



## **INSIGHTS ON PRICING IN DoD:**

- DLA embraces the use of automation
- Pentagon obtains cost and pricing data
- Long-awaited IT overhaul in DoD
- DoD advancement through COVID-19
- Navy contract spending amid pandemic

# **STRATEGIC GUIDANCE REPORT: Pricing in DoD**

# DONE with Excel<sup>®</sup>



## Pricing Software Checklist

When searching for the best pricing software solution for your company, there are many considerations to take into account in order to make the right decision. Some of those considerations include: available resources, company goals, budget, usability, and integrations with important technologies the company uses. Software evaluation and selection can be a challenging process.



Download **Here**

Download this checklist to start your evaluation process



[propricer.com/softwarechecklist](https://propricer.com/softwarechecklist)





**There's an old adage we've heard many times: never let a good crisis go to waste. This is truer today during the coronavirus pandemic when it comes to federal acquisition. And the Defense Department is taking full advantage of this emergency.**

The military services are using the urgency of the situation to see that permanent changes to their acquisition processes are not just possible, but sustainable.

The Department of the Navy, for example, has obligated 33% more money than a year ago, but is more efficient due to legislative and policy reforms that the DON has been implementing over the last few years.

The Army, too, is shedding some bad habits and inefficient processes to accelerate the pace of acquisition.

Underlying all of DoD's efforts is, of course, data.

In this report, we surveyed the Defense Logistics Agency to learn about how data is helping them improve procurement lead time.

We heard from the Army and Navy about how their acquisition workforces are adjusting to working during the pandemic and how these experiences open the door to faster procurements with appropriate rigor.

And finally, the Defense Department is seeking Congress' help to fix some longstanding challenges that came to light during the TransDigm pricing scandal.

Each one of these articles demonstrate that DoD's need for speed and accuracy means it has to update their processes and ensure it has quality data.

**JASON MILLER**

*Executive Editor, Federal News Network*



**MATT BEEBE**

*Director, Defense Logistics  
Agency acquisition*

## Survey Response

***Describe any initiatives, policies or programs your organization has undertaken over the past 12-to-18 months to reduce procurement administrative lead time. What sorts of successes have you achieved?***

To ensure maximum support to the warfighter and our customers, the Defense Logistics Agency has concentrated on numerous actions to increase readiness levels and reduce administrative lead times (ALT). Initiatives include system innovations for timeliness of contract awards, workload efficiencies, a focus on readiness drivers for critical military service weapon systems and the increased use of long-term contracts (LTCs).

DLA embraces the use of automation to award many of its contracts, thereby allowing us to leverage our manual buyers for the most critical work assignments. We award over 3 million actions per year—over 90% of those awards are made via some form of automation. Automation is key to our speed as 93% of requirements are on contract in 12 days or less, 87% in a day or less! I like to say that automation is a key acquisition enabler for DLA.

One of the latest improvements to the automated process is a new functionality with indefinite-delivery contracts below the simplified acquisition threshold that uses

both automated and LTC processes. This will improve ALT by issuing delivery orders immediately and allowing covered items to potentially migrate to the automated system where DLA buys based on consumption and minimum inventory levels needed to have on hand. DLA is continually looking for additional potential automation candidates, as we realize the benefits it provides in terms of reducing lead times and manual workload, as well as generating cost savings for our customers.

One of the challenges to reducing lead times is removing the guesswork and knowing what our customers consider to be their most important requirements. DLA partners with the military services to identify key weapon systems deemed most important for readiness and national security and the repair parts essential for their sustainment. As a result of classifying these weapon systems and repair parts, DLA can proactively develop procurement strategies that prioritize these readiness drivers while also collaborating with suppliers to ensure adequate support. By tailoring procurement support based on the

most critical customer requirements, we can reduce the time required to procure these materials while increasing readiness rates. In simplistic terms, we're narrowing our focus and increasing our attention.

