily available in the commercial marketplace made to meet Federal Government requirements. Minor modifications means modifications that do not significantly alter the nongovernmental function or essential physical characteristics of an item or component, or change the purpose of a process. Factors to be considered in determining whether a modification is minor include the value and size of the modification and the comparative value and size of the final product. Dollar values and percentages may be used as guideposts, but are not conclusive evidence that a modification is minor;

(4) Any combination of items meeting the requirements of paragraphs (1), (2), (3), or (5) of this definition that are of a type customarily combined and sold in combination to the general public;

(5) Installation services, maintenance services, repair services, training services, and other services if –

(i) Such services are procured for support of an item referred to in paragraph (1), (2), (3), or (4) of this definition, regardless of whether such services are provided by the same source or at the same time as the item; and

(ii) The source of such services provides similar services contemporaneously to the general public under terms and conditions similar to those offered to the Federal Government;

(6) Services of a type offered and sold competitively in substantial quantities in the commercial marketplace based on established catalog or market prices for specific tasks performed or specific outcomes to be achieved and under standard commercial terms and conditions. For purposes of these services –

(i) “Catalog price” means a price included in a catalog, price list, schedule, or other form that is regularly maintained by the manufacturer or vendor, is either published or

otherwise available for inspection by customers, and states prices at which sales are currently, or were last, made to a significant number of buyers constituting the general public; and

(ii) "Market prices" means current prices that are established in the course of ordinary trade between buyers and sellers free to bargain and that can be substantiated through competition or from sources independent of the offerors.

(7) Any item, combination of items, or service referred to in paragraphs (1) through (6) of this definition, notwithstanding the fact that the item, combination of items, or service is transferred between or among separate divisions, subsidiaries, or affiliates of a contractor; or

(8) A nondevelopmental item, if the procuring agency determines the item was developed exclusively at private expense and sold in substantial quantities, on a competitive basis, to multiple State and local governments.

STATISTICS DOD COMPETITION REPORT

The Department of Defense's annual Competition Report was examined for whether the Acquisition Reforms and Streamlining efforts such as FAR 13.5 reduced competition. Despite reduced cycle times, less time for vendors to respond, and shorter negotiations, the data in Table 2 and Table 3 indicated that the ratio of dollars awarded with competition and without competition remained relatively constant within a fairly narrow range, but an upward trend was manifested in plotting the annual results. Competitive dollars were 55 percent in 2001 and grew to 65 percent in 2009.

Table 2 – DoD Dollars Competed and Not Competed (\$ in Billions)

