At A Glance:
Procurement Innovations

Risk-Based Acquisition Management

Definition: The principles of risk management have been imbedded into NPG 7120.5 (which governs how projects and programs are planned and managed), the NASA FAR Supplement, and the Grants and Cooperative Agreement Handbook. Risk-Based Acquisition Management (RBAM) seeks to integrate risk principles (including safety, security, health, cost, schedule, technical, damage to the environment, and unintended technology transfer) throughout the entire acquisition process. NASA will thoroughly consider the implications of programmatic risk when developing the acquisition strategy, selecting sources, choosing contract type, structuring fee incentives, and conducting contractor surveillance.

Concerns: NASA spends almost 90 percent of its annual budget on acquisition of supplies and services. Unforeseen events in the acquisition cycle (e.g., mishaps, contractor performance problems, funding shortfalls, technological obstacles, and schedule incompatibilities) can endanger safety, jeopardize program success, and reduce the public's confidence in the Agency.

Goal: The goal of RBAM is to reduce the likelihood and severity of impacts arising from unforeseen events through rigorous risk management. To accomplish this goal it will be necessary to embed the principles of risk management into the acquisition regulations and to indoctrinate and train the entire acquisition community.

Key Elements:

1. Revised the NASA FAR Supplement and Grants and Cooperative Agreement Handbook to embed risk management considerations throughout the acquisition process.
2. Glean lessons learned from centers at Contact Management Conferences. Examine them for potential broad applicability to Agency risk policy.
3. Embed risk management training in the acquisition cycle for the procurement, technical, and resource management communities.

Status: Over the past 3 years, the Headquarters Offices of Safety and Mission Assurance (SMA) and Procurement have been working cooperatively to broaden existing acquisition risk management activities and to implement RBAM to improve risk management for major Agency acquisitions. In

particular, there has been significant emphasis on utilizing RBAM for major procurements that involve formal acquisition planning, and requiring risk management to be addressed in Agency-level Acquisition Strategy Meetings. Beginning in September 2003 and continuing through the through the remainder of the calendar year, a small Headquarters team that includes representatives from the Offices of SMA and Procurement will be conducting RBAM reviews at each NASA center. The purposes of the reviews are to gather relevant information regarding the centers' RBAM implementation activities and to assess how well center procurement and SMA/risk management personnel have partnered in developing and implementing an effective risk management effort. The Headquarters team plans to talk with center procurement, program, and SMA/risk management personnel regarding current RBAM implementation status, as well as discuss ways in which the Agency may improve its acquisition risk management strategies and RBAM processes.

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Set Fee Initiative

Definition: The Set Fee Initiative (SFI) is an approach to establish fee on selected contracts. NASA will preestablish a fee amount or percentage in the solicitation rather than have contractors propose fee amounts. The contractors are able to focus full attention on the technical merits of the proposal while NASA ensures that the fee amount is adequate to motivate contractor performance.

Concerns: NASA remains interested in finding meaningful ways of motivating excellent contractor performance and attracting new companies to compete for contracts. This initiative is expected to improve product/service quality by improving contractor performance and increasing the number of offerors.

Goal: The SFI goal is to improve product/service quality and attract new companies competing for NASA work. The SFI will provide a reasonable fee on NASA contracts and ensure NASA gets excellent performance at a reasonable price.

Key Elements: Awards selected for this initiative should have some historical information indicating if the degree of competition was less than anticipated, the quality of proposals was less than expected, or the performance was less than desired. In order to assess the viability of the SFI, there should be some quantifiable method to gauge effectiveness. The centers will have considerable latitude in selecting the pilot project candidates and determining the appropriate approach for pre-establishing fee. Some of the suggested approaches are: 1) establish fee amount based on government estimate (percent or dollar amount); 2) establish fee amount based on government estimate but allow contractor to adjust the amount within established parameters; and 3) evaluate as subfactor under Mission Suitability.

Status: The SFI point paper describing the concept has been completed and provided to Procurement Officers asking them to review upcoming competitive procurements for potential application as pilot projects. A project has been submitted and is currently under review.