DLA places a high priority on maximizing the use of long-term contracts for high demand, critical weapon system items, as they allow for timely support at the best value. With long-term contracts, the time needed to satisfy customer requirements is significantly reduced because the preaward processes are already complete and suppliers are in place. Although the initial process to award an LTC can be lengthy, the subsequent delivery orders from an LTC can be filled quickly, even as soon as one day. Across DLA, approximately 65% of all requirements are fulfilled through long-term contracts—that number is for hardware items. If you also account for the medical and subsistence prime vendor contracts, approximately 90% of all DLA requirements are filled through an LTC.



***To what extent are aging IT systems or weaknesses in your organization's ability to leverage data a challenge to your efforts to conduct effective, efficient contracting? What efforts are underway to overcome those challenges?***

A major challenge that DLA has is ensuring the quality and consistency of data itself rather than aging IT systems. DLA issues a significant amount of procurement transactions yearly and awarded just over 3.7 million actions in fiscal 2019. The vast majority of DLA actions are automated delivery orders in which data is entered by a buyer once and then populated to each automated delivery order as it is issued. If the data is entered incorrectly by the buyer upfront, it gets populated incorrectly on each automated delivery order until corrected. This can cause issues with Federal Procurement Data System validations and make it very troublesome for data accuracy if not caught quickly. Thus, manual data entries are probably the single biggest issue that DLA faces as data validations are limited.

As data validations are created within DLA's Enterprise Business System, they most likely require custom code. However, to improve long-term supportability, DLA is trying to limit its custom code usage, as it is costly to do and takes away from the benefits of using a commercial system such as SAP. As an alternative, DLA has begun leveraging newer technologies like artificial intelligence and machine learning to ensure data is as clean as possible. We've seen great success from "bots" which automate repetitive processes—we expect to increase our use of them in the future.

Although DLA still has some improvements to make with regard to data, we are a major leader in our use of data visualization tools that allows DLA to build applications that support our data needs. Specifically for contracting, the procurement process area has built seven applications supporting post awards and procurement metrics. The procurement metrics are built using datasets that can be accessed and used by supply chain analysts through visualizations within the applications. This process provides all

analysts with one location for centralized datasets so the supply chains can easily provide the information to leadership to drive decisions.

Overall, data management and validation is critical to supporting the DoD procurement mission, especially as service/agency data feeds federal systems such as the Federal Procurement Data System-Next Generation and supports broader federal initiatives such as category management. The federal government is using its own data to understand how we can buy more efficiently as an enterprise, so we must ensure that the data we're providing is accurate. Taking a phrase from the Under Secretary of Defense for Acquisition and Sustainment, Ellen Lord, our decisions must be "data driven," making data integrity more important than ever.

***Please discuss any efforts that are underway to improve your acquisition workforce's ability to reach price reasonableness determinations – either internally, or in concert with other organizations such as the Defense Contract Management Agency or Defense Pricing and Contracting.***

DLA Acquisition implemented a formal pricing oversight program in 2018 to consolidate all pricing related reviews performed across the agency in one comprehensive program. This program implemented standardized manual and automated award reviews, pricing outlier reviews, price trend analysis, pre-and post-award strategic acquisition and agency management review pricing reviews and formats.

We realized several years ago that the pricing training offered by the Defense Acquisition University was very focused on major programs. The tools and techniques taught weren't as applicable to the smaller-dollar, commoditized purchases that DLA does as part of our sustainment mission. Therefore, in 2014, DLA partnered with the DAU to develop a course on sustainment-specific pricing titled, "Determining Fairness and Reasonableness Using Price and Cost Analysis Methods." This is a mandatory class for all

of DLA's contracting specialists. Senior DAU personnel with extensive pricing experience teach students how to properly conduct cost/price analysis using various tools and techniques, and how to document the method used to determine their buy as fair and reasonable.

