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Let's Make It Simple

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LET'S MAKE IT SIMPLE
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The views expressed in this paper are those of the author and do not necessarily reflect the official policy or position of the Department of the Army or Department of Defense.

BACKGROUND

The President's Blue Ribbon Commission on Defense Management Report identified several problems areas which need to be addressed both by Congress and the Department of Defense (DoD) procurement policy people. In the report of the commission it was indicated that recent procurement "horror stories" had caused certain corrective actions to be prescribed. The prescription was written by Congress and ended up as laws. These were translated into regulations not only designed to implement the laws but to correct the procurement procedures for the acquisition of spare parts. These changes as designed were to preclude additional "horror stories" from materializing and becoming headlined in the Washington Post or by some other news media.

One of the most significant elements to procurement professionals that has been uncovered by the Blue Ribbon Commission and highlighted in their report is the fact that the Congressional laws and the DoD regulations have tended to exacerbate the underlying problems of the acquisition process by making the acquisition process even more inflexible. These laws and regulations have effectively disincentized contracting officer in the performance of their duties and have thereby eliminated any motivation that may have existed for contracting officers to make judgement decisions based upon experience and business acumen. To quote from the commissions report, "This Chapter will concentrate on ways of improving the efficiency of the overall acquisition system. Removing bureaucratic inefficiencies in our acquisition of major weapon systems also will realize significant improvements in our procurement of associated spare parts."

DoD has followed the concept outlined by the President's Blue Ribbon Commission to change the regulations in order to permit contracting officers to actually use their decision-making authority to acquire materiel needed by the services. In fact, the commission's report echoes what has been stated by procurement professionals in recent years that there is a definite need to return the decision making authority to the contracting officer and hold him accountable for his actions. DoD therefore created procedures for this effort which has been named Pilot Contracting Activities Program (PCAP).

The program was limited in the number of purchasing offices that could be involved. This was done to insure that some control could be

exercised over the services and the participating purchasing offices. The rules of the program permitted offices participating in this effort to request waivers or deviations from the Federal Acquisition Regulations (FAR), Defense Federal Acquisition Regulation Supplement (DFARS), the service supplements and other procurement governing regulations by teletype. The teletype procedure was created to speed up the review and approval process on field activities' request for deviations or waivers to the regulations. It also facilitated wide distribution of the ideas being considered to all the participating activities.

As mentioned earlier, the Services were authorized to designate purchasing offices and activities within their Agency to participate in this program. The Army designated seven, Air Force identified twelve, Navy elected to have ten offices and the Defense Logistic Agency selected four, to represent their agencies in this test program. The Services' offices and activities involved, run the gamut of office types and sizes. Included are post, camp and station offices, major area purchasing centers in the US Navy, and major subordinate command purchasing offices for the Air Force and Army. These offices are representative of the widest variety of acquisition situations including procurements for construction, services, major system research and development, and major system production requirements. In addition they cover housekeeping purchases at the post, camp and station, and purchases for the National Inventory Control Points, etc; included are a diversity of contract types and situations encompassed at these activities, plus all the possible staffing situations applicable for these varied offices. Every possible angle has been considered to insure that a good cross sample of acquisition situations would be covered providing the best possible test bed for the PCAP effort.

Headquarters, U.S. Army Armament, Munitions and Chemical Command (AMCCOM) at Rock Island was selected by the US Army as one of its representative activities to participate in the PCAP experiment. AMCCOM has several purchasing offices with a wide and varied mission. It has a headquarters purchasing office, two research and development centers and five subordinate purchasing offices at the arsenals and an ammunition plant.

HOW DOES PCAP WORK?

The participating office identifies a specific element in the FAR, DFARS, the Service FAR Supplement, or some other procurement regulations which it determines should be waived or revised. Let us use the example where the Head of the Contracting Activity (HCA) is limited by the service regulation to approving ceiling price awards up to three million dollars. Awards above three million dollars must be transmitted to the Department of the Army for approval prior to award. But, under the FAR, the HCA has the authority to approve sole source award negotiations up to ten million dollars before being required to obtain Department of the Army approval. The authority for the ten million dollar limitation was created by Congress under law. The three million dollar ceiling on HCA approval for award of ceiling priced contracts was a policy decision by the Department of the Army

to limit major subordinate command's authority. If authority was granted under the PCAP to increase the ceiling price award approval authority to ten million dollars (the same level as the Congress, by the law it enacted, indicated that it could trust the judgement of the HCA to approve a sole source negotiation) it would permit over 95% plus of all awards to be processed by the major subordinate command without Department of Army approval. This increase of approval level would save weeks of valuable time in the acquisition process and save many hours of time and substantial dollars.

