



# ACQUISITION SOLUTIONS, INC.

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June 1, 2006

Ms. Marcia Madsen, Chair  
Acquisition Advisory Panel  
c/o General Services Administration  
1800 F Street, NW, Room 4006  
Washington, DC 20405

Dear Madam Chair:

Acquisition Solutions, Inc. (Acquisition Solutions) is providing the enclosed public statement (Enclosure 1) with regard to the recommendations of the Performance-Based Acquisition Working Group of the Acquisition Advisory Panel.

We believe Acquisition Solutions' perspective is unique from others who may come before you:

- Almost 60 percent of our 100-plus employees are former Federal acquisition personnel.
- We do not consult with the private sector and therefore have no organizational conflicts of interest.
- We compete, often through performance-based contracting, to provide acquisition support services to Federal agencies.
- If we win, we participate as experts and support personnel on agency teams, often to assist in conducting their performance-based acquisitions.
- We have assisted in over 20 major, mission-critical performance-based acquisitions in various departments and agencies across Government.
- To date, Acquisition Solutions has successfully implemented the Seven Step process to support more than \$16 billion in programs as diverse as \$1.3 billion in IT managed services, \$93 million in ATF firearm tracing operations, and \$625 million in FEMA multi-hazard map modernization.
- Acquisition Solutions has been the industry partner on the interagency team that created the Web-based guide, Seven Steps to Performance-Based Services Acquisition.
- In the last 3 years, Acquisition Solutions has trained approximately 3,500 Federal officials in Seven Steps to Performance-Based Services Acquisition.

These are the perspectives and the knowledge base from which we have prepared this statement. We would be pleased to address the panel and answer any questions you may have about our comments or our experience "on the ground" implementing performance-based acquisitions.

Sincerely,

Anne Reed, President

Enclosure: As stated

**PUBLIC STATEMENT**  
BY  
**ACQUISITION SOLUTIONS, INC.**  
TO THE  
**ACQUISITION ADVISORY PANEL**  
ON THE  
**PBA WORKING GROUP RECOMMENDATIONS**  
**ADOPTED BY THE PANEL ON MARCH 29, 2006**

**1. Recommendation 1 — OMB’s government-wide quota of requiring 40% of acquisitions be performance-based should be adjusted to reflect individual agency assessments and plans for using PBA.**

A basic management principle is accountability. The Administration has tried to ensure accountability through devices such as the President’s Management Agenda, Program Assessment Rating Tool, and various scorecards. Accountability and performance improvement should be interwoven and to do so, you need to have some sort of measurement. We believe it is reasonable to tailor quotas on an agency-by-agency basis as there is great variability across government in what an agency buys, how it buys, and the size and skill of its acquisition workforce. By creating annual agency “stretch goals” for performance-based contract awards, it would be possible for OFPP to drive continual performance improvements over time in this important Administration initiative.

Unfortunately, however, critical baseline information necessary to make these determinations is not currently available. As noted by the PBA Working Group, GAO, and others, the Federal Procurement Data System-NG does not contain consistently reliable or accurate data. Some reporting is simply “checking the box” to claim credit, while the actual contract files do not reflect good performance-based practices. Acquisition Solutions recommends a closer examination of the coding methodology and agency practices in claiming performance-based accomplishments prior to changing the quota process.

**2. Recommendation 2 — OFPP should issue more explicit guidance and create a PBA “opportunity assessment” tool to help agencies identify when they should consider using performance-based acquisition.**

We believe that agency acquisition personnel could find this a very useful tool, especially if it is designed in a way to serve both the acquisition planning process and accurate FPDS-NG reporting after award. Acquisition Solutions recommends using web-based technology and a decision tree-type format to organize the acquisition content of the tool; OFPP could tap the interagency Seven Steps team, led by GSA, to draft the tool’s content.

**3. Recommendation 3 (Withdrawn) — No comment.**

**4. Recommendation 4 — Publish a best practice guide on development of measurable performance standards for contracts.**

This is clearly an area of need for the acquisition workforce. We would recommend as part of this guide a presentation of the various processes that can and should be used first to develop standards and then to measure contractor performance against those standards. For example, with the use of a Statement of Objectives, contractors propose both the solution and the performance standards against which they will be evaluated—both during the evaluation of competing solutions *prior to award*, and *following award* in ongoing contract performance. This approach allows a competition of ideas and performance standards. However, it does require sound contracting skills to evaluate and negotiate performance standards (which must be done *prior to contract award*).

These are important skills for the federal acquisition workforce to develop and employ, because it has proven to be difficult to transform the contract administration process from a compliance and process orientation to one of performance-based management.

**5. Recommendation 5 — Modify the FAR to include an identification of the Government’s need/requirements by defining a “baseline performance case” in the PWS or SOO. OFPP should issue guidance as to the content of the baseline performance cases.**

While we are not sure we fully understand this recommendation, we believe the wording should be changed to require baseline performance *in the contract when using a SOO*. As noted in response to Recommendation 4 above, when using a SOO, the contractor proposes performance standards that are uniquely tied to their solution. The government evaluation and negotiation processes should be to make sure that the “baseline performance” proposed represents the best value in terms of performance for the offered price. Beyond the guidance recommended in 4 above, it may be difficult or impractical to issue guidance, because baseline performance standards will vary widely from contract to contract.

