

Helping The Government Become a Smarter Buyer

Government and industry have long partnered together to achieve agency missions, but there's always room for growth to promote a more effective, competitive, and streamlined federal contracting system. What policy and procedure changes would yield the greatest positive results in making the government a smarter buyer? PSC's board members offer their take in our quarterly *Sounding Board* feature. ASI Government President and CEO **Tim Cooke**, Delta Resources, Inc. President and CEO **Maria Proestou**, Booz Allen Hamilton Executive Vice President **Henry "Trey" Obering III**, and USfalcon Vice President **Dyson Richards** sound off on this topic.



Tim Cooke
President & CEO, ASI Government

More than any policy, buying smarter means building team capacity and capability across the acquisition team, especially the program and procurement offices which develop, communicate, and persevere in outcome-based requirements. It also means continuously involving functional stakeholders, understanding markets and engaging with suppliers to understand the latest in industry innovation and the possibilities within the marketplace.

The Federal Emergency Management Agency's (FEMA) Flood Insurance and Mitigation Administration (FIMA) offers a prime example of such success. FIMA has used this Strategic Acquisition Program Management Office (PMO) approach to establish—in just nine months—a federal reinsurance capability and program for the first time ever, to strengthen the sustainability of the National Flood Insurance Program (NFIP). FEMA's achievements included

continued page 10



Maria Proestou
CEO & Founder,
DELTA Resources, Inc.

As a firm dedicated to assisting government clients in addressing emerging technical challenges, DELTA has been privileged to be on the ground floor of the development of cyber defense solutions for Department of Defense (DoD) clients. Thus, we are engaged in assisting our government clients in developing concrete approaches to implement the Defense Federal Acquisition Regulation Supplement (DFARS 252.204-7012: Safeguarding Covered Defense Information and Cyber Incident Reporting). While the clause is designed to promote information security across the industrial base, its broad definitions within create a potential ocean of covered defense information (CDI) and a need for knowledge management in company cybersecurity programs, which can help improve acquisition outcomes.

continued page 12



Dyson Richards
Vice President, USfalcon

While there are endless opportunities to improve the acquisition process for professional services, I believe that there is a unique opportunity to quickly alleviate a burden on the contracting community by eliminating the practice of incremental funding. I agree with many of the proposals put forth by industry and the government over the years to enhance debriefings, hire and develop more contracting professionals, improve communication with industry and better leverage technology, and believe they are all admirable objectives and will help in the long term. However, I am convinced that abolishing unnecessary incremental funding would yield more immediate, positive effects than other proposals by lowering costs and increasing the velocity of the acquisition process.

Let me explain what I mean by incremental funding. In my experience, consistently-staffed contracts (e.g. a five-year contract

continued page 10



Henry A. "Trey" Obering III
Executive Vice President,
Booz Allen Hamilton

The only way for the U.S. to meet the increasing array of future threats is to acquire and field superior capabilities in an agile and timely manner. A key factor in accomplishing this is for the government to be a "smart buyer" by working collaboratively with industry and warfighters. A key "smart buyer" element is the understanding, integration and management of its acquisition program baselines (e.g. requirements, technical, test, schedule, cost, contractual, etc.).

Two years ago, I led an Air Force and National Academies study to analyze how the Air Force was "owning their programs' technical baselines." "Owning" was defined as Program Managers having sufficient technical knowledge of their development efforts to enable program success by *making informed, timely, and independent cost, schedule, and performance*

continued page 12

Tim Cooke, cont'd from page 9

establishing the first-ever federal reinsurance broker procurement in four months, an acquisition requiring resolution of multiple unknowns, and first-time consequential decisions predicted to take 18 months. Because FEMA purchased reinsurance in January 2017, FEMA recovered more than \$1 billion from reinsurers following Hurricane Harvey¹ later that year. The program secured a total of \$1.96 billion in reinsurance coverage for 2018 to further strengthen the sustainability of the NFIP.