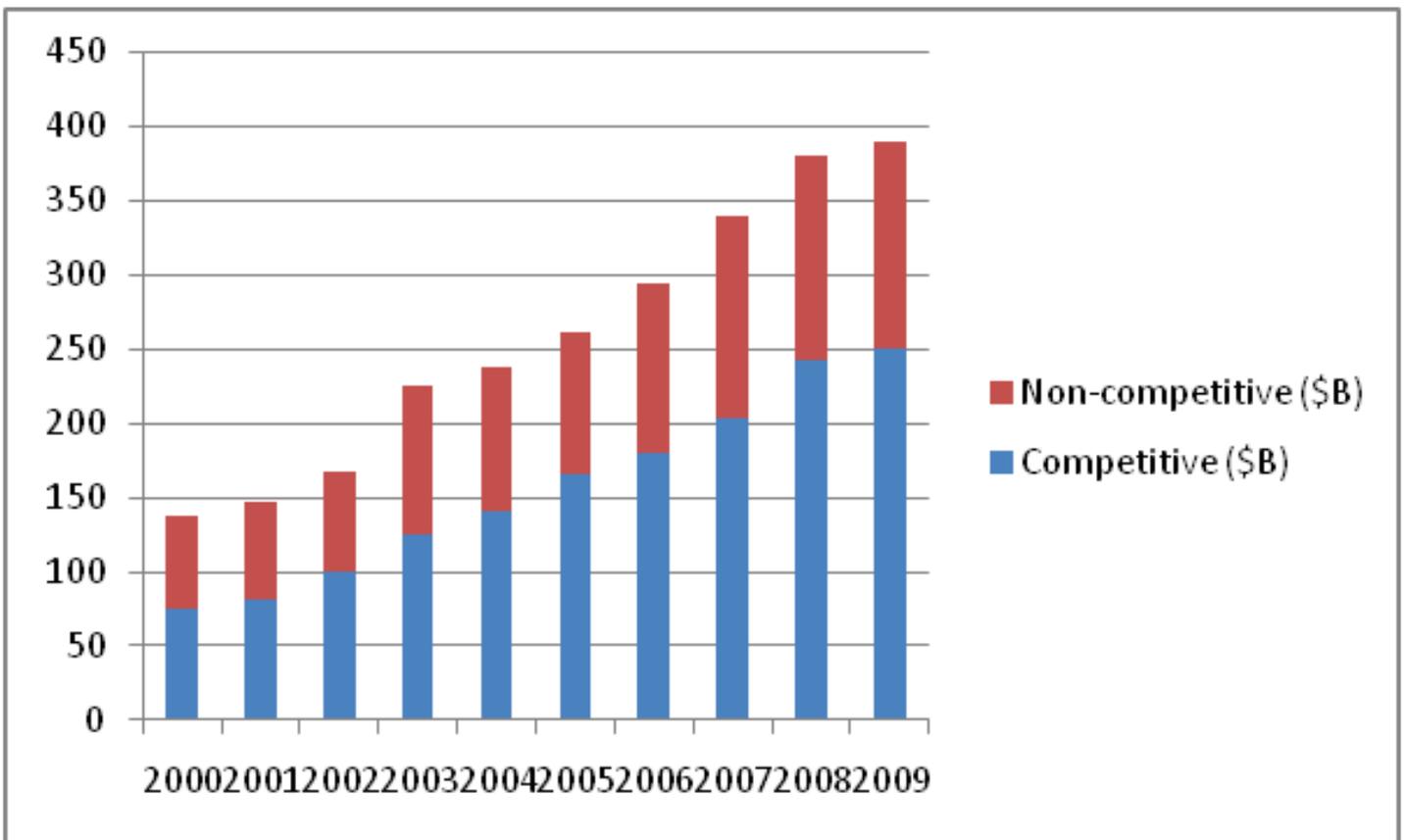
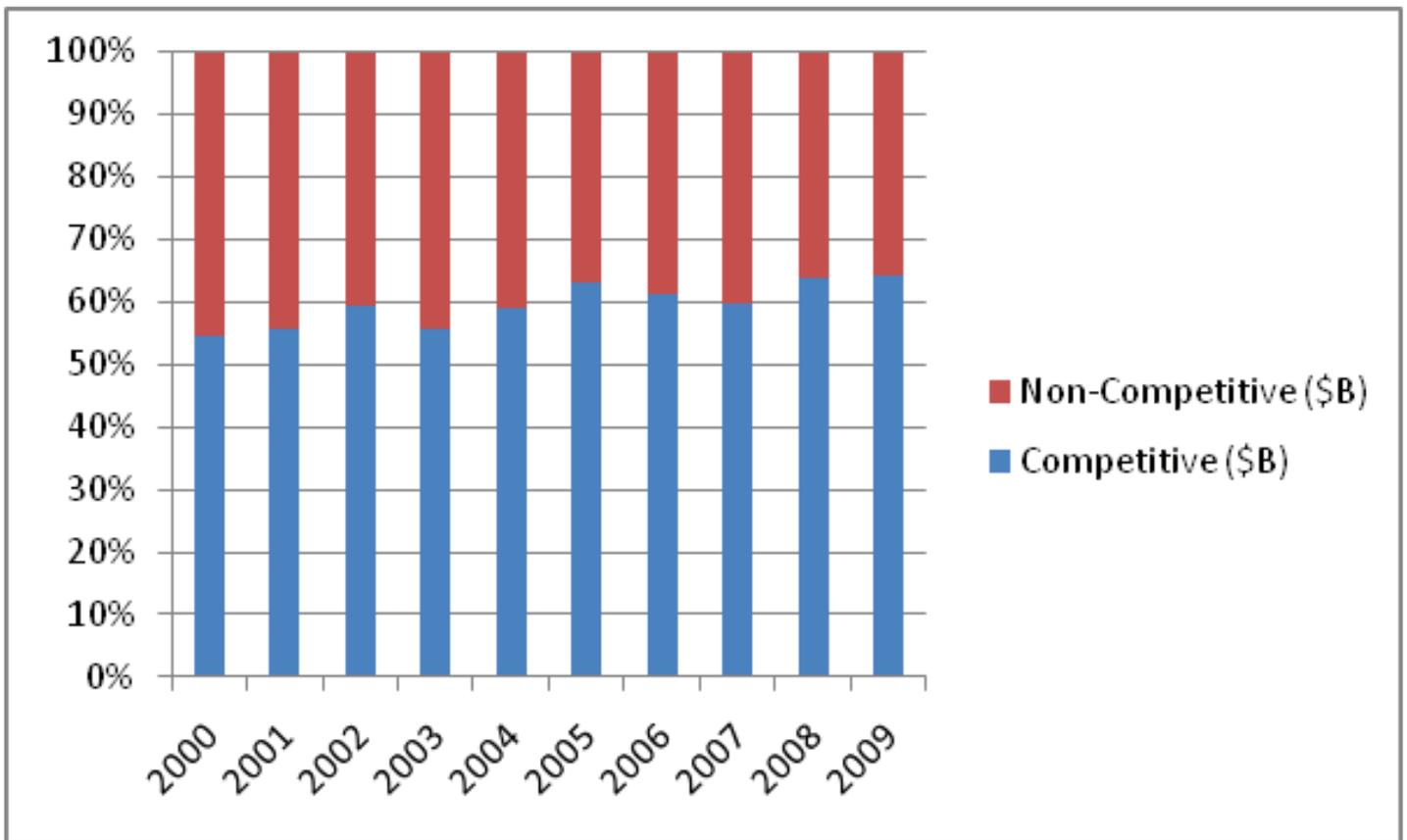


