

## **New Democrat Coalition National Security Task Force**

### **Defense Acquisition Reform Recommendations**

In order to protect our vital national security interests around the world, our armed forces must have the highest-quality equipment, the best training, and the strongest support available. A key component of this level of excellence is the way the Department of Defense acquires the weapons, technology, and logistical services that support our service members on the battlefield. While we believe the Department of Defense's acquisition workforce is committed to providing our armed forces with the support needed to carry out the mission, and that workforce should be applauded for its dedication, it is clear that acquisition reforms are needed. That is why we, as Members of the New Democrat Coalition, believe that Congress must undertake a significant effort to streamline and upgrade the acquisitions process.

The recommendations below are intended to supplement many of the ideas previously provided by other Members of Congress, labor, industry, and other stakeholder groups. Moreover, they are intended to address specific acquisition changes that would benefit the acquisition system, without claiming to address every problem.

#### **Bring an End to Sequestration**

- Bring an End to Sequestration
  - Problem: The across the board cuts, implemented as a result of sequestration, drive the government to make less-than-optimal spending decisions that are geared towards short-term savings rather than long-term investments.
  - Solution: Implement a responsible and rational approach to address our nation's deficit, while not compromising the ability of the government to make strategic investments and deliver services to its people.
  - Rationale: Governance requires a framework that allows competent people to make smart decisions. Sequestration minimizes the opportunity for this to happen and creates planning uncertainty at a time when the Department of Defense faces a changing threat environment. We need to agree on a comprehensive, balanced, long-term fiscal plan that will allow us to end these harmful cuts, and work to create the opportunity to make informed strategic decisions that put our nation on the path to success and our budget on the road to fiscal responsibility.

#### **Make the Government a Better Customer to Industry**

- Follow the Law and Intent of Congress Concerning the Acquisition of Commercial Items
  - Problem: The government gets in its own way from procuring commercial and "of a type" commercial items and services.
  - Solution: The Secretary should promulgate policy guidance to acquisition officials that eases the acquisition of commercial solutions and meets Congressional intent concerning preference for procuring commercial items and services. Specific solutions include:

- Establish a government-industry working group to develop market research and price analysis tools/techniques that are clearly understood by both parties to commercial item transactions so that industry can provide the government what it needs to do both.
    - Development of an electronic mechanism that stores previously made commercial-item determinations to aid, not bind, acquisition professionals in market research and determinations.
    - Issuance of guidance to establish a collaborative process between industry and the government for identifying the business and accounting systems that companies use prior to government requests for information – this will ensure that the information requested can be provided without undue impact to the business.
    - Issuance of policy guidance requiring audits to substantiate commercial and “of a type” acquisitions to be justified based on the opportunity cost in terms of dollars and time before commencing the audit.
    - Enhancement of the curricula at the Defense Acquisition University to train acquisition professionals in all career fields on the definition of commercial items, the preference for using commercial items when non-governmental solutions are required, and means to determine commerciality.
  - Rationale: Establishing a collaborative and data driven process for making commercial item determinations is critically important to maintaining a strong industrial base and facilitating more rapid acquisition.
- Streamline Audits and Rule Compliance
  - Problem: Government is spending increasing amounts of scarce budget resources on ensuring compliance with rules, often in a duplicative manner. The high volume of government audits is costly in time and money to both government and industry and ought to be optimized.
  - Solution:
    - Validate that audit volume and cost (to both government and industry) is justified by the outcomes achieved – timely completions, dollars actually saved, decisions actually influenced. Task the Comptroller General to organize a government / industry group to study the options for such a scheme, institute consistency throughout the auditing workforce, and establish the best way to define risk and materiality.
    - Require the Secretary to identify a process for consolidating multiple and duplicative audits to avoid redundancy.
  - Rationale: Audits are useful oversight and accountability tools, and they help to ensure transparency in decision making. When applied too generally, aggressively, or late, however, they can stymie production, increase overhead to both the government and industry, negatively affect a company’s ability to secure financing, and ultimately result in a reduction of the industrial base that is willing to work with the government.