At the DLA headquarters level, acquisition's cost and price analysts are also active members of the Defense Pricing and Contracting's high-risk pricing cadre, a select group of acquisition professionals who discuss current trends and concerns across the Defense Department. This group actively works to develop solutions to the challenges contracting officers face daily—from contractors refusing to provide acceptable cost or pricing data, to potential overpricing, sole source pricing and weapon system obsolescence. DLA also works closely with the Defense Contract Management Agency on forward pricing rate agreements and with their commercial item group on commercial item determinations. DLA has also collaborated with the Naval Postgraduate School on pricing-related studies and projects.

***From a policy standpoint, how, if at all, has your organization responded to recent concerns the DoD Inspector General and DPC have expressed about contracting officers' ability to reach fair and reasonable pricing determinations in sole-source environments (below the Truth in Negotiations Act (TINA) threshold)?***

As noted earlier, DLA has implemented a pricing oversight program, sponsors a DAU sustainment-specific pricing class and works with DPC on various efforts to improve contracting officers' ability to reach logical, reasonable and defensible fair and reasonable pricing determinations.

Though past audits have specifically questioned the methods used by the



contracting officers to make appropriate fair and reasonable pricing determinations, more recent audits acknowledge some of the challenges that contracting officers face to determine fair and reasonable pricing within the limitations of current statutory and regulatory requirements.

The DoD IG recently recommended that the Defense Department establish a team of functional experts to analyze reports of contractor denial of cost data, and identify trends and contractors deemed to be at high risk for unreasonable pricing. DLA has several cost and price analysts on this team, provides reports to DPC quarterly on those contractors that refuse to provide requested data and also conducts internal monthly outlier reviews to determine which contractors routinely overprice items when compared to previous competitive buys or market prices.

***How is your organization responding to 2020 NDAA mandates to avoid relying exclusively on historical prices-paid data and seek “other than certified” cost or pricing data? Do you foresee challenges in implementing these requirements, or, conversely, do you expect them to improve the government’s ability to obtain fair prices?***

While cost analysis is one of the most reliable ways to determine price reasonableness, there is no guarantee that the contractor will provide the data when requested. There are less stringent requirements for lower value contracts and no regulatory mandate that compels contractors to provide the data on request. Some of the current statutory and regulatory requirements discourage contracting officers from requesting uncertified data. Contracting officers have worked around this for years by using price reasonableness methods in combination to make fair and reasonableness determinations.

When properly utilized, historical pricing provides a great deal of insight to the contracting officer about the current proposed price. A historical price that is escalated using the Producer Price Index and then adjusted based on the quantity needed for the particular commodity provides the contracting officer with an estimate of a fair and reasonable price. A skilled contracting officer will not stop at this point, but will instead view that estimate in light of current market conditions or pricing of “like” items that have available data before making the fair and reasonableness determination. DLA doesn’t foresee challenges in implementing these requirements as we have recently provided updated guidance on the use of these pricing methodologies. Our expectation is that this will improve our ability to obtain fair pricing, if not through data received then through contracting officer analysis.



# Pentagon seeks legislation to gather more cost and pricing data, avoid another TransDigm scandal



***“In light of the recent congressional hearings surrounding TransDigm’s excessive pricing practices, it is evident that providing the department with the statutory authority to obtain uncertified cost or pricing data to the extent necessary...”***

## **DOD OFFICIALS**

circumstances that the IG warned were risks for price gouging in the TransDigm case. Contracting officers would only be allowed to demand the data when they’re dealing with sole-source vendors, and only if they truly believe they need the information to ensure the government is getting a fair and reasonable price.

As of now, contracting officers can request that data from companies—but those firms are free to say “no” as long as the procurement falls below the \$2 million threshold set by the Truth in Negotiations Act (TINA). The IG found TransDigm refused to turn over its cost data in every situation where it could legally avoid doing so.

“This proposal is a top [Office of] Acquisition and Sustainment efficiency initiative to ensure that the department has insight into the costs of sole source items, and is in a more favorable position to negotiate with sole source companies to prevent excessive pricing practices,” Defense officials wrote in an explanation accompanying the proposal. “In light of the recent congressional hearings surrounding TransDigm’s excessive pricing practices, it is evident that providing the department with the statutory authority to obtain uncertified cost or pricing data to the extent necessary to determine price reasonableness is paramount in ensuring that such excessive pricing practices are curtailed.”