Table 3 – Percentage of Contract Dollars Completed



Author's Notes:

(1) The FY 2008 and FY 2009 figures throughout this report are adjusted for an Army reporting anomaly in FY 2008 that overstated FY 2008 figures for total obligations and competitive obligations by \$13 billion and understated FY 2009 figures for the same by \$13 billion.

(2) The source of FY 2000-2006 data is DoD's DD 350 legacy system. The source for the FY 2007 through FY 2009 is the Federal Procurement Data System (FPDS) "Competition Report" run on Jan. 15, 2009, (for FY 2007 and 2008) and on Jan. 6, 2010, (for FY 2009). FY 2008 and FY 2009 were adjusted as explained in Note 1 above. Consistent with the FPDS Report titled "Competition Report," actions coded as "Not Available for Competition" are counted in the noncompetitive dollars.

(3) The author extrapolated numbers from the Competition Report to recreate the original bar chart and modified the chart format to provide a visual of the percentage of Competitive and Noncompetitive dollars in Table 2.

The Department submitted a report to Congress on its use of the Test Program for Commercial Items authorized by section 4202(e) of the Clinger-Cohen Act of 1996 (10 U.S.C. note 2304) and implemented at FAR 13.5 on Nov. 25, 2008. The program provides for the use of simplified procedures for the acquisition of commercial items in amounts not exceeding \$5.5 million (\$11 million for certain acquisitions in support of contingency operations). Some reported benefits of the Test Program are increased competition and small business participation, decreased acquisition lead time, enhanced workforce morale, and decreased costs all while increasing the warfighter's capabilities. Extension to the Test Program through Jan. 1, 2012, was authorized by Section 816, National Defense Authorization Act of Fiscal Year 2010. (DoD's Competition Report FY 2009).

FAR 13.5 UTILIZATION FY 2009 AND FY 2010

The Federal Procurement Data System (FPDS) maintains contract data on all federal procurements in accordance with FAR 4.606:

4.606 Reporting Data.

(a) Actions required to be reported to FPDS.

(1) As a minimum, agencies must report the following contract actions over the micro-purchase threshold, regardless of solicitation process used, and agencies must report any modification to these contract actions that change previously reported contract action data, regardless of dollar value:

(i) Definitive contracts, including purchase orders and imprest fund buys over the micro-purchase threshold awarded by a contracting officer.

(ii) Indefinite delivery vehicle (identified as an “IDV” in FPDS). Examples of IDVs include the following:

(A) Task and Delivery Order Contracts (see [Subpart 16.5](#)), including—

(1) Government-wide acquisition contracts.

(2) Multi-agency contracts.

(B) GSA Federal supply schedules.

(C) Blanket Purchase Agreements (see [13.303](#)).

(D) Basic Ordering Agreements (see [16.703](#)).

(E) Any other agreement or contract against which individual orders or purchases may be placed.

(iii) All calls and orders awarded under the indefinite delivery vehicles identified in paragraph (a)(1)(ii) of this section.

FAR 4.606 requires contract specialists to report FAR 13.5 buys above the micro-purchase threshold to the FPDS. Therefore, the FPDS was a good source of information for determining the extent to which DLA was utilizing FAR 13.5. Contract Data was pulled from FPDS based on a coding of “Y” for Data Element 10J “Commercial Item Test Program” for fiscal years 2009 and 2010.