FIMA launched its PMO with a two-tiered approach to acquisition governance, enlisting stakeholders across the enterprise at both the staff and executive level to align procurement practice with program vision and goals. Led by a small group of functional business owners from the acquiring program office, the PMO included one team of working-level members from the program, procurement, finance, IT, and legal functions—all the organizations with a stake in the acquisition outcomes. It also included a complementary team of executive leaders from the same organizations. This two-tiered governance approach allowed those working on the project to stay connected to the critical outcomes, milestones, and risks of the reinsurance program.

The PMO fostered a space of transparency and non-judgment so that members felt comfortable raising risks and issues at both the working and executive levels. Having an aligned executive team and transparent culture helped quickly garner executive support when needed to address risks, assign resources to critical project areas, and provide top cover for innovative approaches. Such alignment and transparency led to the mitigation of critical project risks, including procurement and IT timeline risks which threatened the program's desired outcomes.

To better understand the latest in industry innovation and to inform the objectives of the first broker procurement, the PMO also conducted quick, direct market research with industry and government. A series of conference calls with industry providers increased the buying team's understanding of what was possible and available in the reinsurance brokerage market. Ongoing engagement, with state-level reinsurance programs, including onsite visits, provided advice and perspective on establishing a reinsurance program and driving market conditions that supported an effective reinsurance placement. The buying team then utilized this market intelligence to jointly draft performance-based brokerage requirements. The PMO also embraced the notion of continuous, iterative market research by holding market research sessions throughout the project to continually advance FEMA's understanding of the reinsurance market and establishing a market research board to continue conversations with the market to ensure continuous enhancement of the evolving private-public partnership.

The Reinsurance Team's achievements, bolstered by the Strategic PMO approach, are winning accolades inside FIMA, FEMA and across government. The team won the Homeland Security Department's Excellence Award in 2017, and was a finalist² for a Management Excellence Service to America Medal (SAMMIE Award) to be presented in October by the Partnership for Public Service.

Emulating FIMA's two-tiered, cross-enterprise PMO would yield similar innovation, speed, efficiency, and effectiveness—in other words, “buying smarts”—for any agencies making critical acquisitions of mission-essential capability. ■

¹ <https://www.fema.gov/blog/2017-12-05/behind-scenes-private-sector-helps-harvey-survivors-through-reinsurance>

² https://servicetoamericamedals.org/honorees/view_profile.php?profile=496

Dyson Richards, cont'd from page 9

with a value of \$1M/year) are far too often initially funded with less than a year's worth of funding. Let's say it is initially funded with \$250,000 for the first quarter of performance. Nearing the end of that period, the contractor is in the position of having to remind the government staff (operational and contracting) that the funding is running out. This is usually done by sending a 75% letter to the Contracting Officer Representative or Contracting Officer. Then, the contractor and the government staff must work together to identify the funds, initiate a purchase requisition (PR), route it through leadership for approval, and ultimately issue a contracting modification (MOD) to deliver the next increment of funding to enable uninterrupted performance.

This takes valuable time and resources away from the actual objectives of the contract. The contractor program manager, contracts and accounting staff are distracted from normal business of executing the real work that was acquired by the contract and instead are focused on securing the next increment of funding. More impactful is that the contracting staff are spending time developing and processing unnecessary funding MODs that take them away from their primary objective of soliciting, evaluating and awarding contracts. I have had acquisition executives tell me that as much as 80% of their staff's time is spent working on incremental funding MODs. This is in no way helping the government operate as a smarter and more efficient buyer.

In discussing the issue with my colleagues across our industry, I've found the practice is more prevalent in the Defense Department than in Civilian Agencies—although many Civilian Agencies do it as well—and that the Navy and Air Force are the most prolific users of this practice. When asked why this practice exists, I've been told it is to keep funds in reserve for unknown contingencies or it is mandated by Congress or OMB. I've not been able to find any evidence that is the case; rather, I think that often it is just done out of habit. Even if that was a legitimate concern, the government always has the option to de-obligate contract funding to meet a more important need. One industry executive offered a fitting metaphor that this practice is like constantly spraying a fire extinguisher just in case a fire breaks out.

