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U.S. GOVERNMENT SERVICES CONTRACTING: TOOLS, TECHNIQUES, AND BEST PRACTICES

GREGORY A. GARRETT

NAVIGANT



Wolters Kluwer
Law & Business

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PREFACE

The U.S. government is spending more money than ever to acquire a wide range of professional services, from thousands of government prime contractors and subcontractors. Since an increasing number of the U.S. government contract requirements are for professional services, some of which involve unique research and development, the government frequently uses cost reimbursement, time-and-materials, labor-hour, and/or incentive type contracts or pricing arrangements to acquire professional services. Unfortunately, many members of the U.S. government's acquisition workforce are not adequately educated and trained in the unique aspects of services contracting. Further, many government prime contractors lack the quality business systems (accounting, estimating, purchasing, and earned value management systems) to effectively manage large complex services contract cost, schedule, and technical performance requirements. As a result, many U.S. government services contracts are delivered late, over budget, and fail to meet the needed performance requirements.

Thus, the best-selling author and leading government contracting consultant – Gregory A. Garrett, has created this practical and comprehensive “U.S. Government Services Contracting” book. This book provides a simple yet highly effective Buying and Selling Life-Cycle, composed of six key phases which the government and industry must jointly plan and execute to achieve success. This one-of-a-kind book on U.S. government services contracting contains numerous proven effective tools, techniques, and best practices. If you are involved in U.S. government services contracting, either in the U.S. government acquisition workforce, as a prime contractor, or a subcontractor, this book is a must read!

Shaw Cohe
Chief Executive Officer
AST, LLC

DEDICATION

I would like to dedicate this book to all of the men and women in the U.S. Federal Government, U.S. Military, and within industry who devote countless hours to ensure that the promises made in U.S. government services contracts are actually delivered!

To: Carolyn

I cannot imagine my life without you and our children. Thank you for your friendship, love, and support!

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Julie McKillip

Jessica Spencer

ABOUT THE AUTHOR

Gregory A. Garrett

Gregory A. Garrett, CPCM, C.P.M., PMP is the Managing Director and practice leader of the Navigant Consulting, Inc. Government Contractor Services practice, headquartered in Vienna, Virginia. He is an internationally recognized expert in government contracting, cost estimating, contract pricing, risk management, and project management. Plus, he is a best-selling author, highly acclaimed speaker, and during the past 25+ years, he has managed more than \$30 Billion of large complex contracts and projects in both the U.S. government and industry. He has taught and consulted with more than 25,000 professionals in 40+ countries. He has served as a lecturer at The George Washington University Law School and the School of Business and Public Management. He is the recipient of numerous national and international business awards for his writing, teaching, consulting, and leadership.

Mr. Garrett provides client support in assessing business risk and providing recommendations for performance improvement of contractor purchasing systems, cost estimating systems, cost accounting systems, bid/proposal management practices, contract pricing systems, contract administration systems, earned value management systems, supply-chain management processes, and program management methodologies. He also serves as an expert witness in support of client claims/litigations.

Mr. Garrett has served as a highly successful industry executive for more than 17 years. Prior to joining Navigant Consulting, he served as Chief Operating Officer (COO) for Acquisition Solutions, Inc. where he lead over 200 consultants providing professional services for more than 30 U.S. federal government agencies. He served 9 years with Lucent Technologies, Inc. as Chief Compliance Officer (CCO) and Vice President of Program Management for all U.S. federal government programs. Previously, he served as Partner and Executive Director Global Business at ESI International.

Formerly, he served as a highly decorated military officer for the United States Air Force, including assignments as: program manager Space Systems Division, warranted contracting officer Aeronautical Systems Division professor of contracting manage-

ment Air Force Institute of Technology, and acquisition action officer, HQ USAF the Pentagon.

A prolific writer, Mr. Garrett has authored 20 books and more than 100 published articles on bid/proposal management, government contracting, project management, cost estimating, contract pricing, contract negotiations, risk management, supply-chain management, and leadership.

