Acquisition Reform Change Elements

The Department of the Navy is changing the way it does business. The new streamlined SECNAVINST 5000.2 eliminates unnecessary regulation, delegates decision authority to the lowest possible organizational level, eliminates non-essential military specifications and standards, and encourages maximum use of Commercial-Off-the-Shelf (COTS) equipment. In a DoN survey in March 1997, over 90% of the acquisition workforce respondees agreed there has been improvement in the acquisition process.

The acquisition process is one in transition as we implement acquisition reform and mature many reform initiatives. DoN has embraced the use of teams and integrated product and process development, and is focussing on total ownership cost, which includes designing platform systems using an open system architecture allowing for follow-on technology insertion. DoN is partnering with industry to develop, acquire and support technologically superior and affordable systems. The successful acquisition team must spread across functional and government-industry boundaries.

Changes to legislation and the way we do business fall into seven areas: Commercial Practices, Processes and Products; Open Communications; Performance Based Business Environment; Electronic Commerce, Electronic Data Interchange; Risk Management; Teaming/Partnering; and Affordability. These areas are broadly defined.

Commercial Practices, Processes and Products. Utilizing the practices and methods of industry in the government acquisition system to the maximum extent practicable.

Open Communications. Improving on the traditional "arm's length" government-contractor relationship of years past where there is a free flow of information in order to maximize the opportunities for providing the warfighter's needs on schedule and on budget, while maintaining the public trust. Building up a culture, technology and leadership which support rapid, free, accurate and honest communications among all individuals and organizations necessary for maximum performance of the enterprise. of commercial processes and products.

Performance Based Business Environment. A "state of being" where government / contractor relationships capitalize on commercial practice efficiencies to improve the military acquisition and sustainment environment. In this new environment, solicitations and contracts describe system performance requirements in a way that permits contractors greater latitude than under historical acquisition methods to use their own design and manufacturing ingenuity to meet needs.

Electronic Commerce/Electronic Data Interchange. Set of electronic systems and protocols over which you can electronically exchange information across a wide spectrum of interactions between government and industry.

Risk Management. Deliberate and conscious identification and management of various risks inherent in an acquisition program to ensure program success by meeting all goals of performance, cost, schedule and flexibility. It includes the process of identifying, analyzing, and tracking risk drivers, assessing the likelihood of their occurrence and their consequences, defining risk-handling plans, and performing continuous assessments to determine how risks change during program life.

Teaming/Partnering. Utilization of teams to improve decisions, program execution and organizational effectiveness. Organizations working together in a collaborative, cooperative manner, developing a trust-based relationship to achieve mutual benefits.

Affordability. Philosophy and approach to acquisition which uses total budgets and requirement trade offs to make decisions on acquisition program prices and in which acquisition managers strive to achieve those target prices by world class techniques.

Following are (1) a guide to the change elements that are part of Acquisition Reform, with reference citations provided in brackets, and (2) a matrix showing how these change elements fit into the larger picture of Acquisition Reform.

Changes resulting from FASA / FARA and other Acquisition Reform Initiatives

Contracting

• DoD is improving pre-solicitation phase communication to provide potential suppliers greater understanding of Government's needs and Government greater understanding of supplier capability (including conferences, bulletin boards, requests for information, Comm Advocates Forum, draft RFPs). *[FAC90-29; FAC90-32; Navy Cardinal Point 3-2 and 4-3]*

• The Navy is streamlining RFPs to eliminate unnecessary SOW complexity and contract clauses. *[AF Lightning Bolt #1, 4 and 10; Proc PAT - (Early CAS, DFARS Case 95-D015/DAC 91-11); Navy Cardinal Point 4-3; AMC Pam 70-25]*

• DoD is eliminating Military Specs and Standards and moving to performance-based requirements in the solicitation process. *[PL103-355, sec8104; FAC90-32; DoDD5000.1 (D.1.I); DoDD5000.2 (3.3.3.1); SECDEF memo, 29 Jun 94; SECDEF memo, 6 Dec 95; USD(A&T) memo, 8 Dec 95 (SPI)]*

• RFPs include a strict minimum number of critical performance criteria that will allow industry maximum flexibility to meet overall program objectives. *[DoDD5000.1 (D.1.f); DoDD5000.2 (3.3.3.1)]*