In summary, the FPDS reported 35 buys in FY2009 and 66 buys in FY2010 using FAR 13.5 procedures. The number of orders/actions supported by purchase agreements put in place under FAR 13.5 totaled 626 orders in FY2009 and 591 orders in FY2010.

In Tables 4 and 5 below, the predominant user of FAR 13.5 procedures was the DLA Document Service with 81 percent of 2009’s total orders/actions and 73 percent of 2010’s total orders/actions. DLA Document Services procured leases and maintenance of office equipment as well as printing, duplicating and binding services. The remaining contracting activities performed about 20 percent to 27 percent of the FAR 13.5 buys report to J7 the Director of Acquisition.

Table 4 – FPDS FAR 13.5 Data

Table 4 – FPDS FAR 13.5 Data			
SUPPLY CHAIN	Dollars Obligated	FY 2009 ORDERS	FY 2009 BUYS
DLA DOCUMENT SVCS	\$13,392,259.30	509	0
DLA TROOP SUPT C & E	\$346,287.00	47	0
DLA ENERGY	\$1,191,677.17	35	11
DLA DISPOSITION SERVICES	\$175,429.25	7	4
DLA DISTRIBUTION	\$2,135,822.25	6	4
DCSO PHILADELPHIA	\$485,016.00	4	0
DLA AVIATION PHILADELPHIA	\$1,331,762.00	4	7
DLA AVIATION RICHMOND	\$39,679.00	3	0
DLA TROOP SUPT SUB OPERATIONAL CONTRACT	\$1,950.00	3	3
DCSO BATTLE CREEK	\$136,497.13	3	4
DLA MARITIME COLUMBUS	(\$3,667.00)	2	2
DLA MARITIME MECHANICSBURG	\$29,925.00	1	0
DCSO COLUMBUS	\$8,250.00	1	0
DLA AVIATION WARNER ROBINS	(\$631,309.00)	1	0
TOTAL		626	35

Table 5 – FPDS FAR 13.5 Data

Table 5 – FPDS FAR 13.5 Data			
SUPPLY CHAIN	Dollars Obligated	FY 2010 ORDERS	FY 2010 BUYS
DLA DOCUMENT SVCS	\$ 8,736,288.87	432	0
DLA MARITIME MECHANICSBURG	\$6,232,104.28	41	20
DLA DISTRIBUTION	\$7,773,179.79	34	22
DLA LAND ABERDEEN	\$0.00	22	0
DLA ENERGY	\$1,977,569.49	18	3
DLA DISPOSITION SERVICES	\$834,754.37	13	2
DLA MARITIME NORFOLK	\$6,952,609.24	12	10
DCSO BATTLE CREEK	\$1,135,445.49	11	8
DLA AVIATION RICHMOND	\$65,742.70	2	0
DLA LAND PHILADELPHIA	\$103,412.00	2	0
DLA AVIATION COLUMBUS	\$6,883.74	1	0
DLA AVIATION PHILADELPHIA	\$0.00	1	0
DLA TROOP SUPT SUB OPERATIONAL CONTRACT	\$102,840.70	1	0
DCSO RICHMOND	\$499,551.14	1	1
TOTAL	\$34,420,381.81	591	66

The number of contract actions and the impact of those contract actions varied considerably among contracting offices. Out of the entire 27 contracting activities, between 13 and 15 contracting offices used FAR 13.5 procedures. However, only seven activities issued new contract awards in each fiscal year for a two-year total of 101 buys.

ADMINISTRATIVE LEAD-TIMES

SIMPLIFIED PROCEDURES/REQUESTS FOR QUOTES

VS.

LARGE PURCHASE PROCEDURES/REQUESTS FOR PROPOSALS

During interviews with contracting professionals who utilized FAR 13.5, the predominant opinion that surfaced was that their use of FAR 13.5 made the buying process easier and faster. Contracting officials said 45 to 90 days is not uncommon for contract awards under simplified procedures, while it takes much longer, 180 to 210 days, for large purchases. Since FAR 13.5 expands the dollar limits for simplified procedures, it seemed that simplified procedures would prove less cumbersome than large purchase procedures. There was no performance metric data under FAR 13.5 simplified procedures to directly support their opinions other than a comparison of the average RFP lead time (large purchase) compared to average RFQ lead time (simplified purchase). Therefore, it was not possible to differentiate specific FAR 13.5 administrative lead-time metrics from “non-13.5” actions.

