



THE FEDERAL ACQUISITION SYSTEM

Transitioning to the 21st Century

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TRANSITIONING TO THE 21ST CENTURY

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The Procurement Round Table (PRT) presents this paper as a part of its continuing series of publications and seminars targeted at helping to improve the Federal acquisition process. The PRT is a nonprofit organization chartered in 1984 by former Federal acquisition officials concerned about the economy, efficiency, and effectiveness of the Federal acquisition system. Its 39 Directors are private citizens who are serving pro bono with the objective of advising and assisting the government in making improvements in Federal acquisition. The PRT chairman is Elmer B. Staats, former Comptroller General of the United States, with Frank Horton, former Member of Congress, serving as acting chairman when Mr. Staats is absent.

EXECUTIVE SUMMARY

Annually, the Federal government acquires roughly \$200 billion in goods and services for the government. The PRT's objective with this paper is to stimulate continuing reforms in the process by which the government obtains these goods and services—reforms that will help prepare the critical Federal acquisition system to deal effectively with the unprecedented changes occurring in both the external and internal business environments. Externally, unabated technological change and other business forces are producing a dramatically transformed marketplace, one in which traditional market boundaries are disappearing and new ways of doing business are being developed at a challenging pace. Internally, the Federal government is taking on a new role, a role that sees government agencies depending to an increasing degree on the private sector to provide essential services.

To cope with—and, in fact, to help lead—these changes, the Federal acquisition system must implement a new series of reforms that build upon the encouraging foundation established by the reforms of the 1990s. To this end, the PRT believes that the following actions must be taken:

- ◆ Redefine the scope and vision of Federal acquisition.
- ◆ Encourage results-oriented, long-term relationships between the government and its suppliers.
- ◆ Adopt policies calling for government information technology architecture and systems that are fully capable of interfacing with each other and with those of industry.
- ◆ Adopt a business-based approach to cost accounting, budgeting, and policy guidance.
- ◆ Place greater reliance on commercial industrial capabilities.

These new reforms will better prepare the Federal acquisition system to contribute to lower acquisition costs, rapid and more informed decision-making, higher-quality products and services, and efficient life-cycle sustainment. As with the successful reforms of the 1990s, implementing these additional reforms will be a challenging task, one that will require the full commitment, advocacy, and partnership of Congress and the Executive Branch. To provide a foundation for that partnership and to serve as an implementation mechanism for these reforms, the PRT recommends that Congress enact legislation to direct the Executive Branch to establish a high-level panel, similar to the “Section 800 Panel” of the early 1990s, to identify the specific actions required to implement the recommendations in this paper.

While the millennial changes discussed in this paper are not tied to the turning of the numbers on the calendar, the changes are as critical as the millennium is inevitable. The time to start is now.

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SECTION I

MAJOR ACQUISITION REFORMS OF THE 1990S—A PLATFORM FOR TRANSITION

Long-term commitment ... is required of any management that seeks transformation. The timid and the fainthearted, and people that expect quick results are doomed to disappointment.

— W. Edwards Deming

As the new millennium approaches, the Federal acquisition system must be credited with having taken a mighty leap forward from where it was 10 years ago.

In the 1990s, Federal leaders recognized the critical need for major acquisition reform. A host of Federal acquisition reforms, both agency-initiated and legislated, combined to produce and sustain a government buying machine that is far leaner, quicker, more creative, and more cost-effective than ever before. Primarily focused inward, these reforms are bringing about a major transformation of a government acquisition system that was mired in regulations and hindered by a morass of agency-unique practices, systems, and requirements.

Some of the major acquisition reforms of the 1990s are:

- ◆ The Federal Acquisition Streamlining Act (FASA)¹ of 1994 mandates the acquisition of commercial items, and in a manner similar to that used by commercial businesses. As implemented in the Federal Acquisition Regulation (FAR), FASA allows government contracting officers to exercise a greater degree of business judgment when acquiring these items. Other FASA provisions also allow for faster response times by the procurement system and encourage the use of government micro-purchase credit cards.
- ◆ FASA and the Clinger-Cohen Act of 1996 further broaden the exemptions from cost or pricing data requirements when acquiring commercial items and also authorize the Office of Federal Procurement Policy (OFPP) to exempt commercially available items from almost all government-unique procurement laws and policies.
- ◆ The Government Performance and Results Act (GPRA) of 1993 establishes a framework for improved accountability and performance measurement in Federal agencies.
- ◆ Expanded use is being made of a wide range of streamlined, more user-friendly contracting approaches. These include the increased use of contracting techniques such as Government-Wide Agency Contracts (GWAC) and Multiple Award Schedules (MAS), greater reliance on past performance and best value as selection criteria, higher dollar thresholds for simplified acquisitions, and continued reduction in the time required to transition from requirements identification to contracting.
- ◆ Acquisition executives in a number of agencies are embracing a broader view of acquisition, one that encompasses a wide range of business-related tasks beyond the contracting function.