Government and industry should work together to eliminate this debilitating habit that is bogging down our acquisition system. If acquisition professionals were relieved of this non-value added burden by fully funding contracts for at least a year, they could spend more of their time and energy reducing the Procurement Acquisition Lead Time (PALT) and executing better acquisitions. ■

The protection of CDI is something that all members of the defense industrial base take VERY seriously. We all know quite well the risks to national security that can be caused by an accidental or deliberate data breach.

The key to implementation is to ensure that any new compliance regime achieves the primary goal of protecting this sensitive data both within individual companies and throughout the supply-chain. Most of my colleagues in industry already have fully compliant programs, as do our subcontractors. For those in industry who still do not have good programs, there are several reputable companies that exist to assist with the implementation of high quality cybersecurity programs. The federal acquisition workforce is similarly engaged in ensuring the regulations are incorporated into all active contracts and our agency customers are also developing new ways to evaluate the monitoring and reporting that surrounds this important element of defense firms' implementation programs.

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One area, however, that requires additional work is the development of sound knowledge management regimes to define and manage the risks associated with specific covered data. Official definitions of CDI are very broad; generating a not-so-insignificant level of confusion surrounding the manner in which data should be protected. For example, should publicly available budget data be protected at the same level as sensitive technical design data? Not necessarily, but application of common sense isn't currently afforded in the process. Contracting officers are forced to designate entire contracts as falling under the scope of the regulation, thus placing both mundane and highly sensitive data under the same umbrella of protection.

By casting the net so widely in the definitions of data, we may be creating unanticipated and unwelcome risks to the integrity of the entire program. Effective knowledge management needs to be part and parcel of the measurement of effectiveness of cybersecurity programs across the industrial base. Applying risk measures to specific types of covered defense information is the next important step in ensuring full implementation of industrial base cybersecurity programs. This will allow the appropriate application of resources in this dynamic and evolving field to support federal government missions and improve acquisition outcomes. ■

risk decisions while ensuring disciplined program execution. Owning the technical baseline ensured government personnel understood user requirements, design selection criteria, and options to pursue alternatives given unanticipated cost, schedule, and performance challenges.

We found the Air Force relied too heavily on prime contractors and had lost the organic ability to perform independent technical analyses, validate contractor technical decisions/conclusions, and the ability to challenge cost conclusions. One reason was atrophy of their organic engineering workforce and ability to attract/retain engineering talent. Additionally, use of "lowest price technically acceptable" (LPTA) contracts for services to augment the government workforce exacerbated these issues.

Helping the government to be a "smart buyer" is a key element to ensure that we are doing all that we can to acquire capabilities to protect the homeland, deployed forces, our allies, and friends.

So how can the government become a "smart buyer"? An important step is recognition that high-end technical talent is required on the government team to challenge or validate prime contractor conclusions, risk assessments, and costs. So instead of LPTA contractors, who often lack adequate technical capabilities, the government should use "highly technical affordable talent" as agents supporting them across the program life-cycle. This talent must be independent and free from Organizational Conflict of Interest and could be incentivized to promoting best of breed solution selection.

Contractors of this type and caliber could be used to define architectures, properly characterize technical challenges early in the development process, plan "knowledge points" to mitigate or retire risks, provide systems engineering trades, and perform studies and cost assessments insight/analysis, among other tasks. Proper use of technical agents could prevent downstream cost and schedule overruns when the government pays for a large prime contractor engineering "standing army" while solving technical challenges not properly characterized at the outset. While the initial cost of experienced and independent engineering support will certainly be higher than LPTA personnel, the return on investment is also much higher considering avoidance of the cost impacts, schedule delays, and warfighter frustration as programs timelines and deployment slips.

The U.S. must do all that it can to maintain our historic, superior military advantage especially with the emergence of near peer and peer threats. Helping the government to be a "smart buyer" is a key element to ensure that we are doing all that we can to acquire capabilities to protect the homeland, deployed forces, our allies, and friends. ■