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Virtual Procurement Office

Definition: The Virtual Procurement Office (VPO) is an internal interface between operational procurement people at NASA and the vast array of regulations and tools available on the Internet. It has been designed to facilitate the acquisition process.

Concerns: The amount of information and tools available on the Internet that support the procurement process can be intimidating. Sites abound that point to laws, OMB Circulars, OFPP Policy Letters, the FAR, the NASA FAR Supplement, handbooks, guides, and many other sources of information. However, it is hard to find exactly the information that is needed and useful, or even to know that useful information is available.

The VPO is NASA's effort to address these problems. It organizes procurement information, samples, and tools along the lines of the NF 1098, Checklist for Contract Award File Content, which every NASA procurement professional is familiar with. It endeavors to provide relevant procurement information to the contracting officer/contract specialist. In addition to providing the rules that guide the procurement process, it provides "build tools" for common procurement tasks. The Virtual Procurement Office also provides immediate access to other NASA Acquisition Internet Service tools such as the Electronic Posting System, Request for Quotes, and Consolidated Contracting Initiative. System access requires a NAIS ID and password; this protects documents created with the "build tools" from access by others. The website has instructions for obtaining an ID and a password.

Goal: The goal of VPO is to ensure that operational procurement personnel always have immediate access to complete and current information and tools to accomplish the procurement function.

Key Elements:

1. FAR, NASA FAR Supplement, and center regulations needed to accomplish the procurement function;

2. “Build tools” to assist in developing commonly used forms, letters, memos, and NAIS applications; and

3. Samples of properly completed documents to serve as guides to what is needed/required.

Status: The Virtual Procurement Office has been implemented and is available for use at all of the centers. The address is http://prod.nais.nasa.gov/cgi-bin/vpo/vpo_matrix.cgi.

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Award Term Contracting

Definition: This pilot will test a non-traditional method of motivating and rewarding contractor performance. The Award Term Contracting (ATC) evaluation and award process itself is modeled on the Award Fee process. Contractors receive periodic performance evaluations and scores, which earn contract term extensions in return for excellent performance. Award Term Contracting is most effective when combined with firm fixed price and incentive fee type contracts.

Concerns: NASA remains interested in finding meaningful ways to motivate excellent contractor performance and cost reduction. Representatives of other government agencies and the commercial sector were queried to ascertain what they perceived to be prime motivators. An answer heard repeatedly was "a continuing business relationship."

Goal: The fundamental purpose of the Award Term is to motivate contractor performance by extending the term of the contract in return for excellent performance. This departure from the traditional government reward mechanism of fee/profit is consistent with commercial, private sector practice where a continuing relationship (as well as profit) is a prime motivator.

Key Elements: Under ATC, a core period of performance – normally 5 years – will be set to establish the performance baseline. A guaranteed minimum performance period must be established when negative incentives are used. This is to provide sufficient time for NASA to recompete the requirement should the selected contractor lose periods of performance. For example, for a 5-year core period, 3.5 years is the expected guaranteed minimum performance period. For purposes of this pilot, the total potential period of performance will normally be limited to 10 years. In establishing the award term guidelines, it is important to structure awards to ensure that the performance incentive remains intact throughout the life of the contract.

Status: Eight award term contracts have been awarded to date: Plumbrook Operations at GRC; Facilities Construction, Engineering and Technical Services at GSFC; Logistics Operation at GSFC; Technical and Administrative Services at DFRC; Base Operations at the Wallops Flight Facility;

the Consolidated Logistics and Administrative and Science Information Contract (CLASIC) at LaRC; Logistics Services Procurement at MSFC; and Research Operations, Maintenance, and Engineering (ROME) at LaRC. Several more are anticipated.

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Performance-Based Contracting

Definition: Performance-Based Contracting (PBC) is the preferred way of contracting for supplies and services at NASA. The purpose of PBC is to construct and award contracts that clearly make the contractor responsible and accountable for performance. PBC involves structuring an acquisition around the purpose of the work to be performed. PBC contracting methods are intended to ensure that industry innovation is encouraged to the maximum extent practicable, as contractors are told "what" our requirements are. Then, they determine "how" to do the work. This is an evolution from historical contracting methodologies where the government defined how the work was going to be performed or used broad and imprecise statements of work that precluded objective assessments of contractor performance. PBC focuses on results. Its methods are intended to ensure that required performance quality levels are achieved.