- Professionalize Military Acquisition Leadership
  - Problem: Far too often acquisition leaders do not have a solid background in acquisition or lack the technical background or familiarity with the industry associated with the government's desired solution.
  - Solution:
    - Require the Comptroller General to review the Defense Acquisition Workforce Improvement Act and determine its applicability and effectiveness to today's acquisition challenges.
    - Require program leadership to have experience (in either the workforce or education) in acquisition and the subject of the program or portfolio before being appointed.
    - Evaluate the viability of established integrated acquisition teams with designated leaders fully supported by key internal stakeholders (end-users, contracting, engineering, legal, budget, etc.). Evaluate the entire team on the overall outcomes achieved, not just on how well each component conducted its individual function.
  - Rationale: Instead of transitioning operators into work acquisitions they know nothing about, the DOD should focus on expanding the capacity and integration of all the elements that comprise the total acquisition workforce. This would improve communication with industry, improve requirement definition, and mirrors industry best practices.
- Communicate Future Mission Needs with Industry
  - Problem: Industry does not have a good understanding of the Government's needs for items and services that are not major defense acquisition programs and/or information systems.
  - Solutions:
    - Require all portfolios to issue a future year requirements forecast outlining the estimated ongoing mission needs through the issuance of a report, and conduct an industry day at least yearly.
    - Require the Federal Acquisition Regulatory Council to prescribe a regulation clarifying/restating that agency acquisition personnel are permitted and encouraged to engage in responsible and constructive exchanges with industry, so long as those exchanges are consistent with existing law and regulation and do not promote an unfair competitive advantage to particular firms. This concept originally was contained in the Federal Information Technology Acquisition Reform Act, and the overarching importance of these communications was recognized in the bi-partisan acquisition reforms of the 1990s.
    - Require the Office of Federal Procurement Policy to write a report and provide recommendations on how to change existing law/regulation to promote early, frequent, and ethical dialogue between government, labor, and industry on matters such as rules, acquisition policies and acquisition practices.
  - Rationale:
    - The development of an enterprise framework and the future implementation of accounting tools, like General Fund Enterprise

Business Systems (GFEBs), and service audits should permit the Government to know its requirements, build forecasts for items and services, and collaborate with industry. Such information is critically important for industry strategic planning.

- Under the leadership of Daniel Gordon, former Administrator of the Office of Federal Procurement Policy, the Obama Administration recognized that inadequate communication between government and industry harms the Federal procurement system and imposes costs on taxpayers through waste. As Mr. Gordon recently noted, “The ‘Myth Busters’ campaign that I helped launch sent a signal that increased communication is desirable, especially before a solicitation for a large procurement is issued. Again and again, though, I heard that more specific language in the Federal Acquisition Regulation encouraging government-industry communication would be helpful...”
- Publicize Small Business Liaison Contact Information
  - Problem: Small businesses face a lot of challenges in getting into government work due to their small staffs. It is often difficult to understand what buying commands are in the market for goods and services and who to reach out to for further information.
  - Solution: Require the department to list all small business offices and points of contact (name, phone number, e-mail, portfolio, office(s) supported) in a central location. Make this list available online and update at least monthly.
  - Rationale: Concentrating contact information can significantly reduce the amount of time and energy a small business invests in trying to figure out the bureaucracy.
- Lower the Administrative Burden
  - Problem: Not only do many small to medium businesses have difficulties entering into DOD contracting, but they also lack the resources required to comply with the voluminous administrative requirements that occur when working within the DOD contracts.
  - Solution: Review and evaluate all existing regulations and executive orders related to contract administration compliance for their utility, burden, and value to the taxpayer. Eliminate duplicative regulations and consolidate all regulations into one manual.
  - Rationale: By consolidating and minimizing burden of contract administration, which is costly in terms of dollars, manpower, and specialized knowledge, DOD contracting will be more appealing to a wider range of bidders, fostering competition and lower cost.
- Increase Industry and Labor Access to the Defense Acquisition University and Naval Postgraduate School
  - Problem: Government acquisition professionals are trained in an environment where industry and labor prospective are not sufficiently represented. It is hard for parties in all sectors to learn about their respective challenges without their broad participation.
  - Solution: Establish a plan for allowing labor and industry representatives to utilize the Defense Acquisition University and Naval Postgraduate School.