The time needed to process different contract actions varied significantly as evident in the following table based on one of the contracting activities for FY2009 and FY2010. Within the data, the biggest opportunity for increasing responsiveness by using FAR 13.5 was found in the RFQ (request for quotation) to RFP comparison where small RFQs took 106 days on average to process and large RFPs took almost twice as long – 219 days.

Table 6 – FPDS FAR 13.5 Data

TABLE 6		
PROCUREMENT TYPE	CONTRACT ACTION	DEFINITION
BOA	Basic Ordering Agreement	The bulk of terms and conditions are pre-established. Only final price and any specific terms and conditions are required
GSA	General Services Administration	Orders are placed using an existing schedule much like shopping online
IDPO-AUTO	Indefinite Delivery Purchase Order Automated	Computer evaluated and awarded purchase order with a not to exceed value of \$100,000
LARGE	Large Purchase Requests for Proposals (RFP)	All purchases, not using FAR 13.5, valued over \$100,000 for basic contract period including option years manually solicited and awarded
LTC-BSM	Long-term Contract	Orders are directly linked to a supporting basic contract via electronic data interfaces. No manual contracting actions involved.
MICRO	Micro-purchase	Manual purchases solicited and awarded using simplified procedures under the micro-purchase threshold with minimum reviews
PACE	Pre-award Automated Contract Evaluation	Computer solicitation, evaluation, and award up to \$100,000 to the computer selected vendor
PACE3RD	Pre-award Automated Contract Evaluation	Computer solicitation, evaluation, and award up to \$100,000 to a manually selected vendor
SMALL	Small Purchase Requests for Quote	Purchases under \$100,000 solicited and awarded manually

Table7

TABLE 7				
TYPE	Total Actions	% of Actions	AVG ALT	\$ Obligated
BOA	2,734	0.3%	137.1	\$ 37,683,295
GSA	437	0.1%	41.8	\$ 10,264,149
IDPO-AUTO	9,295	1.2%	7.4	\$ 45,503,764
LARGE	1,052	0.1%	219.0	\$ 255,882,061
LTC-_BSM	516,857	65.8%	1.8	\$ 1,313,677,806
MICRO	90,948	11.6%	95.5	\$ 66,907,083
PACE	120,218	15.3%	26.8	\$ 478,627,866
PACE3RD	4,470	0.6%	44.2	\$ 20,243,661
SMALL	39,874	5.1%	106.1	\$ 760,207,668
Total	785,885			\$ 2,988,997,352

One data set, lead-time data, indicated that large purchases took twice as long to complete as small purchases. The current database of open solicitations was queried for a random selection of Federal Supply Classes (FSCs) to determine if another data set supported their opinions that simplified purchases were less cumbersome. Table 8 data shows the average page count of RFQs to be 13 pages and the average page count of RFPs was 29 pages. Smaller solicitation packages with fewer pages are generally accepted to be less cumbersome. While conclusions resulting from “average page count” are not statistically defensible, the results lend credibility to the anecdotal evidence that simplified purchases are less cumbersome than large purchases.

TABLE 8 – RFQ vs. RFP Average Number of Pages					
FSC	# OF PAGES	RFQ SIMPLIFIED SOLICITATION	FSC	# OF PAGES	RFP- LARGE PURCHASE SOLICITATION
4710	15	SPM7M411Q0336	4710	21	SPM7MC11R0046
4710	16	SPM7M410Q0556	4710	25	SPM7M410R0068
3020	13	SPM7MC11Q0507	3020	54	SPM7MX10R0061
3020	13	SPM7MC10Q1525	3020	19	SPM7MC11R0063
4720	11	SPM7LO11Q0209	4720	18	SPM7MC11R0059
6230	22	SMP2DH11Q0065	4720	30	SPM7MX09R0065
6640	13	SPM2DH11Q0107	5315	26	SPM5AY11R0004
6240	12	SPM2DH11Q0117	5315	24	SPM4A511R1172
5315	13	SPM5A911Q1943	2530	20	SPM7L311R0047
2530	17	SPM7L311Q0405	8465	54	SPM1C110R0052
9160	4	SPM7L211T5781	5305	29	SPM5AY10R0051
3413	10	SPM8E311Q0395			
8150	15	SPM8ED11Q0306			
8465	8	SPM1C111Q0167			
5306	17	SPM5AC11Q0311			
RFQ PAGE COUNT	13.3		RFP PAGE COUNT	29.1	

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS

This project started out narrowly focused on a research question related to contracting as a functional area. But as my experiences in the Defense Acquisition University Senior Service College Fellowship evolved through outside readings on business and leadership, advanced acquisition courses, and senior leader visits, it began to affect how I approached the conclusions and recommendations.