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- ◆ Many agencies are making strides in improving training and professional development programs for their acquisition workforces, and Congress has supported these efforts with enabling legislation.
 - ◆ More widespread use is being made of integrated product/process teams, bringing together early in the life cycle several disciplines critical to successful and cost-effective program completion.
 - ◆ Agencies are making increasing use of partnership arrangements between government and industry in order to enhance the performance of the Federal acquisition system.
 - ◆ And, most strikingly, Congress has freed selected agencies from certain statutory restrictions in acquiring goods and services.

The acquisition reforms of the 1990s have removed many long-standing barriers to effective operation of the Federal acquisition system. Even more important for the future is the fact that the reforms of the 1990s have demonstrated that the leaders of the Federal acquisition system are willing and able to accept and adopt major change—and to lead change.

SECTION II

THE NEW ENVIRONMENT—MARKETPLACE TRANSFORMATION AND THE CHANGING ROLE OF THE FEDERAL GOVERNMENT

In the next decade, the opportunities and challenges for the Federal acquisition system will come predominantly from two sources, one external to the Federal government and one internal. Externally, the marketplace in which Federal agencies operate is undergoing a major, lasting transformation. Internally, the role of the Federal government is changing just as dramatically. The success of the Federal acquisition system in the next decade will hinge on its ability to deal with these factors—by maximizing the opportunities of the former and helping to shape the latter.

MARKETPLACE TRANSFORMATION

The advent of new technology and new products creates the potential for dynamic competition—competition between and among technologies and industries, each seeking to find the best way of serving customers' needs. Dynamic competition ... creates winners and losers on a massive scale.

—Alvin Toffler et. al.

Ever-expanding technological capabilities are resulting in revolutionary changes in the shape of the marketplace for goods and services. Because of technology, the boundaries between markets are becoming less distinct with each passing day, and in some cases are completely disappearing. E-commerce, hardly a factor to be reckoned with a decade ago, is dramatically changing the landscape for buyers and sellers.

As evidence of the impact of technological change, just consider:

- ◆ It took 100 years to shift from an agricultural to an industrial society, but only two decades to shift from an industrial society to the information society. Today we have moved beyond the information age to an information revolution.
- ◆ Just six years ago, the Internet was still considered an oddity. Only three million Americans were regular users. This year, worldwide Internet users are expected to number nearly 150 million. During the next 10 years, it is estimated that over 90% of daily interaction between customers and suppliers will take place over the Internet. Business-to-business e-commerce will grow nearly thirtyfold in the next few years, from \$43 billion last year to more than \$1.3 trillion by 2003.
- ◆ Data processing capability is increasing tenfold every 5 years, and the processing speed of silicon chips doubles every 18 months.
- ◆ Supply chain management is becoming increasingly a process of instantaneously moving information rather than physical product.
- ◆ The private sector has experienced a productivity revolution, making more efficient use of technological opportunities than has the public sector.

There is no way to avoid it: technology—the ability to use it and the ability to keep pace with it—will be a critical success factor in the early 21st century. Technological advances will cause the millennial marketplace to become increasingly global.

In addition to the changes brought about by technology, the marketplace is being significantly impacted by other business factors, with two worthy of particular note. First is the continuing trend toward corporate mergers and acquisitions, which has resulted in a smaller number of larger companies in the marketplace. The most striking example is in the Defense industry, where 50+ major firms that existed in the 1980s have shrunk to 5. Second is the ever-increasing importance of the international market, as political boundaries among markets are becoming less meaningful with each passing year.

The Federal acquisition system must be able to operate effectively in this new, global marketplace.

THE CHANGING ROLE OF THE FEDERAL GOVERNMENT²

... traditional governments are so preoccupied with rowing that they forget to steer.

— David Osborne and Ted Gaebler

Over the past several decades, both the Legislative and Executive Branches recognized that the Federal government had grown too large and that changes were needed in the way government functions are performed. This resulted in significant downsizing for most agencies in the early 1990s, which in turn caused executives to implement major changes in the way they do business. When staffs and budgets were reduced, agency executives had to make difficult decisions to determine what work they would do and how they would get it done. The terms “core competencies” and “outsourcing” came into vogue, and increasingly agencies are identifying the essential tasks they must accomplish and, of these, which must be performed in-house. The remaining tasks—primarily “operations”—are being devolved to the states or have been outsourced.

As a result, the Federal acquisition system is seeing dramatic changes in the nature of its business. These include:

- ◆ Contracting for products no longer represents the lion’s share of government contract dollars, as more than 50% of these funds are now spent on services.
- ◆ Agencies have outsourced many functions that industry is better qualified to perform, deriving the benefits of the competitive marketplace and freeing their workforces to focus on core missions.
- ◆ Similarly, some agencies have become suppliers of common services (such as payroll and personnel processing) to other agencies, resulting in greater efficiency and reduced cost for customers and the creation of new core competencies for suppliers.
- ◆ Agencies have improved response times for the end-users of many products and services by removing government middlemen from the supply chain. Agencies thus have shifted their energies from managing supplies and services to managing suppliers and service providers.