- Rationale: The incorporation of labor and industry representatives into the classroom will provide government pupils with an expanded understanding of these interests, how they operate, and who they are.

## **Empower and Grow the Workforce**

- Increase the Workforce to Meet the Requirement
  - Problem: The Defense Acquisition Workforce Improvement Act (DAWIA) took strides to build the acquisition workforce. As this effort is progressing, acquisition professionals in all jobs are finding themselves overburdened. We simply do not have enough people to do the job.
  - Solution: Require the GAO to study the acquisition workforce to determine if there are existing metrics outlining an appropriate level of staffing; if, based on those metrics, the acquisition workforce is appropriately sized in both overall numbers and in specific skillsets; and how many of the workforce jobs are assigned to permanent positions (a significant part of the acquisition workforce was hired recently through temporary over-hire positions using Overseas Contingency Operations dollars). In the event that no metrics that help define adequate sizing exist, create metrics to do so. Caps on the civilian workforce should be lifted so that needed increases in our acquisition workforce can occur, but not at the expense of the civilian workforce.
  - Rationale: Talented and dedicated individuals can only do so much and only have so much time to educate themselves to make informed and smart decisions. An overburdened workforce will learn little, make mistakes, and cost the taxpayer money.
- Expand the Faculty at the Defense Acquisition University
  - Problem: The Defense Acquisition University could do more to provide its students with lessons learned from industry, labor, and the Government Accountability Office.
  - Solution: Supplement the staff of the Defense Acquisition University to provide greater insight into best practices for curricula and lesson plan development focused on improving general and specific skill-sets and career paths.
    - Create positions for industry and labor representatives (possibly as a part of the exchange program).
    - Create positions for Government Accountability Office bid-protest attorneys and judges from the Boards of Contract Appeals to inform faculty and students of common mistakes and to help answer “Ask a Professor” questions. This proposal might require an increased authorization of positions within GAO to ensure that they can continue to meet their 100 day deadline on all protests.
  - Rationale: Exposure to the latest trends and/or demands of industry and labor concerns, and common mistakes found by the GAO and Boards of Contract Appeals can be a powerful supplement to the education provided by the Defense Acquisition University.

- Refresh Acquisition Oversight and Policymakers
  - Problem: Acquisition oversight and policymakers tend to be separated from operational acquisition. This separation results in a stagnated acceptance of innovative ideas that are proposed to facilitate emergent challenges and technology advances.
  - Solution: Convert a number of acquisition policy leadership positions, identified by the Secretary of Defense, to rotational, rather than permanent, positions. This conversion should be implemented gradually, as acquisition professionals retire.
  - Rationale: This solution would provide acquisition professionals with the opportunity to learn policy and then return to the field armed with that knowledge and best practices. It keeps the higher level administration refreshed with professionals who have recently been in the operational workforce, while retaining some consistency and institutional memory.
- Treat Attorneys Like They are Acquisition Professionals
  - Problem: The Department and services do not invest an adequate amount of time or dedication to training attorneys who are assigned to support acquisition programs.
  - Solution: Establish a more formalized and extensive training program for acquisition attorneys and align this training / education with existing continuing education credit requirements.
  - Rationale: Acquisition attorneys play a significant, influential role in the process, and yet many of them have received little training in government acquisitions (beyond core classes in law school and a few classes in JAG school). There are major differences between their education and that of program managers, contracting officers, and other acquisition professionals.
- Practice Like It's Game Time
  - Problem: The Defense Acquisition University does not provide realistic scenarios, examples, or problem sets to train its students. It's a training program that does not prepare professionals to think as the Under Secretary of Defense for Acquisition Technology and Logistics (USD AT&L) wants them to.
  - Solution: Increase the realism of training for acquisition professionals at the Defense Acquisition University through realistic examples and problem sets. The Government should utilize actual proposals (scrubbed of company information to protect proprietary data). Moreover, DAU must educate its students to think critically, rather than train them to follow processes.
  - Rationale: If acquisition professionals are not educated to deal with the challenges and complexity that they are sure to meet in the field, they will not succeed at the level desired.
- Leverage the Department's Collective Knowledge
  - Problem: Acquisition professionals are challenged to understand the techniques industry uses to maximize profit and fee. They are forced to rely on the experiences that they and their colleagues have had, rather than benefit from the Department's knowledge overall.
  - Solution: The Defense Acquisition University and Naval Postgraduate School should work with the Defense Contract Audit Agency and the Defense Contract Management Agency and other commands upon request, to write and distribute a