In their request for the deviation utilized in the example above, the command had to explain what the current regulation required; what change the command wanted to test; how this change would benefit the command and the Army; and what cost or other benefit would accrue to the Army. The command making the request must also identify to the Department of the Army that the deviation would not make a change to a law or President's Executive Order if the change was approved. When changes are approved for testing, the office testing the change has to account for the cost and time savings that were achieved during the test period. After a year of testing, the Department of the Army will determine if the change should be made permanent and if all purchasing offices should be allowed the benefit of the same change to the regulation.

WHAT ARE THE LIMITATIONS UNDER PCAP?

Under the PCAP, no FAR or DFARS provision which has its origin in law or executive order can be changed. Changes to laws or executive orders must be submitted under a different program or a different type of process. Changes to law or executive orders have been identified during the course of the PCAP and some have resulted in requests for legislative action to correct the laws and thereby change the regulations.

When the office has identified the change desired under PCAP, it formulates the information identified earlier, and then it transmits a message containing the information to designated Agency level office. The requests are concurrently transmitted to all the service offices designated to participate in PCAP. This wide distribution of message traffic, going to the service headquarters and those messages going to the field activities and offices participating in the program provides a substantial benefit. If an office determines an idea which has been submitted by another office is beneficial to its operations, it can request to have the same waiver or deviation approved for its testing. This particular procedure is called "piggy backing". The messages proposing change may also stimulate thinking about other ideas for change which may be on the peripheral of the ideas in the messages that are being considered for adoption. The part of the program can cause a chain reaction of generating new changes.

WHAT HAS BEEN THE RESULTS OF PCAP?

I would say that the program started with a lot of small installations submitting requests for relief from control by their higher headquarters. Many of these requests were for lessening of

review and approval levels for contracts and solicitations. These changes, in most cases, were very worthwhile. If we look at the intent behind the President's Committee's recommendation to place the responsibility at the Contracting Officer's level, then some benefit has been realized already. The services have been very limited in their granting approval of requests. It is my understanding that the Department of Defense reviews all the approvals and disapprovals and many times makes inquiry of the Services on why a particular request was disapproved.

Headquarters, US Army Armament, Munitions and Chemical Command (AMCCOM) has submitted many requests for waiver or deviations to regulations. The following are a few of the important requests that have been initiated under the PCAP program:

a. Request to permit the command to issue solicitations while Justifications and Approvals (J&A) to limit competition are processed at the Secretary of the Army level. The idea behind this suggestion was to allow AMCCOM to issue solicitations while the J&A to limit competition was being processed. This would allow the offeror(s) time to prepare their proposals and would expedite the acquisition process. This request was rejected.

b. Request to allow combining of J&A and Acquisition Plans (AP) into one document. The request was approved in part. Department of the Army indicated it would allow duplicate data to be referenced in the AP that appears in the J&A in lieu of repeating the same data twice.

c. Request to allow ceiling priced delivery orders and letter contract approval requests between three million and ten million to be approved at the Head of the Contracting Activity level. This request was to bring the J&A and unpriced contractual action (UCA) down to the same level. The J&A could be approved up to ten million dollars at the HCA level and the UCA at the Department of the Army level for any action over 3 million dollars and these two parameters did not coincide. Therefore, it made better sense to have J&A and UCA approval levels the same. The Department of the Army agreed and approved the waiver.

d. Request to eliminate the requirement to hold a Business Clearance Review Board (BCRB) on the issue of Basic Ordering Agreements, Letter Contracts or the UCA's. Since BOAs, letter contracts and UCA's are not definitive contractual instruments, and since the intent of BCRB's is to review the prenegotiation Business Clearance Memorandum prior to negotiations, it was considered a waste of time to hold boards on these instruments. It was deemed more appropriate to hold BCRB's at the time a definitization of price was to be considered. Department of the Army agreed and approved the request.

e. Request to establish a new type of contract called Cost Plus Award Fee (Objective). This contract type was to be utilized for Government Owned - Contractor Operated (GOCO) contracts. This contract type would eliminate the expensive cost of administration

required under the "subjective" evaluations of contractor performance under existing Cost Plus Award Fee (subjective) contracts. The Army currently has this contract type under study with this author scheduled to brief the Department of the Army personnel on the concept.

If I were to assess this PCAP program's effectiveness, I think that the field offices have been somewhat guarded in their approach to PCAP. Throughout my Army and Navy procurement and supply career I have been involved in several major Department of Defense and Army programs instituted to study and effect improvements on programs, regulations, policies and practices. I have been involved in the Army Procurement Intern Program development in its initial stages in 1965 and on the Army Career Board review in the early 1970's; I became associated with the Task Force to Improve Industrial Responsiveness in the early 1980's; and shortly thereafter in the Carlucci Contract Simplification effort in 1982. In these programs, there was a top down emphasis with action committees formed and brought into Washington or other special location to accomplish the tasks. The successes in those programs were not seen for years, with the exception of the first Army Intern Training Program and in that case the results were seen within about 9 months. In previous programs with a top down emphasis for innovation, the programs were structured so that committees, made up with people from the field activities with procurement expertise, were involved in the formulation of changes. They developed the ideas and these ideas were staffed, rewritten, revised, rewritten again and then tested in some form. This took several years, in most cases, for any benefit to be seen by the committee members in practical field application. Under the PCAP effort the entire workforce at the field activities participate in the development of ideas and then in the testing of their ideas.