• FASA and subsequent memoranda require use of Past Performance/Best Value Evaluation Criteria in source selection decisions using past performance information to select the best sources. *[PL103-355, sec1091 (FASA); FAC 90-26; DoD5000.2 (3.3.4.2); USD(A&T) memo 28 Apr 95; AF Lightning Bolt #6; Navy Cardinal Point 4-2]*

• Time and effort required by both Government and industry, from solicitation to contract award, has decreased by streamlining the pre-Award process through implementation of IPT type activities (Alpha contracting), oral presentations, use of automated tools, EC/EDI, and electronic source selection. *[Proc & CAS PATs - USD(A&T) memos 28 & 29 Jun 95; DDP memo - 14 Jun 95; DFARS cases 95-D009,010,015,016/ DAC91-9&11; FARA, sec4102; AF Lightning bolt #10; Army Thrust Area VI; Navy Cardinal Point 2-2 and 4-3]*

• Use of EDI will streamline the procurement process by initiating, conducting, and maintaining business related transactions between the government and its suppliers without hard copy media. *[FAC90-29; DepSecDef Memo, 28 Apr 94; AF Lightning Bolt #10; Army Thrust Area III and IV; Navy Cardinal Point 4-1]*

• Performance based service contracting utilizes SOWs for services ("what" not "how") thereby minimizing reliance on intrusive process-oriented inspections and oversight. *[OFPP Policy Ltr 91-2, 9 Apr 91; Army Thrust Area II]*

• DoD is improving communications related to potential disputes during contract execution by including the use of ADR, avoiding unnecessary litigation. *[PL 104-320 (Administrative Dispute Resolution Act of 1996); FAC 90-39 (XXIII)]*

• FASA requires contracting officers to take advantage of commercial warranties to promote greater use of commercial products and buying practices and to decrease acquisition lead times. *[PL 103-355, sec 8002 (FASA); FAC 90-32; FAR 46.804; FAR 46.709]*
• DoD acquires only technical data and computer software rights necessary to satisfy needs; contractor retains rights if data is developed at private expense. *[PL 103-355, sec8106; DFARS Part 227.71/.72; DFARS Case 91-8]*

Engineering
• DoD is using an open systems approach as part of their integrated business/engineering strategy to choose specs and standards adopted by industry standards for selected system interfaces. *[DoD5000.2 (4.3.4); USD(A&T) memo 29 Nov 94; USD(A&T) memo, 10 Jul 96]*
• DoD is using quick prototyping in software development to demonstrate the feasibility of functionality which will later be refined for inclusion in the final product. *[DoDD 5000.1 (D.1.h); MIL-STD 498; DoD TAFIM, vol I (3.10)(4.2.2)]*
• Use of performance based acquisition reduces oversight of contractor configuration management practices over the design solution allowing technology updates and other changes without extensive contract change. *[DoD Deskbook - (DoD Standardization Practices; Principles of Configuration Management); AMC-P-715-17, PBBE]*
• In performance based acquisitions, review and approval of ECPs has been streamlined to those affecting DoD's performance requirements with concurrent elimination of CL II ECPs. *[MIL Specs & Standards Reform PAT - MIL-STD-973D]*
• Using simulation as a replacement for some engineering tests will not require building hardware prototypes. *[DoDD5000.1 (D.2.f); Army Thrust Area IV]*
• SECDEF may issue a waiver allowing survivability/lethality testing below end-item level of components, systems and subsystems. *[PL 103-355, Sec. 3014 (FASA)]*
• T&E programs have been restructured to allow concurrent Developmental Test & Evaluation, Op Test & Evaluation, live fire, and modeling and simulation activities previously conducted by different agencies. *[DoD 5000.2 (3.4); Army Thrust Area IV]*
• MIL-STD-100 is being revised to eventually convert to ASME Y 14.100, streamlining commercial engineering drawing practices by reducing the level of detail required in drawings due to the revision of MIL-T-31000 to conform with MIL-STD-961D, and also using CALS CITIS will help resolve issues of data detail required. *[Revised MIL-STD-100]*
• DoD is using EDI to streamline engineering design and testing enabling the government and contractor to interface in a standardized manner and to operate in an integrated database environment. *[Navy Cardinal Point 1-3 and 4-1]*