In a related request, DoD also wants Congress to tweak how the government determines what is and isn’t a “commercial item” that’s eligible for streamlined acquisition rules.

Under the current system, once a particular part has been deemed “commercial,” contractors don’t need to disclose their cost data to the government. There’s a good reason for that: products that really do have commercial customers are subject to market forces, and usually don’t need government intervention to figure out whether they’re being priced fairly.

When the Pentagon’s inspector general revealed allegations of widespread price gouging on the part of the spare parts supplier TransDigm, the Defense Department’s initial response was to crack down on TransDigm itself. But now DoD is proposing legislation that its officials believe will start to get toward the root of the problem.

As part of its package of proposed legislation for the 2021 Defense authorization bill, DoD is asking for two measures that officials say were specifically prompted by the IG report and subsequent Congressional hearings. The inspector general found that out of a sample of 47 parts in an audit, TransDigm earned excess profits on 46 – with profit margins as high as 4,436%.

First, the Pentagon wants a change in law that would force companies to turn over their internal cost data to DoD’s contracting officers, but only under the specific kinds of

But according to DoD and its inspector general, TransDigm and other companies have “abused” that principle. In some cases, items that used to have commercial customers now only have one: the U.S. military. And under current law, changing the status of any particular part to “noncommercial” is very difficult.

“Once one individual contracting officer makes a determination of commerciality, this has broad implications for every subsequent contracting officer who may be under a different set of circumstances but who no longer has discretion to make a determination in the best interest of the department,” Defense officials wrote. “Once an item is converted to a commercial product or commercial service, it is no longer subject to the requirements for certified cost or pricing data. As illustrated by TransDigm’s pricing practices, generally once a conversion to a commercial product or commercial service is made, it is common for prices to increase and subsequent contracting officers find it difficult to obtain data necessary to determine price reasonableness and negotiate fair and reasonable prices on behalf of the taxpayer.”

The Pentagon’s second legislative proposal would completely eliminate the section of federal law that currently pushes contracting officers to rely on the commercial item determinations that other government officials have previously made for the same product.

The inspector general has long urged DoD and Congress to mount a broader policy response to price gouging of the kind it alleges TransDigm was involved in, stressing that other companies have engaged in similar business practices: charging “what the market will bear,” even when the market consists of only one customer who can’t conduct its missions without that product.

“We saw the same problems in 2006 during another audit. It’s more than 10 years later and we’re still finding the same problems,” Teresa Hull, the assistant inspector general for acquisition, said in an interview with Federal News Network last year. “So I guess I’d pose the question: Will we be in the same position in another 10 years if nothing is done from the regulatory framework perspective? Given our body of work on pricing, tools need to be put into place to ensure that those contracting officers can get the information they need to determine if prices are fair and reasonable.”

The Pentagon’s initial responses, however, were highly-specific to TransDigm. Last June, the department ordered its contracting officers to gather the sorts of uncertified cost and pricing data DoD’s proposed legislation would require, but only when they’re dealing with that particular firm.



## Long-awaited IT overhaul may let government procurer spend more time building quality business deals, less ‘watching hourglasses’



In fiscal 2019, the Defense Department made significant strides toward reducing the administrative lead time in its procurements, mainly through policy steps that boosted the number of contracts that qualify for simplified acquisition procedures. Last year, 99% of new awards fell below DoD’s micro-purchase threshold.

Defense officials think they can further accelerate the process of getting dollars on contract this year, including with a planned 15% reduction in the number of clauses that have to be incorporated into each contract.

But a yet-untold amount of improvement might come from an overhaul of the information technology tools the department’s contracting professionals use day-in and day-out.

The Army is going first. After years of fits and starts, it’s ramping up for pilot deployments of the new Army Contract Writing System this year. If it’s successful,



it could dramatically improve the speed and quality of the work contracting officers and contract managers perform each day, said Stuart Hazlett, the deputy assistant secretary of the Army for procurement.