Another byproduct of government downsizing has been a reduction in Federal acquisition dollars. As funding levels have fallen in some significant business areas—most notably the Defense and Aerospace industries—the Federal government has become a less dominant force in the marketplace than it once

was. Some suppliers in these fields have sought and found other customers, making themselves less dependent on Federal customers for their success and continued growth.

IMPLICATIONS FOR THE FEDERAL ACQUISITION SYSTEM

What do these factors bode for the Federal acquisition system? The following are among the more significant implications for the acquisition community.

- ◆ The rapid pace of change in the business environment demands that government agencies demonstrate agility and rapid adaptability to change. Private sector organizations that do not react quickly enough to the changing marketplace face bottom-line defeat on Wall Street. While Federal organizations do not operate with the same kind of bottom-line perspective, those that fail to deal with the changing nature of the marketplace will find themselves ill-equipped to accomplish their missions or, at the very least, will find themselves unable to make efficient use of their ever-shrinking resources.
- ◆ The boundaries between the public and private sectors are becoming increasingly blurred, requiring redefinition of the relationships between the government and the private sector.
- ◆ The high number of mergers and acquisitions, which reduces the number of potential suppliers available in many areas, raises questions about the nature of competition and of the relationships between the government and its suppliers.
- ◆ There is a new economic order emerging that cannot be ignored or reversed. For the Federal acquisition system, some of the more challenging aspects of this new millennial marketplace will be
 - ◆ declining Federal market clout,
 - ◆ global acquisition sources and a global industrial base,
 - ◆ increased government dependence on commercial research and development (R&D) and technology,
 - ◆ market economies that demand use of standard electronic interfaces and commercial practices, and
 - ◆ reduced competition (or an entire redefinition of “competition”).
- ◆ Because the changing role of government has brought fundamental changes to the nature of acquisition work, the acquisition workforce must also change to fill its new role. The workforce will need new skills and might need to adopt a new mindset to enable it to contribute effectively in the changing environment of the 21st century.

Federal readiness for the transformations occurring in the marketplace will require change: change in the entrenched habits of both Congress and the Executive Branch; change in public policies; change in our cultural reliance on controls, rather than on performance and creativity; and process and organizational changes that will make government more compatible with its commercial suppliers.

To deal with the new marketplace and to help shape the new role of government, managers of the Federal acquisition system cannot afford to make marginal improvements to processes that need major overhaul. Officials must be prepared to challenge long-established requirements—whether agency-unique or government-wide—that inhibit Federal agencies’ ability to operate effectively in the 21st century marketplace.

However, the PRT also acknowledges that the Federal government has been and always will be different from the commercial sector. Thus, while striving to make the Federal acquisition system more like its commercial counterpart, the PRT continues to recognize the unique constraints that are imposed on public-sector organizations. No matter how commercial, competitive, or cost-effective the Federal acquisition system becomes, it ultimately will still be governed by public policies—policies that are driven not only by economic objectives but also by social and political considerations. Despite these limitations, the Federal acquisition system must remain properly focused on mission accomplishment.

Federal agencies use a number of types of agreements with various labels for the acquisition of goods or services in addition to the traditional acquisition covered by the FAR. The most common of these are grants, cooperative agreements, and other transactions, but this is by no means the complete list of agreements used by the Federal government to obtain goods and services. These other agreements, sometimes referred to as “business arrangements,” and the manner in which they are used are also affected by the new environment described in this section. Recommendations 2 through 5 in the next section apply to these other business arrangements much as they do to traditional acquisition vehicles.

SECTION III **RECOMMENDATIONS**

To enable the Federal acquisition system to perform effectively in the challenging environment of the 21st century, the PRT recommends the following actions as the most critical for Legislative and Executive Branch attention:

1. Redefine the scope and vision of Federal acquisition.
2. Encourage results-oriented, long-term relationships between the government and its suppliers.
3. Adopt policies calling for government information technology (IT) architecture and systems that are fully capable of interfacing with each other and with those of industry.
4. Adopt a business-based approach to cost accounting, budgeting, and policy guidance.
5. Place greater reliance on commercial industrial capabilities.

RECOMMENDATION 1: REDEFINE THE SCOPE AND VISION OF FEDERAL ACQUISITION³

In the 1990s, many private sector firms successfully transformed themselves to meet new market realities. They began by first asking a simple question: What is our essential business or function? The Federal acquisition community must do the same thing. In the past year, procurement executives from most agencies have reached a consensus that Federal acquisition should be viewed as being broader than just contract award and administration.