Finance
• The scope of DCAA audits will be tailored based upon risk assessment methodology and this process will be discussed with contractor executives annually. *[ICAPS (Internal Control Audit Planning Summary) - FY 94]*
• FPRAs will be tailored for smaller contracts where facility wide agreement is possible to include renegotiating elements of FPRA. *[CASPAT (Chapter 13); DCMC One Book (DLAD 5000.4) - Part 5, Chapter 3]*
• Contractors with DCAA approved billing systems will be able to directly submit cost vouchers to DFAS. *[DFARS 242.803]*
• Exemptions were created for cost or pricing data required for services and modifications to commercial items and for noncompetitive buys of commercial items. *[PL 103-355, Subtitle IB; FAC 90-32; FAR Case 94-721 (FAR 15.804)]*
• FASA recognized reliance on unnecessary cost or pricing data increases proposal preparation costs, extends acquisition lead times and wastes resources and initiated a new order of priority for information / Adjustment of TINA threshold. *[PL 103-355, Subtitle IB; FAC 90-22; FAC 90-32]*

• Parametric cost estimating is used on firm proposals submitted to Government. *[D, DP memo, 28 Aug 95]*

• A cut-off date will be used to eliminate endless TINA sweeps prior to contract signing. *[PL 103-355, sec 1207 (FASA); Proc PAT - Rec. 7A - DCAA Audit Guidance 2 Jun 95]*

• Financing on contracts for non-commercial items awarded competitively will be executed with performance-based progress payments that will incentivize contractors to adhere to the delivery schedule. *[PL 103-355, Sec 2001 (FASA); FAC 90-33]*

• EDI will be used to facilitate contractor payment in accounting and vendor pay systems thereby reducing data errors and transaction costs. DFAS Major Contract Payment System will be used for progress payments and commercial invoices. DFAS major contract payments will be made by EFT. *[PL 104-134 (Debt Collection Act of 1996), sec 31001(x)(1)]*

Manufacturing

• MIL-STD 2000Awas canceled in 6/95 and is no longer required on new contracts. Single Process Initiative (SPI) is replacing MIL-STD 2000A on existing contracts in an effort to capitalize on existing commercial soldering and other commercial manufacturing practices. *[DoD5000.2 (4.3.1); SECDEF memo, 6 Dec 95; USD(A&T) memo, 8 Dec 95; (SPI)]*

• DSIC canceled MIL-STD 45662A giving contractors the choice of ANSI/NISC 2 540-1, ISO 10012-1, or any comparable commercial standards or practices for calibration. *[PL 103-355, sec 8104; FAC 90-32; DoDD5000.1 (D.1.I); DoD5000.2 (3.3.3.1); SECDEF memo, Jun 94; SECDEF memo, Dec 95; USD(A&T) memo, Dec 95 (SPI)]*

Plant Wide

• SPI supports MILSPEC and STD reform by installing a process for block change removal of government unique requirements off all contracts in a facility. *[SECDEF memo, 6 Dec 95; USD(A&T) memo, 8 Dec 95 (SPI); Army Thrust Area II; Navy Cardinal Point 3-2; PDUSD(A&T) memo, 30 Apr 97; USD(A&T) memo, 16 May 97]*

• Recent statutory and other means will be utilized to provide increased program stability to DoD programs thereby reducing restructuring and associated changes in quantities and / or schedules. *[DoDD5000.1 (D.1.c); USD(A&T) memo 28 Apr 95; AFFARS 5317.9103; SECNAVINST 5000.23, App II, Annex A, Sec 4; DAPam 70-3, 11-C-3d]*

• A simplified, uniform, and cost-effective industrial security program is being established that will ensure the security of sensitive information and technologies by streamlining the procedures and controls related to the administration of Defense Industrial Security Programs. *[EO12829, 7 Jan 93; NISPOM, Jan 95; FAR Deviation, May 95]*

• Expanded authority has been provided to the Services to execute cooperative agreements and other transaction authority on prototype projects versus contracts using FAR/DFARS. These agreements require competitive procedures to the maximum extent practicable. *[PL103-160 (FY 94 Auth. Act), Sec. 845; PL 104-201 (FY 97 Auth. Act) Sec. 804; USD(A&T) Memo, 14 Dec 96: DoD5000.1 (D.1.h); Navy Cardinal Point 4-3]*

• More thorough, timely communications with contractors, including post-award debriefings to losing competitors, will reduce reliance on other means of getting information, such as protests. *[PL 103-355, Subtitle ID (FASA); FAC 90-32; FAR 33.214]*