Risk management should be a primary consideration throughout the PBC acquisition process, which includes selecting an appropriate contract type; using quantifiable, measurable performance requirements; developing easily understandable performance (or quality) standards; including contract incentives (when appropriate) that are clearly linked to the contractor's performance; and developing, maintaining, and using a documented meaningful surveillance plan.

Concerns: Each year NASA contracts for a significant amount of supplies and services. Use of less than optimal contracting methods can contribute to cases of unsatisfactory performance and contract administration problems. In particular, the use of an unnecessarily vague statement of work can lead to inadequate cost control and a resource intensive contract administration.

Goal: PBC is the government's preferred method of contracting. NASA is implementing PBC to the maximum extent practicable, including contracts or task orders for services, hardware, and research and development. All new contracts or task orders must be considered for suitability to PBC. Existing contracts have been reformed to PBC where cost savings can be expected and the ongoing mission is not adversely affected.

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NASA Headquarters
Washington, DC 20546

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Key Elements: NASA will assess the risks of a project to develop an integrated PBC contracting approach. In preparing statements of work, NASA will, to the maximum extent practicable, describe the work in terms of "what" is the required output or desired outcome rather than "how" the work is to be accomplished or specifying the level-of-effort to be applied (i.e., input). Performance requirements and performance (or quality) standards should be quantifiable and measurable. Vague, overly broad statements of work that make objective assessment of contractor performance difficult will be eliminated. Contract type will be determined based upon a fair assessment of cost and performance risk. Wherever the inclusion of incentive provisions makes sense, those provisions will be structured to reward contractors for successful performance results, not best efforts. These provisions should be based on measurement against predetermined performance standards and metrics. In those cases where the value of non-performed or poorly performed work cannot be recovered, deduction schedules may be employed. The Agency will assess the project risks to determine and document in a surveillance plan the appropriate levels of contract surveillance, e.g., insight or oversight that will help to ensure project success.

Status: When NASA began PBC implementation, a NASA-wide PBC awareness program was conducted to explain PBC to government and contractor employees at both the senior and working levels. The awareness program was conducted through center visits by a multi-disciplinary Headquarters team and was supplemented by videoconferences. PBC training has since been institutionalized for the Agency's technical and procurement communities. Conversion of existing requirements to performance-based contracts has occurred.

In July 1999, the Assistant Administrator for Procurement sent a team to visit nine NASA centers and assess Agencywide PBC implementation and report its findings and recommendations. During those visits, the PBC Assessment Team reviewed 117 contracts and interviewed hundreds of NASA and contractor personnel. The team inspected each contract to discover best practices, to determine compliance with PBC policy, and to confirm the accuracy of the percentage of PBC reported. The team's individual center observations were shared with the center Procurement Officer after each visit. The final report was signed by Tom Luedtke, the Assistant Administrator for Procurement, and distributed with a cover letter signed by the NASA Associate Deputy Administrator to the enterprises and centers. The final report recommendations that resulted from the team's observations are being implemented to improve PBC throughout the Agency.

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Abbreviated Procurement Innovations

Risk-Based Acquisition Management: The intent of this innovation is to integrate risk management principles throughout the entire acquisition process by purposefully considering the implications of programmatic risk when developing the acquisition strategy, selecting sources, choosing contract type, structuring fee incentives, and conducting contractor surveillance. This rigorous risk management is intended to reduce the incidence and severity of impacts arising from unforeseen events. RBAM was incorporated into the NASA FAR Supplement in July 2000. RBAM was amended in the NASA FAR Supplement in September 2001 to address the requirements for submission of Safety and Health Plans, and in April 2002 to revise the prescription for Safety and Health Clauses. In addition, PIC 02-17, Government Quality Assurance Surveillance Plan Guidance was issued in September 2002. Point of Contact is Mr. T. Baugh, (202) 358-1169.