“We have a couple of systems that we currently use—one has been in service for over 40 years, and other is over 23 years out there in use,” he said in an interview. “We’re trying to get out of tactical work—trying to stop watching hourglasses on our computers when we cannot do our work. It takes hours and hours.”

The hopeful replacement for those antiquated systems comes by way of a 10-year, \$133.9 million contract the Army awarded to CGI Federal in June 2017. The Navy has awarded CGI its own \$222.9 million contract for the same system, called Momentum, but plans to follow the Army’s deployment by at least a year.

In addition to being a more modern system that’ll eliminate those spinning hourglasses, the Army says the new product will integrate with the other enterprise resource planning systems it uses for financial management and other functions. Having an “enterprise” view of all of that data – including new ways to visualize it – is a big deal, Hazlett said.

“Today, I can be in one site and then I have to come out of that particular system and then re-enter into a different system. And when I get the information there, I cannot easily go back and forth,” he said. “I have to depend on the Defense Contract Management Agency, and don’t have visibility into their system to be able to know where things are in the life cycle of pre-award, award, contract administration and closeout. And there’s a tremendous amount of contract administration that goes on. Last year alone, we awarded \$105 billion worth of procurement dollars. But I’m also managing approximately \$600 billion worth of active contracts.”

The planned deployment hasn’t been without its challenges. Last year, the Army sent CGI a cure letter after difficulties integrating its software with other Army systems. The pilots the service had planned for this year were already running two years later than planned, and one of them – at Army Mission Installation and Contracting Command – slipped further, from June into the fall, because of more interface challenges.

“I believe that when we awarded the contract, the contractor felt their product would more



***“The uniqueness of having senior Army leadership and Navy participation on these monthly reviews has, I think, provided stability to the program because we can make decisions pretty quickly.”***

**CHÉRIE SMITH,**

Army’s Program Executive Officer  
For Enterprise Information Systems

tightly meet our requirements with less additional changes,” said Chérie Smith, the Army’s program executive officer for enterprise information systems. “There were more defined processes below the higher level processes, and they really didn’t have as much understanding of those as they thought they did, and it has resulted in them having to make changes to their baseline. But they’re building those in now, and they’ve also made the commitment to move some of our requirements up earlier in our release.”

Despite those challenges, Army officials say they have confidence in the program, and are committed to doing whatever it takes to successfully field it to the acquisition workforce. Senior officials review the program at least once a month so that individual problems aren’t allowed to fester.

“The uniqueness of having senior Army leadership and Navy participation on these monthly reviews has, I think, provided stability to the program because we can make decisions pretty quickly,” Smith said. “If something’s been sitting there for three and a half weeks, it’s not going to wait

another week, because we say, ‘Hey, you guys have been swirling on this, what’s the issue?’ And then we make the decision at that level.”

Once ACWS is up and running at scale, it’ll offer benefits beyond letting contracting officers work faster, Hazlett said.

The hope is that it will also give them more time applying their training toward difficult acquisition problems, rather than fighting with antiquated IT systems.

“I think they’ll have more time to put together good requests for proposals,” he said. “We put RFPs out on the street that we have to amend several times just because we have rushed to get something out there without the right data, or we did not have complete visibility into our requirements. So by having visibility into all this different data, we can spend much more time contributing our other acquisition teammates instead of having to go back and do transactional work.”

# Shifting to ‘high-value’ work by integrating business systems with ProPricer

THIS CONTENT HAS BEEN PROVIDED BY PROPRICER

Federal contracting is **changing**. It's not immune from the Trump administration's focus on using technology, particularly automation, to transition the workforce away from tedious, repetitive jobs and toward more high-value, qualitative tasks that require critical thinking. In other words, the administration wants employees to spend less time on manual data entry.

One seldom discussed place where federal agencies can accomplish that is in pricing.