reoccurring report within each acquisition portfolio detailing cost and pricing techniques observed in proposals. The report should provide recommendations for recognizing, accepting, challenging or mitigating those techniques if such techniques are disadvantageous to the government or provide unjustified profits or fees to contractors that are not providing exceptional solutions or outcomes to the government.

- Rationale: Too little information is shared to arm acquisition professionals with the knowledge they need to protect taxpayer funds. Government information should be used to maximize this protection when possible.
- Pay Key Government Acquisition Leaders Equitably
  - Problem: The pay and benefits received by government employees who manage the Department's most complex and critical programs are not compensated at the same rates as their peers in industry. This disparity may result in a challenge of hiring and retaining talented and experienced acquisition professionals.
  - Solution:
    - Require the Secretary to create a website and training that identifies existing authorities for leaders to utilize in their efforts to recruit and retain talent for acquisitions. The Secretary shall also consult with labor and industry to suggest a plan for identifying key government acquisition leadership positions that would yield positive results to the government given the use of these authorities.
    - Require the Comptroller General to review compensation and other factors that influence the attraction and retention of the acquisition workforce.
  - Rationale: Although Government service provides intangible benefits to individuals, many talented and experienced individuals are not hired to hold key government positions due to the difference in compensation and benefits.

### **Improve Management, Administration, and Accountability**

- Align Acquisition Professionals into Concentrated Communities
  - Problem: Outside of major defense programs, acquisition professionals are spread thin and given little opportunity to develop an expertise in an industry. This situation leads to sub-optimal acquisitions, confusion within industry as to what the requirement is and who buys it, and cost challenges.
  - Solution: Create a pilot program within the services establishing a portfolio management framework to align like information technology requirements at all dollar values for goods and services.
    - The framework must identify responsibility – the decision maker - (supporting and supported roles) for all acquisition functions (Auditing / Business / Contracting / Program Management / T&E) within the department and each service for the identified portfolios. This framework involves more than management, because it also creates a community of acquisition professionals, which help builds relationships and the opportunity for specialization and implementation of best practices.
    - The DOD Chief Information Officer will be tasked with aligning the specific portfolios within the services – assigning responsibility – and will

work with DOD agencies and service commands to identify the specific communities of support.

- The goals for the pilot are to grow government capability and responsiveness to requirements, industry / government relations, and use of enterprise vehicles.
- The service level portfolio managers will hold the office for an eight year term and will be empowered to, and held responsible for,
  - implementing an enterprise strategy for accommodating validated requirements - including optimizing pilot programs that can lead to efficiency and adoption of commercial solutions, such as those for commercial cloud services, and reducing certification processes across the department and the various agencies and services;
  - planning and issuing portfolio-level requirement forecasts with industry;
  - encouraging actors within their portfolio to maintain consistency with statutory and regulatory requirement concerning the use of commercial item determinations;
  - tracking adoption of innovative technologies within the portfolio
  - managing assets; and
  - gathering industry insight on the performance of the portfolio and engagement with industry.
- The Secretary of Defense or Deputy Secretary of Defense shall issue policy guidance recognizing the authority of the portfolio managers and requiring cooperation of the services.
- The Director of Acquisition Procurement and Acquisition Policy shall issue policy guidance to the acquisition workforce limiting the acquisition of goods and services within the identified portfolios to those entities identified as responsible for acquiring the goods and serves within the portfolios.
- The framework (responsibility, community organization, and points of contact) shall be published to both the public and throughout the department to prevent mission creep and allow for accountability.
- Rationale: Concentrating the attention of acquisition professionals in one specific industry or portfolio should act as a force multiplier. It will streamline organization, allow acquisition professionals to develop a deep understanding of the industry, implement best practices, reduce costs, learn the major actors, and clear time to allow for solid decision making.
- Restrict Military Interdepartmental Purchase Requests (MIPRs) at the end of the Fiscal Year
  - Problem: Towards the end of the fiscal year, programs that are short of money or have extra ceiling on their contracts are shored up with savings from other programs. This action is valuable at times but also contributes to the bow wave of spending at the last minute and can result in sub-optimal acquisitions and or acquisition administration. Moreover, it inhibits Congress' ability to oversee the use of taxpayer funds.
  - Solution:

