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NDIA Combat Vehicle Conference

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Outline

- Role of the Office of the Deputy Assistant Secretary of the Army
- Contracting Reforms Impacting Systems Acquisitions
- Questions/Discussion



Role of the DASA (Procurement)

- Senior Enterprise staff responsible to the Army leadership for management, measurement, oversight, and continuous improvement of the Army Procurement Mission
- Manage the education and training of the contracting and industrial specialist workforce
- Develop policies, processes, and tools, and support Army doctrine for the full range of contracting
- The Army's Competition Advocate
- The Army's interface on procurement with OSD, Defense Agencies, Small Business, the Joint Staff, Congress, the Army Staff, and Heads of Contracting Activities, Principal Assistants Responsible for Contracting, and non-contracting elements



Acquisition Systems Reform Act

- Establishes Director of Developmental Test and Evaluation and Dir. of Independent Cost Assessment
- Directs an assessment of the technological maturity of critical technologies of MDAPS
- Directs the JROC to seek and consider input from Combatant Commanders on joint requirements
- Directs consideration of tradeoffs between system cost, schedule, and performance
- MDA must receive a preliminary design review and conduct a formal post-preliminary design review assessment before Milestone B approval
- Specific actions upon MDAP critical cost growth
- Establishes Conflict of Interest Review Board



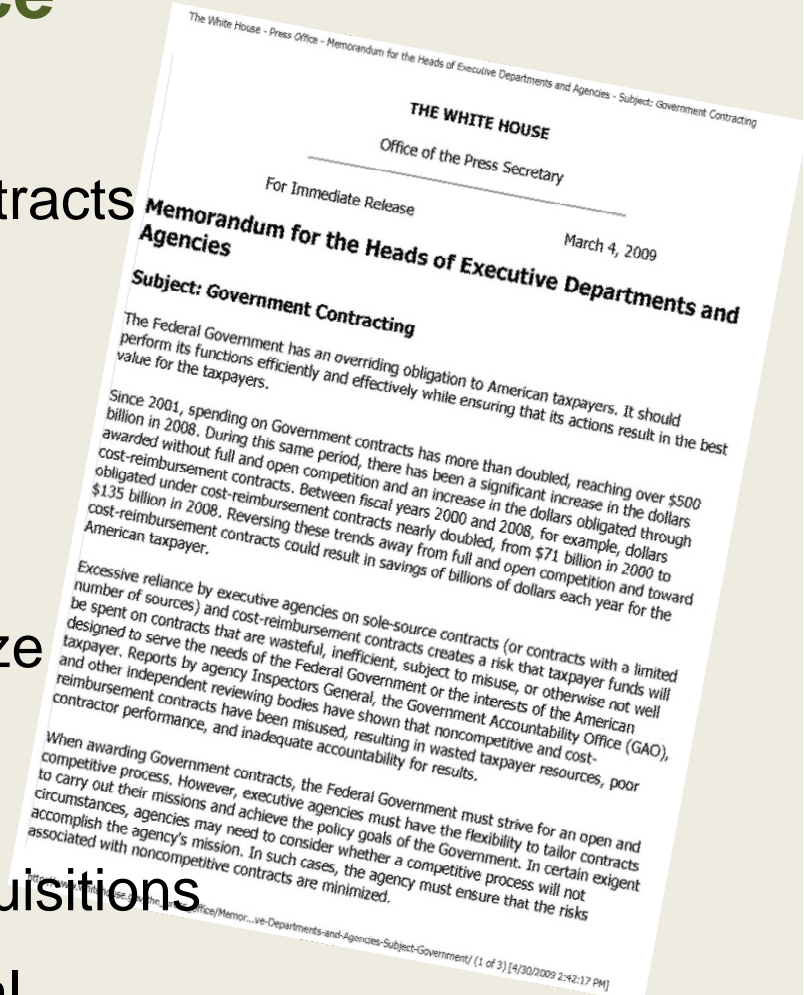
Lead System Integrator Changes

- LSI: a contractor or team hired to execute a large, complex, system-of-systems program
- Section 802 of the National Defense Authorization Act for Fiscal Year 2008 limits LSI use
- Proposed DFARS language allows LSI awards when:
 - The major system has not progressed beyond LRIP production; or
 - The Secretary of Defense determines that LSI is in the best interest of the DoD
- **After October 1, 2010, LSI awards prohibited**
- LSI cannot have a financial interest in development or construction
- PM ensures Government performs inherently governmental functions



Presidential Guidance

- Limit non-competitive contracts
- Maximize competitive procurement processes
- Fewer cost-type contracts
- Choose contract types to minimize risk and maximize value to the Government
- Develop the workforce to manage and oversee acquisitions
- Clarify when governmental outsourcing for services is and is not appropriate





OMB Guidance: Reduce Contracts 10%

- 29 JUL 09 Memo – Phase One of implementing President Obama’s 4 MAR 09 guidance
- Review existing Contracts and Acquisition Practices
 - 7% savings by FY11 (of baseline contract spending)
 - 10% reduction of dollars obligated in FY10 of high-risk contracts
- Administration anticipates \$40B cost savings annually
- Phase Two guidance to be issued early FY10



Contract Type Changes

- Preference for Fixed Price (FP) contracts over Cost
 - Preference for FP in R&D, System Design & Development (SDD)
 - Also a tenet of the Presidential memo
- Move from Award Fees toward Incentive Fees
 - From FPAF to FPIF, from CPAF to CPIF
 - Ensure measurable criteria for award fees
 - Avoid factors like customer satisfaction, responsiveness
 - Prefer factors like on-time delivery, savings
- Reduce the number of Time & Materials contracts
 - Defense Contract Audit Agency estimates T&M contracts are as much as 30-40% too costly



Increased Emphasis on Competition

- Higher Army competition goal – 69%
 - Increased by 4% for FY09
 - Current FY09 competition percentage is 63%
- Impacts of increased goal on programs
 - J&As - Greater scrutiny by AAE
 - Shorter duration/reduced quantities
 - Approval pending AoA for ways to increase competition
 - TDPs - Conduct a careful business case analysis
 - Can TDP purchase up front result in lower total ownership cost?
 - Data Rights – conduct a careful business case analysis
 - Are Government Purpose (GP) rights sufficient to permit competition?
 - Have firms retained full rights to the key technologies making competition impossible even with GP right?
- MANPRINT
 - Consider human element of the design
 - Consider maintenance – ease and footprint



Contractor Business Processes and Systems

Additional importance of:

- Accounting
- Estimating
- Purchasing
- Internal Controls
- Quality Management
- Earned Value Management
- Supply Chain Quality Management



Increased Scrutiny

- Peer Reviews for Services Contracts over \$50 Million
 - Over \$500M requires Army review
 - Over \$1B requires OSD review
- Congressional scrutiny
 - Zero-defect mentality for systems impacting:
Life, Health, Safety, or Combat Power
- Technology Readiness Levels
 - Moving to low rate production before achieving acceptable TRLs rarely results in a successful program
 - Acquisition Reform Act language



Congressional Notification

- Do not award contracts over \$5.5 Million without advance notice to Congress
- Even when the base award has already been announced, provide notification of task orders with:
 - Significant local impact
 - Significant political interest
- Congressional notification cannot be waived
- Follow AFARS 5105.303 and DFARS 205.303



Conclusion

- Regulatory restrictions increasing
- Increased focus on competition
- Increased scrutiny of systems affecting life, health, safety, and combat power
- Increased importance of effective business systems



Questions / Discussion

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Army Contracting: Procuring Army Strength