ProPricer is software that allows contractors to submit the data for a proposal in a format that allows agencies to see it in the exact same way. That means agencies don't have to recreate entire proposals to analyze them. They don't have to go through Excel files, double check formulas and hunt for inaccurate numbers.

Right now, if agencies that don't use ProPricer want to see the contractor's data laid out in a certain format, they have to ask the contractor to break it out for them. And if they want to compare two different proposals side-by-side, all that data has to be translated first into the same format. It also allows agencies to integrate their back office systems to allow for easier transference of data.

"ProPricer has made it easy to connect all of your business systems to its rate, material, library, scheduling and proposal data types," said Michael Weaver, ProPricer product innovation director. "In the past, users who worked in multiple systems would have to move data, many times manually, between each application. This meant spending time copying and pasting or importing data and worrying about inconsistencies between data sources. For example, if materials or finance rates got updated,

users of both systems would need to manually synchronize the data to ensure it was up-to-date at all times."

But for agencies using ProPricer, that part is already done for them automatically. That allows for an easier manipulation and verification of the data. The problem is that many federal agencies and contractors have been using in-house, proprietary pricing systems, sometimes for more than a generation.

Even when federal agencies create a worksheet, a template or some other format, it can take dozens of people weeks or even months to recreate the proposal and check it for accuracy. Weaver said one federal agency told him that even with 30 pricers, it could take several months to accomplish anything. After implementing ProPricer, the agency only has 5 pricers, and can accomplish the same amount of work with the same level of effort in a matter of weeks.

"With ProPricer's application programming interface, you can integrate with your BOM data, earned values systems, financial, detailed travel, and estimating applications to automatically push and pull updated information at a schedule that you set," Weaver said. "This saves precious time for end-users whose performance increases would allow them to focus on analytics rather than data entry. With the inter-connectivity of data automated, you now have a single source of truth when it comes to the rates and configuration of proposal data, and needless manual entry time has been eliminated."

A recent **survey** of federal contracting and acquisition officials by the National Contract Management Association found that this is exactly what federal agencies need moving forward. Most of the officials surveyed said process-oriented

tasks should become a less integral part of the contracting officer's day. Agencies just need to find the right software to automate those tasks. For pricing, that means ProPricer.

"Over a longer period of time, as you keep putting more and more data into the system, you can make more and more use of that analytical side of things," Weaver said. "Being able to compare your starting and end points, from the very first iteration of your proposal until the best and final offer, is critical. So all of the data is available, and all of the rates and inputs and estimates are always available, and always comparable to any of the other levels of effort or proposal efforts you want to submit. And so you really start to get a big picture of how accurate your estimating and pricing is. So that makes it easier for you to redo that effort down the road."

So contracting officials can start spending less time inputting data, and more time analyzing it.

And having the amount of data ProPricer provides helps to do just that, bypassing the need to recreate the proposal and verify all the data and formulas. Instead, agencies can just start working directly with the data, slicing and dicing it any way they see fit, breaking it out by fiscal year, calendar year, or however they want to look at it. Weaver said that can cut months off the process, depending on how big the proposal is.

"We see what the government is asking for, and we have the product to answer that," said Holly DeHesa, marketing manager for ProPricer.



# COVID-19 showed DoD how to successfully buy with urgency



There are parts of the sprawling Defense acquisition system that are just plain difficult to operate in the midst of a global pandemic. For example, factory floors tend to churn out goods more slowly when workers have to abide by social distancing protocols.

But for the white-collar workforce that plans the Pentagon's acquisition programs and signs the paperwork to get dollars on contract, the adaptations they've made by necessity have sped up the procurement system in ways that legislative and policy reforms have struggled to do for decades. And there's reason to hope that at least some of those will stick around for the long haul.

"I like to take advantage of opportunities," said Dr. Bruce Jette, the assistant secretary of the Army for acquisition, logistics and technology. "And this is a great opportunity for me to encourage my workforce and contracting personnel—in coordination with the Defense Contract Management Agency - to get down to the important parts of what we have to get done in order to accomplish the mission."