INTRODUCTION

The focus of this book is to serve as a practical and informative reference guide, for all of the business professionals in U.S. federal government agencies, government prime contractors, and subcontractors who are involved in U.S. government services contracting. This book is truly a comprehensive guide to planning and implementing the buying and selling of professional services to and for the U.S. government. Our hope is that you will find this text to be a valuable resource to explain and enlighten people about what it takes to effectively manage U.S. government services contracts.

This book provides a wide range of discussion on all aspects of the U.S. government services contracting buying and selling life-cycle, including: requirements determination, solicitation planning and preparation, opportunity and risk assessment, proposal development and evaluation, negotiations and contract formation, to contract administration and closeout. Plus, the book provides a wealth of proven effective tools, techniques, and best practices which are available and adaptable to help improve services contracts and related project performance results.

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CHAPTER

1



U.S. GOVERNMENT SERVICES CONTRACTING

By Gregory A. Garrett

INTRODUCTION

The U.S. federal government now spends more money each year purchasing a wide range of professional services than it spends buying airplanes, tanks, ships, and computers. In fact, of the more than \$600 billion spent by U.S. federal government agencies in fiscal year 2010, with the exception of the \$787 billion American Recovery and Reinvestment Act of 2009 follow-on spending, over 61% of the money was spent acquiring professional services from industry to support the needs of our nation.

For many years, six U.S. federal government agencies (see Table 1-1) have typically spent 90% of the discretionary budget dollars acquiring a wide range of professional services, systems, products, and integrated solutions. The remaining 10% of the discretionary federal budget is spent by more than 50 other U.S. federal government departments and agencies for acquiring services, systems, products, and solutions.

**Table 1-1 U.S. Federal Government
Percent of Total Dollars Spent by Executive Department and Agency
(Average FY 2007-2010)
Top Six List**

Rank	Executive Department / Agency	Percent of Dollars
1	Department of Defense (DoD)	73%
2	Department of Energy (DOE)	6%
3	Department of Homeland Security (DHS)	3%
4	Department of Health & Human Services (HHS)	3%
5	Department of Veterans Affairs (VA)	3%
6	National Aeronautics & Space Administration (NASA)	3%
	Total	90%

Source: Federal Procurement Data System-Next Generation

This chapter provides an overview of the sphere of U.S. government services contracting. Specifically, the following key questions will be addressed:

- What professional services are most commonly acquired by the U.S. government?
- What are the size and nature of U.S. government contract actions?

- What are the challenges of managing the U.S. government and industry multi-sector services workforce and the role of insourcing?
- What is the U.S. government's progress in implementing the Services Acquisition Reform Act (SARA) of 2003?
- What is the U.S. Department of Defense plan to improve services acquisition?

WHAT PROFESSIONAL SERVICES ARE MOST COMMONLY ACQUIRED BY THE U.S. GOVERNMENT?

The U.S. federal government departments and agencies typically acquire a highly diverse range of services from industry, including education, training, studies, installation, construction, maintenance, research, testing, relocation, engineering, and other professional and administrative support services. Table 1-2 includes a list of the most frequently acquired services by the U.S. federal government departments and agencies.

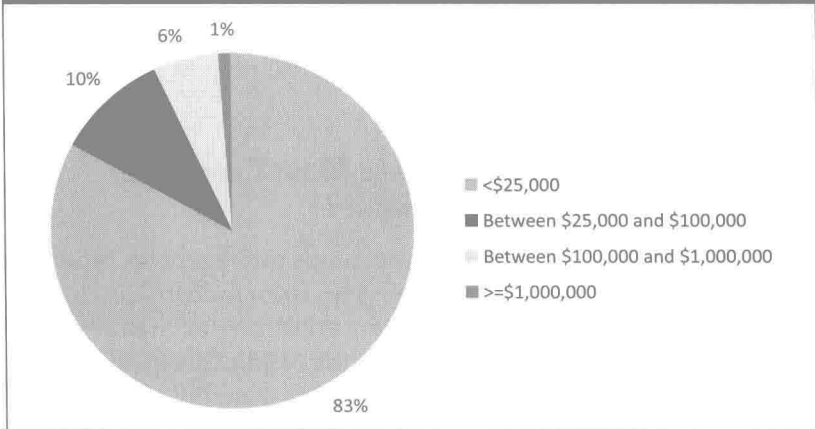
Table 1-2 U.S. Federal Government Departments and Agencies' Most Frequently Acquired Services (FY 2007-2010)