The FAR currently defines acquisition as follows:

Acquisition means the acquiring by contract with appropriated funds of supplies or services (including construction) by and for the use of the Federal Government through purchase or lease, whether the supplies or services are already in existence or must be created, developed, demonstrated, and evaluated. Acquisition begins at the point when agency needs are established and includes the description of requirements to satisfy agency needs, solicitation and selection of sources, award of contracts, contract financing, contract performance, contract administration, and those technical and management functions directly related to the process of fulfilling agency needs by contract.

To enable the acquisition community to identify its proper role within the government, and to provide a foundation for the other actions recommended here, a new definition of acquisition should be adopted. The new definition should use the FAR definition as a point of departure and reflect the following modifications:

- ♦ *Broaden the scope of acquisition to include everything from requirements determination to life-cycle sustainment and disposal.* This broader, “cradle to grave” scope is similar to the

way the Department of Defense (DoD) views acquisition and has helped DoD improve its acquisition process by giving managers a systemic view of the process rather than the isolated perspective limited to the contracting function.

- ◆ *Omit the reference to purchases and leases.* This phrase is too limiting. In the future, the Federal acquisition system must be willing to consider new and different arrangements beyond the traditional ones.
- ◆ *Omit the references to appropriated funds and construction.* The reference to appropriated funds is an unnecessary constraint, since the system should also deal with acquiring goods and services using other funding sources, such as government nonappropriated funds or “share-in-savings” type efforts. And the reference to construction is an unnecessary amplification of the all-inclusive term, “goods and services.”

The following proposed new definition incorporates all these changes:

Acquisition is the process for obtaining goods or services by and for the use of the Federal government. Acquisition includes the determination of agency needs; market analysis; the description of requirements to satisfy agency needs; research and development; relevant planning; technology evaluation; all functions related to solicitation and selection of sources, contract award, financing, performance, and administration; life-cycle sustainment; and disposal.

An agreed-upon definition will

- ◆ create, among agency leaders, an expectation as to what their acquisition organizations should do;
- ◆ facilitate continuing government-wide discussion of issues and improvement opportunities, and a sharing of lessons learned;
- ◆ enable the improvement of professional development and training programs that can more readily support the entire community; and
- ◆ enhance workforce professionalism and promotion opportunities.

Closely allied to the redefinition of acquisition is the need to establish a new “vision” for the Federal acquisition system. A vision statement provides a sense of direction by describing how things will be in the future if goals, objectives, and improvement initiatives are achieved. With a revised vision as a target to steer toward, the acquisition community will be better equipped to determine how to deal with future changes that arise.

The current vision for the Federal acquisition system is published in the FAR:

The vision for the Federal acquisition system is to deliver on a timely basis the best value product or service to the customer, while maintaining the public’s trust and fulfilling public policy objectives. Participants in the acquisition process should work together as a team and should be empowered to make decisions within their area [sic] of responsibility.

The PRT believes that this vision statement implies a narrow definition of acquisition, one that is limited to contract award and administration. It is recommended that as part of the actions taken to embrace the proposed new definition of acquisition, agencies should simultaneously develop a more robust vision statement to support the adoption of specific initiatives and programs for improving the Federal acquisition system. The Procurement Executive Council (PEC), which has already developed a vision for the acquisition workforce, should be asked to assist. This revised vision should include adoption of commercial practices to the extent practicable.

When a broad definition of the acquisition function has been established, action should be initiated to redesignate agency Senior Procurement Executives as Chief Acquisition Officers (CAO) and to recognize this in a statute similar to the laws that established the Chief Information Officer and Chief Financial Officer positions. This new legislation should prescribe that the CAO report to the agency head and participate in executive decision-making.

Part of this effort should be a redefinition of the role of the contracting officer. The skills associated with the Federal contracting specialist, identified by the 1102 occupational series, are too narrow and fail to recognize the importance of contracting in the overall acquisition process. To an ever-increasing degree, agencies are using contracting officers as members of multi-functional teams that are formed early in the life cycle of major projects. This early and sustained involvement enables the contracting officer to take on an evolving role that is sometimes described as “business manager,” indicating the application of judgment-based skills beyond those related to procurement. This is a positive step and should be built upon across the government.

Improved training and professional development programs for the acquisition workforce must continue. Training should address a wide range of skills that will enable the workforce to perform effectively in their newly defined and broader role. Acquisition officials need the training to step out into the marketplace and compete on an equal footing. The government must be able to alert the private sector to its market needs. It must conduct market analysis. It must welcome vendor participation in preparing specifications and defining statements of work. These new skills require training and, in some cases, also require that new authorities be given to acquisition officials. In addition, professional development programs, to include interagency and interdisciplinary programs, exchange programs with industry, and agency-wide mentoring programs, should be encouraged throughout government.