• FAR Part 45 requirements are being streamlined allowing contractors to refrain from tracking government property valued below $1,500 issued 31 Mar 95. *[Contract Administration PAT, Feb 1995; FAR deviation, 31 Mar 95]*

• Contractor purchasing system reviews are being reduced or eliminated based solely on risk assessments, and no time requirements, and are to be conducted only when necessary and limited in scope to those areas with insufficient data, maximizing the use of contractor data. *[DAC 91-11, Jul 96; DLAD 5000.4, Part VII, Chapter 4; FAR Case 95-011 (consent to subcontract)]*

• Various PAT recommendations streamline contract close-out for both internal government operations and contractor operations including changes to interim final billing

rates and an increase to the quick closeout threshold. *[Interagency Close-Out PAT, 1994; Contract Administration PAT, Feb 1995; FAC 90-39 (XXVI) far cases 95-008,017. FAR deviation 7-13-95 (interim billing rates)]*

  • Packaging specifications are being eased to eliminate non-value added packaging and to allow use of more commercial-type packaging. *[SECDEF memo, 29 Jun 94; DSIC cancellation of MIL-STD-1367A, 31 May 95; revised MIL-STD-2073-1/2]*

  • Commercial procedures and EDI related to shipping documentation and GBLs will be used to reduce time and cost related to preparing and processing shipping documents. *[41 CFR 101-41.007]*

  • Restrictive laws and domestic source restrictions are being reduced, increasing access to commercial sourcing with benefits including reduced schedule and cost and increased access to commercial flexibility. *[PL 103-355, sec 8003, 8102, 8105, 8301 (FASA); FY 95 Authorization Act; FAR 12.504; DFARS 212.504]*

  • DCMC is leading an effort to coordinate and reduce multiple software capability evaluations thereby decreasing time and cost to contractors.

Program Management

  • The government is using joint government-industry IPTs focused on program execution, identification, and implementation of acquisition reform to resolve program issues. Increased communications result in reduced schedule and cost and an increase in quality. *[PDUSD(A&T) memo, 28 Oct 94; SECDEF memo, 10 May 95; DoDD 5000.1 (D.1.b) (D.3.c) (E.2.f); DoD 5000.2 (3.3.5.1)(4.2); AF Lightning Bolt #5; Navy Cardinal Point 1-2, 1-3, 3-2, 3-3; AMC Pam 70-27]*

  • Redundant oversight by DCMC, service buying activities, and program offices is being reduced. *[DoD 5000.2 (3.3.5.5/6); USD(A&T) memo, 28 Apr 95; CASPAT - USD(A&T) memo 21 Aug 95]*

  • Oversight and program risk are being aligned by tailoring contract administration based on risk assessment methodology and transitioning government unique requirements on existing contracts to commercial specs and standards. *[DoD 5000.2 (3.3.5.5/6); CASPAT - USD(A&T) memo 21 Aug 95]*

  • Cost and schedule reporting standards are being tailored to industry guidelines to reduce contractor management system reviews. *[OMB Circular A-11, Part 3 (1996); DoDD 5000.2R, Part 3.3, 4.3; USD(A&T) memo, 14 Dec 96; SPI; Departmental Letter 97-011, DDP, 5 Mar 97]*

  • All new contracts require use of EDI to facilitate information exchange between Government and contractor via access to, or delivery of, their programmatic and technical data in digital form. *[DoD 5000.2 (3.3.4.5)]*

  • Non-value added reporting requirements and CDRLs are being reviewed and canceled by Services, DLA, and OSD. *[DoD 5000.2 (3.3.5.1); USD(A&T) memo, 4 Dec 95; DoDM-59C; AMC pamphlet 70-25]*

  • DoD is using Cost as an Independent Variable to pursue aggressive cost targets through the use of cost/performance trade-offs. *[DoDD 5000.1 (D.1.f); DoDI 5000.2 (3.3.3); USD(A&T) memo, 4 Dec 95]*

Quality Assessment

  • Commercially accepted quality program standards are replacing MIL-Q-9858 A, MIL-I-45208, etc. reducing unnecessary paperwork and eliminating redundant quality assurance systems. *[SECDEF memo, Jun 94; USD(A&T) memo, 14 Feb 94; DFARS Case 95-007, final rule, 30 Nov 95; USD(A&T) memo, 24 Apr 95; USD(A&T) memo, 8 Dec 95; DoD 5000.2 (4.3.2)]*