In large part, the research opened itself up into a study of corporate strategy, not just acquisition strategy. People develop a personality and a set of beliefs and behavioral norms that are pretty accurate predictors of their performance (Goldsmith, 2007). Much like people, organizations can also develop predictors of behavior such as willingness to change, tolerance for risk, and varying the locus of control. In order to execute practices effectively, an organization must have the mechanisms in place, and the employees' mindsets need to be in concert strategically (Bossidy and Charan, 2009). While Acquisition Policy and many issues surrounding FAR 13.5 are directly controlled by the acquisition process owner, J7, there remain for the organization significant integration issues that are best characterized as "strategic or business plan issues" that provide opportunity for DLA.

DLA could be streamlined to accomplish greater, perhaps even revolutionary, change in terms of administrative lead times and productivity in order to improve the commitment to higher priorities. Such priorities includes complex contract management functions that could be accomplished with a strategic approach developed and implemented as an agencywide plan. It would have strategic direction and be realistically executable within the spirit of conducting simplified purchases.

RECOMMENDATIONS

The recommendations are meant to serve as a launch pad for further exploration into this topic because multiple inputs at different levels and from different perspectives are needed to develop an effective strategy for getting the most out of FAR 13.5 streamlining. Based on the contract data from FY 2009 and FY 2010, DLA did not utilize FAR 13.5 to the maximum extent. There are opportunities for improvement given the wide-ranging policy differences and substantially low number of contracting activities utilizing FAR 13.5.

The impact of the FAR 13.5 acquisition reform language approved by Congress, and as implemented by DLA, comes across only as incremental change largely because of the short-lived one-year limits. DLA could take immediate steps to increase acquisition streamlining, but if DLA wanted these reforms to be revolutionary, rather than incremental, the reforms should be extended in multiple-year increments or permanently. DLA like other corporate entities is “reaching the limits of incrementalism. Incremental improvements include squeezing costs, introducing a new product a few weeks earlier, enhancing quality a notch, and capturing another point of market share. These continual improvements enhance an organization’s efficiency and are therefore vital to a firm’s success, but they are not strategic breakthroughs or radical innovations” (Dubrin, 2010, p. 385). DLA should pursue FAR 13.5 aggressively in order to fundamentally shift resources in order to reap operational efficiencies for DoD.

To maximize the benefit of FAR 13.5, a business plan that crosses organizations and functions should be developed. This plan should be dealt with holistically for the greatest benefit. Several recommendations take the form of specific changes within the contracting functional community and other recommendations are more strategic in nature, yet specific enough when combined with effective integration to enhance execution.

It cannot be overstated that the temporary nature of consecutive 12-month extensions to FAR 13.5 is daunting for policy officials and acquisition leaders accustomed to planning much more deliberately. A bigger commitment from Congress could go a long way in generating maximum benefits. It is recommended that DLA’s Acquisition Policy officials request that FAR 13.5 streamlining become permanent or at least be authorized in two 5-year intervals.

The decentralized DLA policy approach does not effectively leverage the organization to take advantage of the benefits of FAR 13.5. A problem exists within the methodology of current policy : While providing flexibility and adaptability, the policy is not effectively and efficiently managing risk.

Failure to consistently free up the FAR 13.5 processes to the maximum extent belies the already sanctioned congressional risk assessment that is intended when contracting professionals make the determination to use FAR 13.5 procedures. For example, procurement of many commercial products such as fresh fruit and vegetables does not become more complex and risky because of dollar value, especially given competition. Yet acquisition policy at a number of Contracting Offices increases the oversight and slows procurement on the basis of dollar value.

An agencywide FAR 13.5 policy directive that consistently upholds the intent of streamlining given the reduction of lead times and layers involved in the simplified procurement process might incentivize broader use of FAR 13.5 by making the process more understandable and more executable.

While it was reported that incremental efforts are under way to sync up Acquisition Policy, given the large influx of new contracting offices to DLA in the past three years, it is recommended that DLA consider leveraging technology, such as a central Acquisition Policy Website, in order to simplify Acquisition Policy for FAR 13.5 across DLA. There appear to be duplicative policies and layers of redundant resources used to maintain policies at or for individual contracting activities. FAR 13.5 may prove to be a good place to institute a corporatewide Acquisition Policy tool managed exclusively by a buying activity designated as the Center of Excellence for FAR 13.5 or centrally out of DLA HQ. Without an easily accessible and well- organized repository of knowledge, it's unlikely any employees will be able to take the time to look for best practices among the different contracting activities.