**6. Recommendation 6 — Improve post-award contract performance monitoring and management, including methods for continuous improvement and communication through the creation of a contract-specific “Performance Improvement Plan” that would be appropriately tailored to the specific acquisition.**

We believe this is a very important and critical recommendation which should be expanded in its scope. The use of the words “post-award” and “Performance Improvement Plan” lead us to suggest that waiting until after award and waiting until performance needs to be “improved” is in some instances simply too late. We recommend to our clients that, *long before award*, they need to begin to prepare for post-award by addressing such critical contract management disciplines as governance, communications, strategic linkage, risk management, performance monitoring, and cultural transformation. It takes an investment of time and thought to prepare a performance-based acquisition for performance-based contract success.

**7. Recommendation 7 — OFPP should provide improved guidance on types of incentives appropriate for various contract vehicles.**

There is an excellent, scholarly government document on this subject. We recommend the guide, “Constructing Successful Business Relationships: Innovation in Contractual Incentives,” located at [http://acquisition.gov/comp/seven\\_steps/library/DOAconstructing.pdf](http://acquisition.gov/comp/seven_steps/library/DOAconstructing.pdf).

**8. Recommendation 8 — OFPP should revise the Seven Step process to reflect the panel’s new PBA recommendations.**

As the industry partner on the Seven Steps team, we agree. It has been the intent of the interagency Seven Steps team since its inception to maintain the guide’s currency and improve its content over time.

**9. Recommendation 9 — Contracting Officer Technical Representatives (COTR’s), in PBAs receive additional PBA training and be re-designated as Contracting Officer Performance Representatives (COPR’s)**

Sometimes there is something to be said for a name change, especially when that change signals a change in expectations. We recommend that the panel review the report recently issued by the Merit Systems Protection Board; “Contracting Officers Representatives: Managing the Government’s Technical Experts to Achieve Positive Contract Outcomes,” located at [http://www.mspb.gov/studies/cor\\_abridgedpdf.pdf](http://www.mspb.gov/studies/cor_abridgedpdf.pdf).

We also recommend that the panel seek comment on this recommendation from the Partnership for Public Service/Private Sector Council. That organization, in concert with senior federal acquisition officials has a project underway to improve post-award contract management. A meeting on May 10<sup>th</sup> resulted in agreement to work with selected agencies to develop:

- A strong teaming partnership between federal and contract staff that identifies shared expectations and goals;
- Streamlined tools and processes for effective contract change management; and
- A system of performance monitoring that includes risk analysis.

The contact for this is Howard “Howie” Weizmann President, Private Sector Council Partnership for Public Service (202) 775-9111.

**10. Recommendation 10 — Improved Data on PBA usage and enhanced oversight by OFPP on proper PBA implementation using an “Acquisition Performance Assessment Rating Tool” A-PART.**

We agree with this recommendation.

**11. Recommendation 11 — OFPP should undertake a systematic study on the challenges, costs and benefits of using performance-based acquisition techniques five years from the date of the Panel’s delivery of its final report.**

Acquisition Solutions supports this recommendation.

## CONCLUSION

In addition, Acquisition Solutions would like to state our agreement with and support of the findings of the PBA Working Group. (1) In our own consulting work supporting federal agency procurements and in working as members of the Seven Steps team, we have had numerous discussions about the applicability of performance-based approaches to specific procurements; clearly, there is uncertainty about when to use the techniques and, more specifically, what makes an acquisition performance-based. (2) In our search for good examples to load into the Seven Steps website library, we have directly observed a continued, widespread focus on activities and processes, rather than performance and outcomes. (3) While we have supported

and are aware of a number of transformational performance-based acquisitions, these are the exception rather than the rule.

(4) Further, the Working Group is correct about the cultural emphasis to “get to award,” as if that is the finish line. (It is actually the starting gate.) We urge the Working Group consider adding one more finding, implied by Finding 4.

*Finding 4(a): Not enough time is taken before award to plan and prepare for post-award contract performance management.*

(5) We believe that the most critical finding is that post-award contract performance monitoring and management needs to be improved. A successful performance-based award does not lead to successful contract performance, unless the agency knows how to plan for and manage—and does manage—the performance-based contract. (6) We agree that there is confusion and a lack of knowledge about incentives as well. Some contracting offices only use negative incentives, saying we don’t have funds for positive incentives. More significantly, however, it’s not just contract incentives, but the overall personal performance incentive strategy—on both the contractor and government sides—that needs to be aligned with the intended contract results. This is rarely done. (7) Finally, there are well known problems with FPDS-NG data.

As we said in our August 8, 2005, comments to the Panel, performance-based contracting does work and offers significant benefit to improving mission results of the government. Failure almost invariably results post award, because the government Contracting Officer’s Technical Representatives (COTRs) and Program Managers typically do not know how to manage a performance-based relationship.

We again recommend that the Panel should make this fact the highlight of its findings and recommend appropriate actions to address this issue. For a start, we suggest that the Panel review the recently issued grant report from the IBM Endowment: “Effectively Managing Professional Service Contracts: 12 Best Practices.” The report is located at <http://www.businessofgovernment.org/pdfs/FisherReport.pdf>.

We would be pleased to discuss our thoughts and experiences on this issue also, as we are currently conducting additional research, interviews, and discussions preparatory to the development of a white paper *Advisory* on “Best Practices and Lessons Learned in Performance-Based Management.”