Jette said in normal times, his service's contracting apparatus operates in ways that are "more detailed" than necessary. Throwing the system into emergency mode has forced the workforce to shed some of those habits.

"Things that don't contribute to the final outcome—some of the less productive aspects of some of the work that we're doing—we've gotten rid of those, and we're focusing in on those things which are the critical ones to make sure that we're doing the right thing at the right time in the right place," he said.

Federal acquisition leaders say the first

week or so of telework was difficult. But it didn't take long before more than 90% of the workforce adapted and found ways to do their jobs without being in the office.

It's unlikely that telework participation will continue at that level over the long term, but Defense organizations have used some of the same technology tools to change the way they plan and approve acquisition plans. Those sessions have turned out to be much easier to coordinate and schedule when done electronically, and those are more likely to persist over the long

*"I like to take advantage of opportunities... And this is a great opportunity for me to encourage my workforce and contracting personnel—in coordination with the Defense Contract Management Agency—to get down to the important parts of what we have to get done in order to accomplish the mission."*

#### DR. BRUCE JETTE

The Assistant Secretary Of The Army For Acquisition, Logistics And Technology

term, said Thomas Frankfurt, the Navy Department's assistant general counsel for acquisition.

"The Navy has what we call the gate review process, where we bring the requirements folks, the funding folks, the acquisition folks together to make decisions at different phases of our major procurements.





And to get those meetings set up has been a Herculean effort, because there's so many senior individuals that attend those meetings," he said. "With the use of video teleconferencing, it keeps those meetings on time and not delayed. It's making us more efficient in our decision making, and moving not only our large procurements along, but the smaller procurements too. So I'm hoping that when we get back to normal – whatever that is – that we continue to take advantage of these tools."

Indeed, Navy officials believe the fact that the service was able to award the contract for its new guided missile frigate several months ahead of schedule – its first new class of ships in several years – was at least partially attributable to the fact that the acquisition team was able to conduct almost all of its work in virtual settings.

Cindy Shaver, the deputy assistant secretary of the Navy for procurement, said the emergency also forced contracting offices to take steps like allowing electronic submission of proposals from contractors – something they might not necessarily have done if they were not forced to.

"We've expanded our ability to do that in cases where we might have gone old-school and gotten proposals in hardcopy," she said. "We're pushing the envelope there and seeing how we can hopefully capitalize on those opportunities when we come out of COVID and end up better than we were before. We want to keep all of our procurements on schedule, and idealistically, we'd like to accelerate as much as possible." Moving more of the government industry

interaction process to online venues also increases the pool of vendors who can participate in a given procurement, Shaver said.

"Some of our agencies have reported that they've been doing virtual industry days as opposed to face-to-face industry days, and attendance has been very, very good," she said. "Small businesses don't have to pay to send representatives to attend, so they have no disadvantage – they're seeing the same video at the same time like everyone else. We're continuing to analyze to figure out how we make some lemonade out of lemons in the COVID-19 situation. We need to figure out what are the positives that we can pull out of the situation, react appropriately to continue those practices, and become more resilient."

Jette, the Army's top acquisition official, said his service has seen similar experiences, particularly for internal acquisition planning.

"We're trying to understand how we can do things better. And it's been interesting that when we've had a lot more people available to us to answer questions, it was easier to get questions from an inefficient system," he said. "It's causing us to have to be much more efficient in how we manage our information and how we exchange it, how we share it. All of things are making us reflect on our methodologies of management. I think in the long run, it's going to make us do better at our job overall."

## Navy contract spending jumps by 33% amid coronavirus pandemic



The federal contracting community has gotten used to seeing major upticks in contract outlays in the last couple months of the fiscal year. But for the Department of the Navy, April's numbers rivaled those figures: Contract obligations were up 33% compared to the same period a year earlier, and almost double the figures from April 2018.

To be sure, the coronavirus pandemic was a big factor in the increase in dollars-on-contract. Like most other parts of the government, the Navy and Marine Corps spent a lot to respond to the pandemic itself and to keep vulnerable parts of their supply chains afloat.