Let me give you examples of what I mean about the length of time from concept initiation to implementation. Under the Task Force to Improve Industrial Responsiveness, I developed and modified a concept of Surge Contracting. In 1982 the Deputy Under Secretary of Defense, speaking on the report of the Task Force to Improve Industrial Responsiveness, indicated that he wanted the surge contracting concept included in the Defense Acquisition Regulations (DAR). The implementation data was developed and submitted in DAR format, but somehow it was delayed or side-tracked. Then the Federal Acquisition Regulation (FAR) came along and the data had to be rewritten in FAR format utilizing FAR paragraph numbers. In 1987 the case was finally presented to the FAR council for consideration.

In the case of the Contract Simplification effort started by Carlucci in 1982 the recommendations that were tested in 1984 are just now being considered for FAR implementation. I was very discouraged by the length of time that was expended in my effort to have these concepts authorized for all of DOD to utilize. In my opinion the blocks placed in the road of change appeared to be excessive. PCAP is different and for that we should all be thankful.

The U. S. Army Armament, Munitions and Chemical Command has placed great emphasis on the PCAP effort and has encouraged my active

promotion of the program. The command has arranged for my visits to several of our purchasing sites to encouraged them to be innovative and submit suggested regulation changes through our Headquarters.

Some of the career professionals at these sites have been previously involved in other programs "to change the way that the procurement community conducts business," and know first hand that the benefits are often too few and too long in time in the process of being adopted. PCAP is uniquely different because of the speed of the change that can be made and tested. This is the single most important advantage that I can see at this point in this experiment called PCAP over those previous programs and studies. The approval for testing comes within two months or less and the activities that have submitted the idea or have "piggy backed" on one of those ideas submitted by another command can immediately begin the testing to validate the value of their ideas and gather the cost saving benefit data.

CAN AN IDEA BECOME INSTITUTIONALIZED?

What happens after the purchasing office proves that their idea, for which they obtained a waiver or deviation, actually has merit and there is a real and identified savings to the Agency and the Government? If the test proves to be successful and there is identifiable benefit which will accrue to the service and the purchasing offices, the Department of the Army can recommend to DoD that these changes be institutionalized so that all the Services can benefit from the idea and the savings. It is vital that the participating offices and their procurement professionals see this tangible benefit accrue to their office in order to ensure wholehearted commitment to the program. I predict that it will be after the "sweet smell" of a few successful implemented changes that the program will pick up momentum. It is important that the participating offices managers place more emphasis on the value of the program and the short cut to approval that is available to them under PCAP. The potential for improvement of the procurement process is substantial.

CARRY THE IDEA FURTHER

I think that this idea and program should be reviewed by the Office of Federal Procurement Policy (OFPP) to determine the value to the civilian agencies of the government. I think that Congress needs to have their committee staffers review these and other changes to determine what changes to procurement laws are needed. I think that the Competition in Contracting Act needs review in light of some of the legislation being proposed to protect U.S. industry. I believe that we have spent a lot of money on spare part breakout and management and it may not have been cost effective.

At the end of the first year I think that a week long conference should be held in Washington with representatives from each office involved in the program, with staff members of each of the military departments and DoD, observers from the civilian agencies procurement policy offices, participants from the OFPP and Congressional Staffers and/or Congressmen and Senators. I think that an exchange of ideas

and maybe selected panel discussions could prove to be very beneficial. The Congress should participate to obtain ideas to streamline the process of procurement law changes so that it does not take an inordinate amount of time to make needed changes.

WHAT ARE THE BENEFITS THAT COULD RESULT FOR THE CIVILIAN AGENCIES

The services have made some changes to the Federal Acquisition Regulation and are testing those changes. I think that the civilian agencies should look at the benefits that have accrued. Today, because of the current Congressional budget cuts and those that the Congress can expect to make in the coming year, we need to find more economical ways of conducting the Government's business. A reduction in the size of the solicitations will mean a reduction in the cost of mailing the documents. This size reduction coupled with a simplification will also produce a reduction in the cost of preparing the solicitation, printing, preparing to mail, and this added to the reduction in postage mentioned before could save the Government millions of dollars. The simplification of solicitations will also reduce the number of people needed in the acquisition process. The bottom line for the Government, as well as private business, is dollars saved. It should be the goal of all of those in the Government acquisition management to find innovative ways of accomplishing the job with less people and less overall cost. I think that managers and other innovators should be encouraged and rewarded for finding more economical ways to get the job done. Their rewards should only come after a detailed assessment of the real saving which have been realized. A key element of acquisition managers' performance should incorporate objectives for innovation and cost management.