RECOMMENDATION 2: ENCOURAGE RESULTS-ORIENTED, LONG-TERM RELATIONSHIPS BETWEEN THE GOVERNMENT AND ITS SUPPLIERS

To capitalize on the changing role of government, in which industry is being increasingly relied upon to provide services that previously were performed in-house, agencies should change the way they approach relationships with their suppliers. The most effective and efficient way to handle a contractual arrangement might very well be a long-term relationship that does not include frequent recompetitions. Included in these long-term relationships should be the concept of partnerships between government and industry—an environment in which both parties can function in a cooperative manner and in which industry delivers goods and services that contribute to agency goals and objectives. Agencies should be encouraged to think in these terms, and any existing policies that stand in the way of such relationships must be revised or eliminated.

The government is already making strides in this area, as evidenced by the 5-year and 15-year service contracts that some agencies are using. These approaches need to be expanded throughout the government.

A key element in making this recommendation work will be to reconsider what is meant by “full and open” competition. In recent years several initiatives, such as GWACs and MAS, have enabled agencies to use greatly simplified contracting procedures without sacrificing the precepts of full and open competition. The PRT believes that similar procedures can and should be adopted to allow agencies to establish effective, efficient, long-term relationships with suppliers.

The realities of the new millennial marketplace may require the acquisition community to redefine the entire concept of competition—what it is and how to achieve it. Globalization is impacting Federal practices—such as industrial base policies and export controls. Old concepts and traditional Federal practices may have little meaning as the marketplace transforms. The Federal government will not draw on the best suppliers unless it adopts policies that capitalize on the capabilities of the global marketplace.

RECOMMENDATION 3: ADOPT POLICIES CALLING FOR GOVERNMENT IT ARCHITECTURE AND SYSTEMS THAT ARE FULLY CAPABLE OF INTERFACING WITH EACH OTHER AND WITH THOSE OF INDUSTRY

The benefits of technology are not without cost. The technological revolution provides not only a steady stream of increasing capabilities and possibilities, but also the challenge of having to operate incompatible software on incompatible platforms across networks that might not be able to communicate effectively with each other.

These challenges must be overcome, because the key to integration within the Federal acquisition community and with government’s commercial partners is an integrated information system.

Federal government architecture and systems need the ability to interface with one another and with those of industry, and policies must be established that will move the government in this direction. The acquisition community must make every effort to:

- ◆ Get rid of, and prohibit the future development of, any agency-unique electronic interfaces or systems requirements.
- ◆ Standardize government computer formats and languages so that potential contractors do not need multiple systems.
- ◆ Design and deploy new systems in a way that avoids costly generational incrementalism as technology changes. Do what makes sense for the future, not what is required to preserve traditional practices and legacy systems.
- ◆ Adopt a joint technical Inter/Intranet-based architecture with the commercial sector. Use technology to customize Federal contract formats to meet a flexible array of contracting methodologies. Adopt the principle: all commercial suppliers, small and large, can communicate in a standard manner with the Federal government.

With a common architecture in place, technology should be leveraged to generate ever-increasing capabilities. The following are a few of the paths that should be pursued:

- ◆ While recognizing that some hard copy documents will still be required, continue to work toward the goal of an Inter/Intranet-based, paperless procurement process, to include solicitations, proposals, evaluations, “written and oral” discussions, awards, and debriefings.
- ◆ Create Inter/Intranet-based applications that enable the government and contractors to mutually develop procurement requirements documents (such as statements of work) and all of the up-front aspects of acquisition (with appropriate safeguards on security).
- ◆ Maximize the use of micro-purchase technologies. Establish processes that will automatically link such technologies into financial systems, with security controls such as traceable digital signatures.

RECOMMENDATION 4: ADOPT A BUSINESS-BASED APPROACH TO COST ACCOUNTING, BUDGETING, AND POLICY GUIDANCE

To be effective participants in the new marketplace, Federal agencies must conduct acquisition in a more business-like manner. The Federal acquisition system, and other systems (such as budgeting) with which it interfaces, have to be redesigned to give managers the flexibility and tools to deal with their changing environment, and must not overly restrict or prescribe how they are to perform.

By working with their colleagues in the financial management community, acquisition executives must strive to eliminate any Federal-unique budgeting and cost accounting policies and practices that unnecessarily complicate the ability of agencies to deal with the private sector. Similarly, they must focus inward to eliminate contracting policies and practices that inhibit business-like relationships with suppliers. To effectively integrate disparate Federal acquisition practices and maximize buying power, the government must use commercial practices and interfaces that mirror and respond to private sector changes.

COST ACCOUNTING

While many firms will continue to do business with the government in spite of the requirements imposed by Federal Cost Accounting Standards (CAS), there remains a concern that some firms shy away from government business because of CAS requirements. Further, some observers believe that the firms most likely to stay out of the Federal marketplace are those with exceptional technological capabilities. To address these concerns, Congress has recently

- ◆ raised the dollar thresholds that trigger CAS requirements to more reasonable levels;
- ◆ exempted firm, fixed-price contracts from CAS when the government does not obtain certified cost or pricing data; and
- ◆ given contracting agencies the authority to waive CAS requirements without the current cumbersome review process.