But that's not the whole story, said James Geurts, the assistant secretary of the Navy for research, development and acquisition. The



Navy Department's ability to get cash out the door more quickly is also the result of reform efforts that have been underway for the last two-and-a-half years and emergency planning that predated the COVID-19 crisis. "I'm seeing some remarkable efficiencies," he said. "I think a lot of that is getting rid of layers of bureaucracy that weren't needed. Some of it is also creating better partnerships with industry so that we can leverage cost and pricing data we already have, and we don't have to send out a request for proposals and get a proposal back just to confirm that data. And some of it is just a continued sense of urgency and mission focus."

By the end of the month, the Department of the Navy had obligated slightly more than \$100 billion toward contracts in April, compared to \$74.7 billion in April of 2019, even though more than 95% of its contracting workforce is working remotely. During the same month, those acquisition professionals also increased their use of distance learning for ongoing workforce development by more than 65%.

Geurts said many of those "efficiencies" were born of necessity because of the pandemic, but there's no good reason the changes the DON has made shouldn't become part of the fabric of how its acquisition system operates.

"I think all of these are relatively sustainable activities," he said. "I want to come out of this in a place where what we're doing is now the standard — not crisis behavior or point-in-time behavior. "If we can make it the standard, we can leverage that efficiency to give us more resilience and to allow us to then recap that increased business tempo into products and services for the warfighter."

In some instances, the Navy had already been thinking through ways to accelerate the contracting process and its cash outlays, but the pandemic provided a major incentive to implement those policies right away.

For example, Naval Sea Systems Command decided to release nearly \$600 million in pending contractor payments it had been holding back. NAVSEA generally retains 10% of the dollar value of new ship construction or ship repair contracts until it's satisfied the job has been done adequately.

"We were already moving toward reducing that because we found it not to be a terribly effective tool in the long run, and that we could use other tools to ensure that the work was completed and we had warranties on the work," Geurts said. "We had already been moving down that path experimentally. But we thought it was in everybody's best interest to move to that quickly, particularly because a lot of that retention had an overly-large impact on mid-sized and small subcontractors. And we are only as strong as our industrial base."



The DON is also speeding up its use of Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs to keep funding flowing to the smaller firms it needs for R&D work. The Office of Naval Research announced this week that it will open up \$30 million in rapid funding via a broad agency announcement; ONR plans to spend \$250 million through the same BAA over the next 90 days.

But Geurts said the Navy's ability to reorient its contracting apparatus quickly in response to the pandemic is largely attributable to a reform initiative the Navy Department began in 2017. The adjustments are comprised of what he calls the "Four Ds:"

- Decentralized execution;
- Differentiation of work;
- Digitization of operations; and
- Development of talent.

"I tend to be lucky more than smart, but in hindsight, those strategies are what allowed us to pivot very quickly to operating in this kind of unplanned contingency," he said. "We decentralized so that the workforce understood intent in a culture of trust — we trusted them to make the right decision and we delayed. In a crisis, that's just gold. Digitizing the work has been money,

because if we had not figured that out we would have never been able to operate with efficiency in a massively distributed workforce. We've also developed that workforce so that they have the confidence, and I have the confidence, to allow them to run at speed."

The Navy's ability to get more dollars on contract isn't a function of more contract awards. To the contrary, its total dollar obligations have been rising even as its total number of contract actions have declined. Geurts said he sees that dynamic as another sign that the system is becoming more efficient.

"It could be because we figured out a smarter way to group the work, or that we're not having to break things up into different stages. It's a whole variety of efforts," he said. "I just know that every contract action takes work, and if I'm lessening the number of contract actions, for me, that's taking work out of the system."

***"I want to come out of this in a place where what we're doing is now the standard — not crisis behavior or point-in-time behavior."***

#### **JAMES GEURTS**

The Assistant Secretary  
Of The Navy For Research,  
Development And  
Acquisition