Set Fee Initiative: This initiative will allow NASA to preestablish a fee amount or percentage in the solicitation, rather than have contractors propose fee amounts. The goal of the initiative is to improve product/service quality and attract new companies competing for NASA contracts. Pilot project candidates should have enough historical information to assess the effectiveness of this initiative. A point paper has been developed and distributed to center Procurement Officers asking them to evaluate upcoming procurements for potential application as pilot projects. Point of Contact is Mr. L. Becker, (202) 358-4593.

Virtual Procurement Office (VPO): The VPO is an internal interface between operational procurement people at NASA and the vast array of regulations and tools available on the Internet. It has been designed to facilitate the acquisition process. The VPO endeavors to provide relevant procurement information to the contracting officer/contract specialist. In addition to providing the rules that guide the procurement process, it provides "build tools" for common procurement tasks. The Virtual Procurement Office also provides immediate access to other NASA Acquisition Internet Service tools such as the Electronic Posting System, Request for Quotes, and Consolidated Contracting Initiative. System access requires a NAIS ID and password; this allows use of the build tools to create and store documents that are protected from access by others. The Virtual Procurement Office has been implemented and is available at all of the centers. The address is

http://prod.nais.nasa.gov/cgi-bin/vpo/vpo_matrix.cgi. The website has instructions for obtaining an ID and a password. Point of Contact is Mr. W. Childs, (202) 358-0454.

Award Term Contracting: This pilot will test a non-traditional method of motivating and rewarding contractor performance. The Award Term Contracting (ATC) evaluation and award process is modeled on the Award Fee process. Contractors receive periodic performance evaluations and scores, which earn contract term extensions in return for excellent performance at reduced costs. This departure from the traditional government reward mechanism of fee/profit is consistent with commercial, private sector practice where a continuing relationship (as well as profit) is a prime motivator. Award Term Contracting is most effective when combined with firm fixed price and incentive fee type contracts. Eight AT contracts have been awarded to date: One at GRC, three at GSFC (including one at Wallops), one at MSFC, and two at LaRC. Point of Contact is Mr. D. Abrams, (202) 358-1532.

Performance-Based Contracting: Performance-Based Contracting (PBC), which focuses on results, is the preferred method of contracting for the government, and is intended to ensure that required performance quality levels are achieved and that services performed meet contract standards. PBCs are written with clearly defined performance requirements, straightforward roles and responsibilities, and a focus on results.

The PBC statement of work should, to the maximum extent practicable, be described in terms of "what" is the required output rather than "how" the work is to be accomplished. PBC requires a completion form contract, the use of measurable performance standards, and a surveillance plan. The PBC contract type will be determined based upon an assessment of cost and performance risk, and the amount of risk that may be fairly assigned to the contractor. A NASA-wide PBC awareness program was conducted to explain PBC to government and contractor employees. PBC training has been institutionalized for the Agency's technical and procurement communities. An assessment of NASA's PBC implementation has been conducted, and the resultant observations and recommendations are being used as a road map for improving PBC. Point of Contact is Mr. T. Baugh, (202) 358-1169.

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Accomplishments

Consolidated Contracting Initiative (CCI): The CCI emphasizes developing, using, and sharing contract resources to meet Agency objectives. The goals are to meet users' needs faster; reduce user time spent on acquisition-related tasks; shorten acquisition lead times; minimize contract duplication; save resources; reduce closeout backlogs; and improve cooperation with other government agencies. NASA plans to consolidate requirements wherever it makes sense to do so. CCI began November 4, 1996. CCI information is available on-line at http://procurement.nasa.gov/cgi-bin/cci/first.cgi.

Electronic Commerce: NASA is focusing on the Internet for rapid, low-cost, and reliable delivery of procurement information to a broad audience, especially small and small disadvantaged businesses. NASA is recognized as a leader within the federal government in the use of Internet technology to improve the acquisition process. NASA's Acquisition Internet Service, or NAIS, is located at http://procurement.nasa.gov. NAIS offers user features such as an automatic e-mail notification service and easy access to NASA contract award information. It is an excellent reference source for those seeking contracting and subcontracting opportunities. Procurement-related documents and other government Agency links can be found at http://nais.nasa.gov/fedproc/home.html. NASA is working with other agencies, in support of the President's Management Agenda, on a variety of "eGov" initiatives designed to make the federal procurement process more efficient, accessible, and citizen-oriented. For example, "FedBizOpps," available at http://www.fedbizopps.gov, provides one-stop access to government-wide business opportunities. Further details on the President's eGov initiatives are available at http://www. Egov.gov.