The PRT applauds these changes, and further recommends that (a) CAS dollar thresholds be indexed to ensure that they increase appropriately over time and (b) CAS rules and requirements be brought more in line with commercial practices.

BUDGETING

Program instability—that is, the disruption to programs that is caused by frequent changes in funding levels due to external factors—is one of the most difficult challenges that program managers have to contend with. One of the major causes of instability is the government’s budget system, which appropriates money one year at a time and gives agencies only limited ability to transfer money between accounts during the year. To help Federal agencies and private industry better manage programs, three actions should be taken. First, agencies should make greater use of multiyear procurements.⁴ Second, Congress should adopt procedures that provide more stable funding on a program-by-program basis. These procedures could include a multiyear budget process.⁵ And third, agencies should be given greater reprogramming authority so that they can move funds among programs during the year to deal with unanticipated problems and opportunities.

POLICY GUIDANCE

In the future, the acquisition process should have fewer detailed laws and regulations, and should instead be guided by broad policy statements. Guidance documents should focus on *what* is to be accomplished in support of National or agency goals and objectives, without going into great detail regarding *how*.

The acquisition community should identify existing statutes, agency regulations, and other directives that unnecessarily prescribe how the job is to be done. Proposals for changing these documents to make them fit the “what, not how” model should be developed, and then presented to the owning organizations for action. Recognizing that this will be a difficult task in some agencies and perhaps more so in dealing with Congress, the team that conducts this review should consist of representatives from all the concerned stakeholders, including the organizations that published the overly prescriptive guidance.

The PRT recommends a “zero-based” approach to this effort: start with a blank sheet and add only what can be thoroughly justified. The rule for scrubbing current policy documents should be simple: consistent with the responsibilities of government to have a fair and open acquisition process, eliminate and/or revise any guidance or policy that inhibits leveraging new information and R&D technology or is incompatible with commercial practices. In the early years of the 21st century, the removal of overly prescriptive policy guidance will be a critical element in enabling the Federal acquisition system to operate effectively. Let the government govern, not micro-manage.

Over the past decade, Congress has recognized that existing procurement statutes are unnecessarily cumbersome and restrictive. It adopted a majority of the recommendations made in 1993 by the DoD Acquisition Law Advisory Panel, and in addition has given selected agencies the authority to contract outside the purview of statutes. Such authority was granted many years ago to the United States Postal Service and, more recently, to the Federal Aviation Administration and the Department of Veterans Affairs. In addition, agencies were given broad “other transactions” authority to procure various goods and services outside the established statutes.

These grants of authority are a clear indication that the prevailing laws are in need of further overhaul. Therefore, a thorough review should be conducted of procurement statutes, and a package of specific

legislative proposals should be developed to address the provisions that place unnecessary constraints on agencies.

In the meantime, agencies should work with each other and with the General Services Administration (GSA) to expand the use of flexible, long-term government-wide contracts, such as GWACs and MAS. Contractual arrangements should shift from the existing vertical structure of multiple use/single contractors to a horizontal structure allowing multiple items to be purchased from a selection of contractors.

RECOMMENDATION 5: PLACE GREATER RELIANCE ON COMMERCIAL INDUSTRIAL CAPABILITIES

This two-part recommendation focuses on two challenges facing the Federal acquisition system: getting better leverage from R&D budgets and compressing the excessively long time required to develop and field capital items.

LEVERAGING R&D BUDGETS

Over the past several years, the budgets for most Federal agencies have, at best, held their own against inflation. In this resource-constrained environment, agency R&D budgets have not fared well, often showing a decrease in real terms from year to year. At the same time, private industry continues to demonstrate improved R&D and technological capabilities. There is no indication that either of these trends is going to reverse itself. Thus, for the first decade of the new millennium, we can expect to see an increasing percentage of our R&D effort being funded by industry rather than government.

To maintain essential R&D capabilities in the face of these realities, the available R&D resources must be applied intelligently. The following approach is needed:

- ♦ Use available private sector R&D capabilities in all cases where they are equal to or better than those of the government. Do not spend money in-house maintaining capabilities that can be reliably provided by the private sector.
- ♦ Concentrate in-house R&D resources on those technologies that are not available from the private sector or academic institutions. In addition, form agency partnerships that enable multiple agencies to benefit from a more efficient use of limited resources. For example, there are key technology areas where DoD can work with other agencies such as the National Aeronautics and Space Administration and the Department of Energy in cooperative R&D programs. The government also should consider expanding the use of cost-sharing agreements and other transaction authority arrangements.