• Telecommunications	• Professional Support Services (Accountants, Lawyers, Engineers, etc.)
• Maintenance & Repair	• Medical Services
• Construction	• Social Services
• Research & Development	• Operation of Government-Owned Facilities
• Architect/Engineering	• Technical Support Services
• Installation of Equipment	• Natural Resources Management
• Education & Training	• Utilities and Housekeeping
• Transportation	• Travel and Relocation
• Lease/Rent Facilities	• Testing and Inspection

Source: Federal Procurement Data System-Next Generation

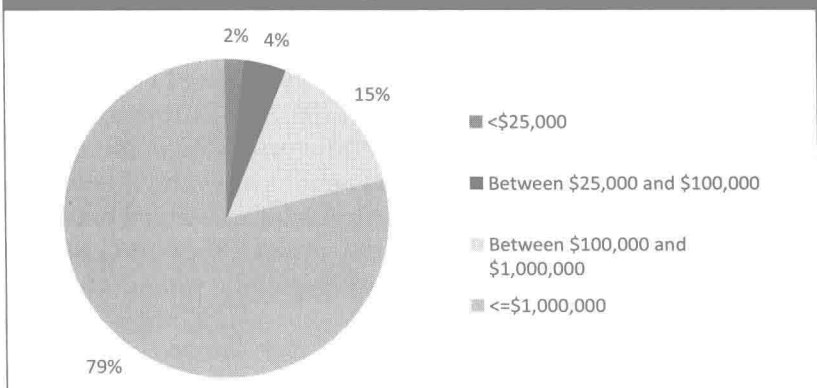
WHAT ARE THE SIZE AND NATURE OF U.S. GOVERNMENT CONTRACT ACTIONS?

Figure 1-1 illustrates how the vast majority (83%) of U.S. federal government contract actions between FY 2007-2010 are valued, on average, at less than \$25,000. While on average about 10% of U.S. federal government contract actions are valued between \$25,000 and \$100,000, about 6% on average are valued between \$100,000 and \$1,000,000. Thus, only about 1% of all U.S. federal government contract actions are typically valued at more than \$1,000,000.

Figure 1-1 U.S. Federal Government, Percent of Contract Actions for action dollar ranges (Average 2007-2010)

Source: Federal Procurement Data System-Next Generation

However, Figure 1-2 illustrates the inverse relationship between the average dollar value of the federal government contract actions between FY 2007-2010 and the overall sum of dollars spent for contract action dollar ranges. Simply stated, while only 1% of the contract actions on average for FY 2007-2010, were more than \$1,000,000, they typically accounted for 79% of the total dollars spent. Conversely, while 83% of the average U.S. federal government contract actions between FY 2007 and FY 2010 were valued at less than \$25,000, they represent on average only about 2% of the total dollars spent.

Figure 1-2 U.S. Federal Government, Total Action Dollars Ranges (Average 2007-2010)

Source: Federal Procurement Data System

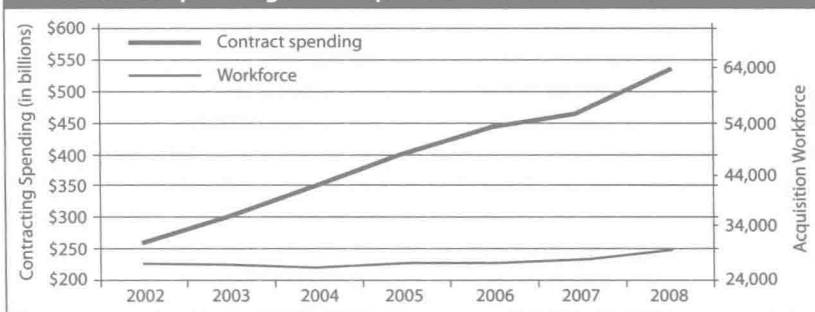
WHAT ARE THE CHALLENGES OF MANAGING THE U.S. GOVERNMENT AND INDUSTRY MULTI-SECTOR WORKFORCE AND THE ROLE OF INSOURCING?