In a chapter on Strategic Leadership, Dubrin writes: “. . . imagination is scarcer than resources. As a consequence, we have to involve hundreds, if not thousands, of new voices in the strategy process if we want to increase the odds of seeing the future” (Dubrin, 2010, p. 384). There appear to be untapped sources of imagination within the contracting activities that are capable of making greater use of FAR 13.5 if they participate in developing a well thought-out strategic and tactical plan.

Only seven of 27 contracting offices (26 percent) reported contracts in FY 2010 using FAR 13.5 simplified procedures. Research interviews indicated there was very little incentive to use FAR 13.5 procedures. Appendix A contains data that supports a vast number of potential candidates for streamlining. This was especially evident at buying activities that relied heavily on Pre-award Automated Contract Evaluation (PACE). PACE is the computer-based contracting workhorse that processes several thousand contract actions a month. As long as the computer's award decision passes through bidder and price evaluation wickets, the solicitations are awarded without human observation or intervention. Competition is not required for the computer to assess the price and make an award.

DLA could consider replacing select PACE commercial items with streamlined FAR 13.5 procedures to leverage buying power and to yield greater cost control benefits for the present and the future. Within FAR 13.5 procedures, reverse auction negotiation procedures could also be utilized with FAR 13.5 to get vendors to compete for the lowest price given that PACE does not accommodate reverse auction negotiations. Reverse auction negotiations do not require special computer programs and can be accomplished with established rounds of negotiations among the vendors. If a portion of the high-volume spot-buying in PACE was converted to long-term FAR 13.5 contracts, it would promote cost control and eliminate the need for future contract actions.

Although DLA's Bidboard System has multiple ways for vendors to sign up for tailored information, the system still on the whole favors resellers who specialize in running computers constantly to monitor the Bidboard on a daily basis. These resellers increase cost by adding a mark-up for their core competency in dealing with the DLA buying systems. Resellers relieve DLA buyers from actually getting involved in the procurement process and support the military by packaging and shipping on time. Materiel costs might be better controlled if DLA took a direct buying approach through FAR 13.5 to manufacturing sources instead of relying so heavily on resellers.

Although there are several important processes to consider, if the pricing evaluation in PACE is dependable enough for thousands of purchases a month, possibly the PACE limit could be raised to \$6.5 million on select spot-buys of commercial items using FAR 13.5, and the current \$100,000 SAT on Auto-IDPOs could be raised to \$6.5 million for select commercial items. This could be tailored to items with a history of price competition. The higher limit would leverage FAR 13.5 procedures to avoid numerous future contract actions because the pricing agreement with vendors would hold steady much longer, perhaps even up to 10 years. While the marketplace

might not support terms such as a 10-year deal, there are certainly administrative benefits to increasing the dollar value of Auto-IDPOs using FAR 13.15 procedures that include stabilizing the supply chain based on intelligent risk assessments.

The contracting officer warrant management programs should be revised to increase contracting officer authority for processing FAR 13.5 buys under simplified acquisition procedures. For example, the current warrant program at one contracting activity is broken out by grade with little consideration of risk. An increase in warrant authority for FAR 13.5 buys would be consistent with the congressional view of simplified procedures. It would also increase the incentive for contracting officers and would increase the throughput capability of the organization as a whole.

Grade	Current Warrant Ceiling	*New FAR 13.5 Ceiling
GS-13	Unlimited	No Change
GS-12	\$1 million	\$12.5 million
GS-11	\$500,000	\$6.5 million
GS-09	\$100,000	\$6.5 million

The use of FAR 13.5 might be enhanced if DLA could identify commercial items on a program basis. DLA Logistics Information Service can provide tailored data extracts, which might be one way to help DLA make strategic decisions regarding existing opportunities. The cataloging function at DLIS could also be trained to make commercial item determinations when new products are assigned National Stock Numbers in the Federal Logistics Information System. All this program wide information could be used by the Head of Contracting Activity to make a class determination regarding populations of commercial items, rather than depend on individual contracting officers who may not have the time to research and document a commercial item determination. The workforce is more able to execute when senior leadership leads the way.

As stated in the previous section on “Contract Data,” there weren’t any routine performance metrics to measure the timeliness of simplified, FAR 13.5 simplified, or large purchase procedures. Bringing visibility to these metrics and their contribution to DLA business plans would lay a foundation for influencing the future.