As part of this approach, new policies and practices would have to be developed to address such issues as ensuring that (a) long-term payoff is provided to industries and firms that invest in essential technologies and (b) a dialogue is maintained to effectively communicate government's needs to industry and industry's capabilities to government.

DEVELOPMENT AND FIELDING OF CAPITAL ITEMS

For many years, the Federal acquisition system has been criticized as a process that takes far too long to define a requirement, write a development contract, develop a system, test prototypes, and get into production. Fortunately, this excessively long, unresponsive cycle is now under attack by managers who recognize that in many cases existing commercial technologies can be used, in whole or in part, to meet the government's needs in a much shorter timeframe than the traditional approach. Considerable time can be saved by capitalizing on commercial capabilities rather than demanding the acquisition of government-unique goods and services. The challenge is to develop new procurement models to acquire such items effectively.

In situations where new R&D must be undertaken because existing commercial technologies cannot satisfy government requirements, agencies should resist the temptation to move into production before the required technology has been proven. Going into production while still conducting R&D greatly increases program risk and turbulence. Thus, a premature production decision often contributes to delayed delivery of the final product rather than faster delivery.

The IT provisions of the Clinger-Cohen Act address these issues in a promising way by calling for modular contracting, share-in-savings contracting, and solutions-based contracting. This act, along with the work that DoD has done to restructure its weapons development process on a program-by-program basis, represents a good beginning. The next step is to build on this foundation and to develop the essential policy guidance that will allow further progress to be made.

SECTION IV

THE ROAD TO IMPLEMENTATION

In this paper, the PRT has recommended five major actions that will establish the platform for a new 21st century acquisition reform strategy. These recommendations will enable the government to adjust its policies and prepare its people for the technological and economic changes taking place, and to achieve the promise these changes offer for more effective government.

Adoption of these recommendations will necessitate many fundamental cultural, procedural, and organizational changes in the Federal acquisition process. To provide a mechanism for implementation, the PRT recommends that Congress enact legislation requiring the Executive Branch to establish a panel similar to the “Section 800 Panel” that was created in the early 1990s to help Congress and DoD streamline Defense-related acquisition laws. The proven success of this approach offers the best model for assuring needed changes.

This new panel, with appropriate resources and staff support, would be responsible for identifying the scope and extent of what needs to be done government-wide to implement the PRT recommendations, developing proposed implementation timelines, and suggesting performance metrics to measure progress. The panel should be required to publish its report within a year, and could then be reconvened at selected points during implementation to give government executives an independent assessment of progress and to suggest ways to further enhance the ongoing reforms.

The PRT recognizes that the creation of this panel will represent a significant undertaking for the government, an undertaking that will require the support of key players throughout the Executive and Legislative Branches. Activation of this panel will take a considerable amount of time. However, many aspects of the PRT recommendations could and should be implemented in parallel with the panel activation process. In the interim, to facilitate action on its recommendations, the PRT intends to send this paper to members of Congress, Congressional staff members, Executive Branch agency heads, senior procurement executives, industry association representatives, and senior industry executives. The PRT will encourage and participate in:

- ◆ Meetings with the PEC, to give these executives the opportunity to discuss the recommendations in detail and share their views on implementation. The scope of subsequent PEC meetings should be broadened to include agency leaders in the discussion of the recommendations and implementation approaches.
- ◆ Meetings with industry association representatives and senior industry executives to solicit their views on the recommendations and to begin identifying specific improvement opportunities.
- ◆ A parallel series of meetings with the Legislative Branch.

The expected outcome of these meetings is that key government and industry personnel will become knowledgeable advocates for the major recommendations in this paper, facilitate near-term implementation action, and support the establishment of the panel that will serve as the long-term implementation mechanism.

The challenges and opportunities of the world we face urge that we not just “break the mold,” but ensure we do not develop another one. With so many players and stakeholders watching, involved in, or attempting to control or get Federal acquisition dollars, the challenge is great. Equally great responses are required; piecemeal or incremental solutions are not what is needed.

The means by which organizations obtain the goods and services needed in the new millennium will be far different than they are today. The Federal acquisition system must change to thrive and operate effectively in this new environment. Can Federal acquisition be a leader in the world marketplace of tomorrow? The Procurement Round Table believes that it can, if given the leadership and opportunities it needs.

¹ A complete glossary appears at the end of this paper.

² See “Competing Federal Commercial Activities: A Critical Time for Congressional Direction,” *PRT Publications*, Spring 1998, pp. 3-18.

³ See *Capstone Proceedings of the Federal Acquisition Workforce Workshops*, published by the Logistics Management Institute, March 1999. This document can be downloaded from the Worldwide Web at http://www.lmi.org/capabilities/wk_fin/faww.htm.

⁴ See “Program Stability and the Defense Budgetary Process Procurement Round Table,” *PRT Publications*, Spring 1998, pp. 38-40.

⁵ See “Multi-Year Budgeting Procurement Round Table,” *PRT Publications*, Spring 1998, pp. 41-42.