- Require the Comptroller General to review the general trends concerning Military Interdepartmental Purchase Request (MIPR) activity within the Department of Defense. The review should constitute, at the very least, trends concerning when MIPR activity occurs most often, the dollar value of MIPRs at peak times, and the flow of the money.
    - In the event that the study determines that the majority of MIPRs occur within the last few months of the fiscal year and are used to facilitate budget maximization opportunities, the Secretary shall prohibit Military Interdepartmental Purchase Requests (money transfers within DOD) within 45 days or another time specified by the GAO of the end of the fiscal year unless approved by the DOD or service comptroller, as appropriate, as being critical to the success of the program.
      - Service comptrollers are not allowed to delegate the authority to subordinates.
      - The DOD or service comptroller shall provide a report of MIPRs executed within 90 days of the end of the fiscal year and support for them to the Congressional Defense Oversight Committees.
  - Rationale: The Congressional Appropriations Committees have attempted over the years to limit the rush to spend money at the end of the fiscal year. Limiting MIPRs should drive better program management, requiring program managers to think ahead and budget better. This should also shed light on acquisitions that are in trouble, but are saved at the last minute.
- Simplify and Speed-Up the Contracting Process
  - Problem: The timeline from advertisement to award has increased significantly, taking as long as 6 months to a year. Furthermore, the increased use of multiple award contracts may create administrative burdens to acquisition professionals and businesses, especially for small-to-medium enterprises, who must spend significant resources responding to multiple individual task order awards.
  - Solution: Develop tools to evaluate under which circumstance a multi-source vs. single source awards is most effective to meet an organization's needs. Identify the policies and/or processes that could be eliminated or consolidated to streamline and develop certainty for the contract award process.
  - Rationale: The delays and drawn out timelines make it hard for businesses, especially small-to-medium enterprises with increased sensitivity to risk, to plan, budget, and hire rationally. A faster and more predictable timeline will make DOD a more attractive customer and will give businesses certainty for future growth and development.

### **Culture Change for Long-Term Success**

- Establish Responsible Metrics
  - Problem: The various acquisition professions are measured in a disjointed fashion that fails to incent actors to make good long-term decisions that benefit the program.
  - Solution: Require the Secretary to establish a working group comprised of the Service Acquisition Executives, the USD AT&L, performance managements