Incorporating a new change normally requires updates to social mechanisms like the compensation system. However, DoD failed to sustain the National Security Personnel System (NSPS), which would have permitted line managers and senior leaders to reward employees with varying compensation within pay-bands for achieving performance objectives. Currently there are no reported efforts to incentivize the use of FAR 13.5. Given congressional sponsorship and federal employees who only until recently under NSPS have been accustomed to years of unproductive compensation systems, a change to compensation may not be as critical to the public sector as once believed. If FAR 13.5 is implemented effectively, the public service spirit of many employees may be enough to incentivize the change because “at the core of the process of accepting new ideas into the common fund of knowledge is a kind of unexplained faith in the collective wisdom” (Surowiecki, 2005). However, according to the most influential business authors, the role of compensation should be considered creatively to achieve strategic benefits for the Government.

If DLA were to choose a consistent corporate approach, the DAU Communities of Practice (CoP) should be considered to further the effort. According to Frank Anderson Jr. former DAU president, “DAU has developed about two dozen Web-based communities of practice, which bring together AT&L workforce members, DAU faculty, and experts from industry and academia. Its members share informal learning, ad hoc problem-solving, professional networking, and mutual support. These CoPs provide context to the information and process knowledge contained within an organization” (Khan, 2005). Adding a CoP seems counterintuitive because it adds layers in order to simplify procedures, but it is a tool to help leaders better understand how to develop a plan and how to execute it.

DLA should consider participating in coordinated efforts similar to the integrated efforts by the Air Force, Navy, and the Army who are pursuing acquisition excellence (Thompson, Tomsen, and Shackelford, 2009).

SUMMARY OF RECOMMENDATIONS

1. Develop a FAR 13.5 strategic business plan, evaluate alternatives and tradeoffs:
 - a. Enable a Program Manager to lead the development and execution of the plan
 - b. Increase Contracting Officer Warrants to the FAR 13.5 maximums
 - c. Coordinate a multiyear or permanent extension request with the FAR And DAR Councils
 - d. Establish consistent routine performance metrics to measure administrative lead-times for FAR 13.5 actions.
 - e. Identify the universe of DLA commercial items and stratify to contracting activities.
 - f. Implement one agencywide policy with minimum reviews and maintain at one policy office
 - g. Utilize DAU Communities of Practice
2. Engage military services and other federal acquisition offices to formalize best practices.

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APPENDIX A – FEDERAL PROCUREMENT DATA SYSTEM REPORT

FY10

Commercial Item Acquisition Procedures Description	Actions	Action Obligation		Actions	Action Obligation
COMMERCIAL ITEM	229,973	\$22,571,080,546.51	FAR 13.5	521	\$33,779,277.08
COMMERCIAL ITEM PROCEDURES NOT USED	300,015	\$12,027,457,416.80			
SERVICES PURSUANT TO FAR 12.102(G)	162	\$70,052,375.34			
SUPPLIES OR SERVICES PURSUANT TO FAR 12.102(F)	378	\$19,415,838.25			
NULL	3	\$0.00			
DLA TOTAL	530,531	\$34,688,006,176.90			

FY09

COMMERCIAL ITEM	222,504	\$27,276,671,156.42	FAR 13.5	568	\$15,715,509.03
COMMERCIAL ITEM PROCEDURES NOT USED	278,423	\$10,625,062,120.94			
SERVICES PURSUANT TO FAR 12.102(G)	151	\$67,522,529.65			
SUPPLIES OR SERVICES PURSUANT TO FAR 12.102(F)	92	\$20,358,830.41			
DLA TOTAL	501,170	\$37,989,614,637.42			

FY08

COMMERCIAL ITEM	274,555	\$25,541,745,713.14	FAR 13.5	1,570	\$63,707,642.39
COMMERCIAL ITEM PROCEDURES NOT USED	298,971	\$10,044,874,274.73			
SERVICES PURSUANT TO FAR 12.102(G)	40	\$91,487,557.76			
SUPPLIES OR SERVICES PURSUANT TO FAR 12.102(F)	51	\$11,729,549.67			
DLA TOTAL	573,617	\$35,689,837,095.30			

FY07

COMMERCIAL ITEM	243,997	\$18,616,135,395.42	FAR 13.5	1,850	\$90,143,921.35
COMMERCIAL ITEM PROCEDURES NOT USED	248,889	\$11,944,065,496.33			
SERVICES PURSUANT TO FAR 12.102(G)	10	\$49,733,484.28			
SUPPLIES OR SERVICES PURSUANT TO FAR 12.102(F)	2	\$0.00			
DLA TOTAL	492,898	\$30,609,934,376.03			