GLOSSARY

Acquisition Law Advisory Panel	The FY91 Defense Authorization Act directed DoD to establish this panel, which came to be known as the Section 800 Panel after the portion of the Act that prescribed its creation. The panel, which included representatives from the public and private sectors, was tasked to review all laws applicable to DoD acquisition with the objective of streamlining those laws. The Panel's extensive report, <i>Streamlining Defense Acquisition Laws</i> , is recognized as one of the two key documents (the other being Vice-President Gore's <i>National Performance Review</i>) that laid the foundation for the acquisition reforms of the 1990s.
CAO	Chief Acquisition Officer This paper proposes (see page 9) that legislation be enacted to redesignate agency Senior Procurement Executives as CAOs. Such legislation, which would mirror statutes that created the positions of Chief Financial Officer and Chief Information Officer, would prescribe that CAOs are to report directly to their agency heads and that they are to participate in all executive-level decision-making.
CAS	Cost Accounting Standards CAS, which are developed by the Congressionally-established CAS Board, govern the manner or degree to which contractors apportion costs to their cost-based contracts with the government. The purpose of CAS is to provide a set of uniform and consistent accounting standards and requirements that protect the government from the risk of overpaying for goods and services.
DoD	Department of Defense
FAR	Federal Acquisition Regulation The FAR is the primary document in the Federal Acquisition Regulations System. This system, which also includes agency acquisition regulations that implement or supplement the FAR, is a series of documents that codify and publish uniform policies and procedures for acquisition by all Executive Branch agencies.
FASA	Federal Acquisition Streamlining Act of 1994 FASA simplifies and streamlines the Federal procurement process. The Act repeals or substantially modifies more than 225 provisions of law to reduce paperwork burdens, facilitate the acquisition of commercial products, enhance the use of simplified procedures for small purchases, transform the acquisition process to electronic commerce, and improve the efficiency of the laws governing the procurement of goods and services.

GPRA	<p>Government Performance and Results Act of 1993</p> <p>The objectives of GPRA are to improve program effectiveness and accountability by focusing on results, quality, and customer satisfaction; and to improve Congressional decision-making by giving Congress objective information on agency objectives, effectiveness, and efficiency. GPRA requires each Executive Branch agency to submit to Congress a five-year strategic plan that establishes outcome-related performance goals, an annual performance plan that accompanies the agency budget and identifies measurable performance improvements that the budget is intended to effect, and an annual performance report that identifies actual performance for each performance indicator established in the performance plan.</p>
GSA	<p>General Services Administration</p> <p>GSA is one of three central management agencies in the Federal government. (The Office of Personnel Management and the Office of Management and Budget are the others.) GSA provides workspace, security, furniture, equipment, supplies, tools, computers, telephones, and travel and transportation services. GSA also manages the Federal motor vehicle fleet, oversees telecommuting centers and Federal child care centers, preserves historic buildings, manages a fine arts program, and develops, advocates, and evaluates government-wide policy.</p>
GWAC	<p>Government-Wide Agency Contract</p> <p>GWACs are indefinite-delivery, indefinite-quantity, multiple-award, task order contracts that enable agencies needing services to obtain them from another Federal agency that has entered into a contract with a service provider. FASA gave these contracts explicit statutory authority. At last count, there were 28 active GWAC programs, 22 of which encompass estimated contract values in excess of \$100 million each.</p>
IT	<p>Information Technology</p>
MAS	<p>Multiple Award Schedule</p> <p>The MAS is a program under which GSA awards contracts to multiple companies supplying comparable services and products, at varying prices. Historically, the program has not used government specifications or purchase descriptions to support the acquisition methodology. Awards are made based on commercial product descriptions. GSA will award MAS contracts to all companies that offer a commercial item falling within the generic description of the schedule, provided that prices are determined fair and reasonable. The MAS, which uses streamlined procedures that are consistent with commercial practices, increases competition and offers a wider range of choices at better prices to Federal customers.</p>
OFPP	<p>Office of Federal Procurement Policy</p> <p>OFPP is a sub-element of the Office of Management and Budget that is responsible for providing overall guidance and direction of procurement policy, and for prescribing policies, regulations, procedures, and forms to be followed by Executive Branch agencies in the area of procurement.</p>

PEC	Procurement Executive Council The PEC is an interagency council consisting of Senior Procurement Executives from the Executive Branch, established to provide a high-level forum for monitoring and improving the Federal acquisition system.
PRT	Procurement Round Table The PRT is a nonprofit organization chartered in 1984 by former Federal acquisition officials concerned about the economy, efficiency, and effectiveness of the Federal acquisition system. Its Directors are private citizens who serve <i>pro bono</i> with the objective of advising and assisting the government in making improvements in Federal acquisition.
R&D	Research and Development
Section 800 Panel	See Acquisition Law Advisory Panel