- experts, and representatives of labor and industry to research and recommend to the USD AT&L fair metrics for all positions at all levels of the acquisition process that encourage cooperation and mutual success. Additionally, the working group should recommend opportunities for employees to provide management and policy recommendations to improve the acquisition system.
- Rationale: Culture change is influenced by the incentives and metrics professionals are measured against. Change the metrics and incentives and you can change the culture of an organization.
  - Pave the Way for Future IT Success and Cost Savings
    - Problem: Too often, the Department procures information technology hardware, software, and other IT services in ways that restrict competition. Over-reliance on a specific architecture leads to higher costs up front and total lifetime operations and maintenance. There is a need for additional information to understand the magnitude and situations in which this problem exists.
    - Solution: Institute a process for adopting a preference for products and services that utilize open industry standards to enable more competitive bids and decrease reliance on solutions based on proprietary technology only. Migrate legacy IT systems to standards-based products in a specified time-frame if practicable, while remaining vigilant to address any security risks that could arise during adoption.
    - Rationale: Adoption of open industry standards and promotion of competition in IT acquisition saves money, provides greater access to innovation, and enhances network flexibility and adaptability.
  - Introduce Workforce and Excitement
    - Problem: The acquisition workforce has little opportunity to compete with one another for work assignments, which may explain the lack of innovative approaches.
    - Solution: Establish a process for allowing acquisition professionals to apply for work assignments on acquisitions of their interest, when possible.
    - Rationale: Competition could spur interested candidates to develop innovative strategies for complex acquisitions to improve their opportunity to win the position.
  - Improve DOD / Industry Acquisition Exchanges
    - Problem: Too few acquisition professionals are able to enjoy the experience of working in both industry and government. This situation leads to a lack of understanding, communication breakdowns, and the government's inability to learn and implement innovative approaches for acquiring the latest innovation.
    - Solution: Consolidate the existing programs that allow military and DOD civilians and private industry to exchange positions for a specified time, and expand the number of slots available each year ensuring that every position would be eligible to apply. The goal should be to maximize the number of acquisition professionals who can participate in their career. Success in the consolidation would be made with participation from the various labor organizations that represent federal employees. Exchanges should not be used to delay or hire needed acquisition personnel.

- Rationale: This solution will build on the formal education acquisition professionals receive, their relationships, and innovative approaches.
- Create Positive Incentives and Promote Agility
  - Problem: A key driving factor in acquisition is money. Officials have to balance the need to spend responsibly and the need to spend quickly in order to maintain their funding. This circumstance results in short-term solutions that can hurt programs, personnel, and the adoption of future technology. Additionally, the existing funding framework impedes the ability of acquisition leaders to be agile in adapting to observed challenges and needs.
  - Solution:
    - Establish a pilot program creating productivity banks within the information technology portfolios (items and services) (see more on portfolio creation below). Give service portfolio managers control of the bank. In the event program / acquisition goals are met and savings are realized (at the program level), then 1/3 of the savings would return to the U.S. Treasury, 1/3 would return to the organizations participating in the acquisition for personnel development above the required levels, and the remaining 1/3 would be converted into multi-year money to be used for a strategic investment approved by the Appropriations Committee before obligation. Special attention would have to be paid to the establishment of perverse incentives throughout the pilot and to establishing incentives for industry to identify and achieve cost savings while meeting pre-established metrics.
    - Establish a pilot to allow Department and component CIOs to establish cloud computing service Working Capital Funds, in consultation with the Chief Financial Officer of the agency, giving agencies the ability to purchase IT services in a utility-based model, paying for only the services consumed. Any establishment of a new Working Capital Fund under this subsection shall be reported to the Committees on Appropriations of the House of Representatives and the Senate and relevant Congressional committees.
  - Rationale: Rewarding acquisition professionals for making smart decisions should spur more smart decisions. It provides a double-pronged approach of allowing professionals to invest in their workforce and to invest in future efficiency.
- Emphasize Customer Service
  - Problem: Government acquisition professionals often feel at odds with each other. Disjointed metrics incent these actors to make rational decisions for themselves, but not necessarily for the requirement or government's long-term interest. This situation tends to lead to dissatisfaction with the end product and tension within the ranks. Moreover, the bureaucratic process delays acquisitions, and it costs the government money and, more importantly, the opportunity to procure goods and services rapidly.
  - Solution: Require the USD AT&L to issue policy guidance requiring acquisition professionals to implement a customer service mentality. Actors within the system should be encouraged to find ways to get the action done correctly and smartly. This approach requires individuals to think critically, work together, and

provide specific recommendations and edits that satisfy their concerns when reviewing acquisition documents.

- Rationale: The workforce is considered to be averse to risk. Yet, it is retained to execute acquisitions as best as it can. A policy needs to be established to force individuals to make an informed decision and facilitate progress. The government must learn what industry already knows – time is money.