Defense Logistics Agency

Acquisition Excellence in End to End Supply Chain Management

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Mission

- The development, application, and oversight of DLA acquisition policy, plans, programs, operations, and functional systems.

- **Objectives:** Customer Outcomes = Customer Requirements
  - Improved Readiness
  - Shift to Strategic Sourcing
  - Improved Efficiencies & Pricing
  - Responsive, Agile, Visible Support

On Schedule, Within Budget, Right Quality
Acquisition with Integrity
Acquisition Framework

Concept of Ops

Customer Objectives

Evaluation Factors

Measures of Success

Metrics

Business Case Analysis

Genesis of Requirement → Execution of Contract → Successful Delivery of Product/Service
**Contract Administration Campaign Plan**

<table>
<thead>
<tr>
<th><strong>People:</strong></th>
<th><strong>Process:</strong></th>
<th><strong>Technology:</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>– Staffing Model POAM established</td>
<td>-CA Summit</td>
<td>– CA included in eProcurement Blueprint</td>
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<tr>
<td>– Acquisition Excellence Award Program created and fielded</td>
<td>-Pre/post award coordination mandated prior to award</td>
<td>– use of Enterprise Linked Logistics Information Source (ELLIS) to measure contract metrics all buying activities</td>
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<tr>
<td>– Contracting Officer Representative (COR) Biennial training mandated</td>
<td>-CA Metrics developed</td>
<td>– CA metrics provided to eProcurement development team</td>
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<tr>
<td>– CA training mandated,</td>
<td>-High Visibility Surveillance Program</td>
<td></td>
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<td>– CA now a critical skill in 1102 series Job Offer Announcements</td>
<td>- Milestone C Integrated Acquisition Review Boards</td>
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Center of Excellence for Pricing

Objectives:

• Create a Center of Excellence for Pricing that mitigates Agency, Warfighter and Taxpayer Risk through:

  ✓ Active, aggressive surveillance, detection and corrective actions
  ✓ Management visibility of field pricing health
  ✓ Improved Corporate Decisions
  ✓ Enhanced Pricing Capability
  ✓ Reduce Acquisition Costs

Supports Defense Procurement and Acquisition Policy
Focus on Pricing
COEP Tenets

- A Center of Excellence (COE) of independent “expert” pricing professionals who provide oversight, fraud detection, pricing assistance and training to the field in support of all Supply Chains

- Consider Counterfeit Material/Unauthorized Product Substitution (CM/UPS) model for enterprise expansion

- Link with OGC’s local Fraud Counsel for pricing focused detection training

- Established knowledge portal where sharing of best practices within DLA resides

- Tailor Intern program to develop pricing specialty for subset of Interns
COEP Actions

• Prime Vendor Pricing Oversight
  – Conduct Quarterly and Annual On-site Audits on 14 programs
  – Conduct on-site annual reviews with DCAA on contractors

• Pre-Award Acquisition Strategy Reviews
  – Discount Pricing Structure for large orders on Metals PV Program
  – Improved pricing structure for shipping and distribution

• Way Forward
  – Industrial Prime Vendor Programs
  – Review of Exclusive Dealers Pricing
  – One Pass Pricing Validation
Exclusive Distributors

**Situation**
- Manufacturers (OEMs) using Exclusive Distributors for spare part sales to DoD, specifically DLA.

**Issue**
- Excessive pricing suspected as a result of Exclusive Distributor-OEM relationships with Distributors adding little or no value.

**Action Plan**
- Identify the extent of Distributor-OEM relationships within DLA
  - Eight primary Exclusive Distributors identified ($192M over 3 FYs)
- Determine if excess pricing exists and to what extent
  - Under assessment by the DLA Supply Centers
- Engage the Distributors & OEMs concerning their pricing practices
  - Engagements initiated by the DLA Supply Centers
- Aggressively develop alternate sources to stimulate competitive pricing
  - Acquisition Management & Value Engineering joint effort
Exclusive Distributors
(Suspected Excessive Pricing)

Check Valve

Expected Price (2007) = $105.00/unit

Estimated $846K in Excessive Charges for 2007 Contracts to Exclusive Distributor

12 JUN 2006 – Original Manufacturer purchased by an OEM Group
13 JUN 2006 – OEM Group designated an Exclusive Distributor for Government sales

Check Valve Procurement History

<table>
<thead>
<tr>
<th>Award Date</th>
<th>Award Qty</th>
<th>Award U/P</th>
<th>Award Amount</th>
<th>Awardee</th>
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<tbody>
<tr>
<td>OCT 2007</td>
<td>810</td>
<td>$ 675.45</td>
<td>$ 547,114.50</td>
<td>Exclusive Distributor</td>
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<td>JUL 2007</td>
<td>655</td>
<td>$ 691.49</td>
<td>$ 452,925.95</td>
<td>Exclusive Distributor</td>
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<td>AUG 2005</td>
<td>605</td>
<td>$ 97.30</td>
<td>$ 58,866.50</td>
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<td>SEP 2004</td>
<td>183</td>
<td>$ 96.75</td>
<td>$ 17,705.25</td>
<td>Original Manufacturer</td>
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<tr>
<td>AUG 2000</td>
<td>172</td>
<td>$ 80.60</td>
<td>$ 30,305.60</td>
<td>Original Manufacturer</td>
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Exclusive Distributors
(Alternate Source of Supply)

Helicopter Door Handle
$267.27 – OEM price in 2002
$464.96 – Distributor Price in 2004

US Army Aviation & Missile (Organic Manufacturing)
$298.00 – 900 units in 2005
$253.85 – 552 units in 2006
Cost Avoidance = $228K

Competitive Procurement
$136.47 – 1275 units in Aug 2008
$124.47 – 1275 units in Nov 2008
Cost Avoidance = $832K
Acquisition Excellence with Integrity

Questions?