As a result of a dramatic increase in contract spending by the U.S. federal government over the past decade, with little increase in the hiring of U.S. federal acquisition workforce until 2008 (see Figure 1-3), the U.S. government has spent a great deal of money hiring government contractors to fill vacancies and to perform a wide range of acquisition management support services, including:

- Systems acquisition planning,
- Systems engineering and safety,
- Contract management planning,
- Contract administration,
- Project management,
- Cost estimating/analysis,
- Logistics management,
- Contract cost accounting/auditing,
- Contract closeout, and
- Others

At the start of the Obama administration, a new public law required hiring government employees to replace contractors whenever possible; the new policy is called insourcing. The government has focused on what it considers to be inherently governmental functions and/or critical positions.

Figure 1-3 U.S. Federal Government Contract Spending and Acquisition Workforce Since FY2002



*Does not include \$787 billion ARRA Funding

Source: Federal Procurement Data System and the Federal Acquisition Institute

During the period FY 2002 through FY 2010 the growth in spending for professional services has increased each year in both total dollars and percentage— from 51% in FY 2002 to over 63% in FY 2010—according to the Federal Procurement Data System.

Acquisition and Contracting Improvement Plans and Pilots (2009) According to the Office of Management and Budget (OMB)

Federal agencies utilize both government employees and private-sector contractors to deliver important services to citizens. Management practices must recognize the proper role of each sector's professional services labor force and draw on their respective skills so that the government operates optimally.

Twenty-four federal agencies have launched pilot projects to begin this process. The pilots give each agency the opportunity to create the tools and internal collaboration necessary to plan and develop the workforce as a whole. Each agency will focus on at least one internal organization where concerns exist about a potential overreliance on contractors and will take steps to address any identified weaknesses. The pilots provide agencies with an opportunity to develop processes and practices— from mapping the organization in its current state to its future (“to be”) state in order to identify appropriate remedies to improve the organization's performance.

Pilots were selected based on several criteria, including the potential erosion of in-house capability, insufficient contractor oversight, or the potential for improved performance or cost savings through in-house performance. Roughly one third of the pilots involve acquisition offices or functions. Another one third focuses on information technology support. The remaining pilots address a wide range of programs and functions. Agencies were to report to OMB by May 1, 2010, on a pilot project's results. Assessments could lead to a number of actions, such as insourcing or adding resources to contract management. A summary of results will be made public.

The initial review of the pilots shows that agencies are using cross-functional teams with human capital, acquisition, and program officials to determine the best mix of professional service skills and workforce size for the organization. The cross-functional teams

provide agencies with technical support and capture lessons and best practices, driving better government performance.

The pilot initiatives give each agency the opportunity to reshape its workforce and strike a balance between staffing positions with permanent federal employees in order to build and sustain its in-house capabilities and, where appropriate, to utilize the professional services expertise and capacities of contractors available in the marketplace.

The pilot projects can be broken down by the following individual focus areas:

Acquisition Management Services

Seven agencies, Commerce, Defense, Education, Interior, Labor, GSA, and NASA, are studying acquisition management services.. While contractors can be beneficial in some supporting activities, they must not perform inherently governmental functions, such as awarding contracts, nor should contractors be utilized as a substitute for the strong internal capacity required for an agency to provide sufficient management and oversight of its contractors. Studying these roles will complement other efforts to strengthen the capabilities and capacity of the acquisition workforce.

Information Technology (IT) Management Services

Nine agencies, Agriculture, Energy, Homeland Security, Housing and Urban Development, Treasury, Veterans Affairs, NASA, SBA, and USAID, are analyzing IT management services performed by their Office of the Chief Information Officer. Most of these agencies have reported that they rely heavily on contractors and question whether the agency has the ability to maintain control of its mission and operations. Frequent turnover of contractors at some of the agencies has caused further concern that institutional and technical knowledge will be lost. At least two agencies, HUD and Treasury, are coordinating their pilot activities with related IT modernization efforts.

Veteran's Employment and Training Services

The Department of Labor (DOL) uses contractors to provide significant support for its Veteran's assistance programs, including the Homeless Veterans Reintegration Program and the Jobs for