NASA Contracting Intern Program: This program was initiated in 1999 to offset the high rate of attrition in the contracting work force. The original program consisted of an education program targeted towards college juniors and seniors followed by a two-year internship beginning at college graduation. The focus of the program is now geared specifically towards recent college graduates who serve a 30-month rotation as contracting interns. This program is different from other NASA co-op/intern programs in that it is Agencywide. Interns rotate between NASA centers to provide maximum exposure to the Agency's mission. Upon completion of the program, participants are

eligible for permanent positions at one of the NASA centers or installations. There are currently 37 participants in the program.

Past Performance: The Federal Acquisition Regulation requires that competitive procurements include a contractor's past performance as an evaluation factor, unless the contracting officer documents an exception. Additionally, the FAR requires agencies to evaluate contractor's performance on all contracts over $100,000. A systematic collection of data on past performance for NASA contracts commenced during the third quarter of FY 98 with the creation of the Past Performance Database (PPDB). A government-wide past performance database, the "Past Performance Information Retrieval System (PPIRS)," was established and became operational in July 2002. NASA contractor past performance data is now available through both PPDB (internal to NASA) and PPIRS. PPIRS is managed by the Department of Defense and contains data from the four recognized federal past performance collection systems: the National Institutes of Health Contractor Performance System; the NASA PPDB; the Army's Past Performance Information Management System; and the Department of Defense Contractor Performance Assessment Reporting System.

Ombudsman Program: The Ombudsman Program was established to provide a more open acquisition process by facilitating communication on an informal basis between NASA and parties outside the government. The program provides offerors, potential offerors, and contractors with a single point of contact to address their concerns if they are not able to achieve satisfaction under the standard process. The Ombudsman Program commenced October 1, 1995.

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NASA Ombudsmen for Acquisition

CENTER	POSITION	NAME	PHONE NO.	FAX NO.	MAIL STOP
AGENCY	DIRECTOR, CONTRACT MANAGEMENT DIVISION	JAMES A. BALINSKAS	(202) 358-0445	(202) 358-3083	HK
ARC	DIRECTOR CENTER OPERATIONS	THOMAS J. MOYLES	(650) 604-5073	(650) 604-0031	200-9
DFRC	ACTING DEPUTY CENTER DIRECTOR	ROBERT M. MEYER	(661) 276-3103	(661) 276-2298	X/D-2004
GRC	SDB/HBCU PROGRAM MANAGER AND SMALL BUSINESS TECHNICAL ADVISOR	DR. SUNIL DUTTA	(216) 433-8844	(216) 433-2946	3-9
GSFC	DEPUTY CENTER DIRECTOR	WM. F. TOWNSEND	(301) 286-5066	(301) 286-1714	100
JSC	ASSOCIATE DIRECTOR (MANAGEMENT)	SUSAN H. GARMAN	(281) 483-0490	(281) 483-2200	AC
NMO-JPL	DIRECTOR NMO	DR. ROBERT PARKER	(818) 354-5359	(818) 393-2607	180-801
KSC	DEPUTY DIRECTOR	DR. WOODROW WHITLOW	(321) 867-2355	(321) 867-7787	AA-A
LaRC	ASSISTANT DIRECTOR FOR PLANNING	DR. CHRISTINE M. DARDEN	(757) 864-5258	(757) 864-8980	110
MSFC	ASSOCIATE DIRECTOR	AXEL ROTH	(256) 544-1919	(256) 544-5590	DEO1
SSC	DIRECTOR, CENTER OPERATIONS DIRECTORATE	MARINA L. BENIGNO	(228) 688-2004	(228) 688-6699	RAOO
HQ	DIRECTOR, HEADQUARTERS OPERATIONS	JAMES J. FRELK	(202) 358-2100	(202) 358-3049	C