  • Non-value added receiving/in-process/final inspection and testing is being eliminated by converting, revising, or eliminating multiple specs and standards. *[PL 103-355, sec 8104;*

FAC 90-32; DoDD 5000.1 (D.1.i); DoD 5000.2 (3.3.3.1); SECDEF memo, 29 Jun 94; SECDEF, 6 Dec 95; USD(A&T) memo, 8 Dec 95]

• Streamlined documentation/resolution of non-conforming material issues allows contractors to initiate less costly but effective procedures to identify and correct non-conforming parts and materials while reducing unnecessary paperwork and cycle times. *[Cancellation of MIL-STD-1520A by DSIC (MIL SPEC/STD Reform), 31 Mar 95]*

CATALOG OF ACQUISITION REFORM ELEMENTS

Initiative	Commercial Practices	Open Communication	PBBE	EC/EDI	Risk Management	Teaming/ Partnering	Affordability
CONTRACTING							
Improved Pre-Solicitation Phase Communication	★	★	★	★		★	
RFP Streamlining	★		★				
Elimination of Military Specs and Standards/Use of Performance-based requirement	★		★				★
Government encouragement of contractor-proposed cost/performance trade-offs			★				★
Use of Past Performance/Best Value Evaluation Criteria	★		★		★		
Streamlined Pre-Award Process		★		★		★	
Use of EDI to streamline procurement process				★			
Performance Based Service Contracting	★		★				★
Improved communications related to potential disputes during contract execution	★	★				★	
Use of commercial warranties and other product liability issues (risk management)	★		★		★		
Rights in Tech Data & Computer Software	★				★		★
ENGINEERING							
Use of Open Systems Approach	★		★				★
Use of quick (rapid) prototyping in software development	★			★			★
Contractor maintains configuration of the design solution	★		★				★
Streamlined procedures for review/approval of engineering change proposal (ECPs)	★		★		★	★	★
Simulation as a replacement for some engineering tests	★				★	★	★
Survivability/lethality testing below end-item level					★		★
Concurrent developmental testing (DT)/operational testing (OT)					★		★
Use of commercial engineering drawing practices	★			★	★		★
Use of EDI to streamline engineering design and testing (e.g., JEDMICS, CMIS)				★	★		★
FINANCE							
Use of risk-based approach to DCAA financial oversight		★			★	★	
Use of tailored negotiation of forward pricing rates					★	★	
Direct submission of cost vouchers to DFAS					★	★	★
Use of commercial and other exemptions for cost or pricing data	★				★	★	
New order of priority for information/Adjustment to TINA threshold	★				★		
Use of parametric cost estimating					★		★
Reduced number of TINA sweeps					★	★	★
Use of performance-based progress payments			★				
Use of EDI to facilitate contractor payment	★			★			★
MANUFACTURING							
Use of commerical soldering/other commercial manufacturing practices	★		★		★		★
Commercial standards/practices for calibration	★						★
PLANT WIDE							
Single Process Initiative - new requirements/reprocurements and prime/subcontracts	★	★	★		★	★	★
Program Stability	★				★	★	★
Streamlining procedure/controls related to administration of Defense Industrial Security Program					★		★
Use of "Other Transaction Authority"	★				★		
More thorough post award debriefings		★				★	
Reduction/elimination of Contractor Purchasing System Reviews					★	★	★
Streamlined Contract Close-Out					★		
Elimination of non-value added packaging requirements	★						★
Use of commercial procedures & EDI related to; shipping documentatiion, GBLs, etc.	★			★			★
Commercial Sourcing - Reduction in applicability of certain laws	★		★				★
Reduction of multiple SCEs		★			★	★	★
PROGRAM MANAGEMENT							
Use of Joint Government Industry IPTs		★				★	★
Elimination of Redundant Oversight (Program Office, Services, DCMC)					★	★	★
Alignment of oversight with program risk					★	★	★
Tailoring cost/schedule reporting standards to industry guidelines/reduction of contractor mgmt system reviews	★				★	★	★
Use of EDI to facilitate information between Government and contractor		★		★		★	★
Elimination of non-value added reporting requirements/CDRLs					★		★
Cost as an Independent Variable			★		★	★	★
QA							
Use of commercially accepted quality program standards (e.g., ISO 9000 series)	★				★		★
Elimination of non-value added receiving/in-process/final inspection and testing	★		★		★		★
Streamlined documentation/resolution of non-conforming material issues	★		★		★		★