# NASA Procurement

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# Agenda

- Contracts and Financial Assistance Data
- Procurement Mission, Vision, Strategic Goals
- Reducing and Managing High-Risk Contracts
- Reducing Transaction Costs
- NASA/Industry Relationship and Communication
- Grants

# Fiscal Year 2013 Obligations

- About 80% of NASA's budget goes to contracting:
  - Total NASA obligations (in millions):  $19,711.5
  - Procurement obligations (in millions):  $15,571.8
  - Procurement obligations percent of total obligations:  79%

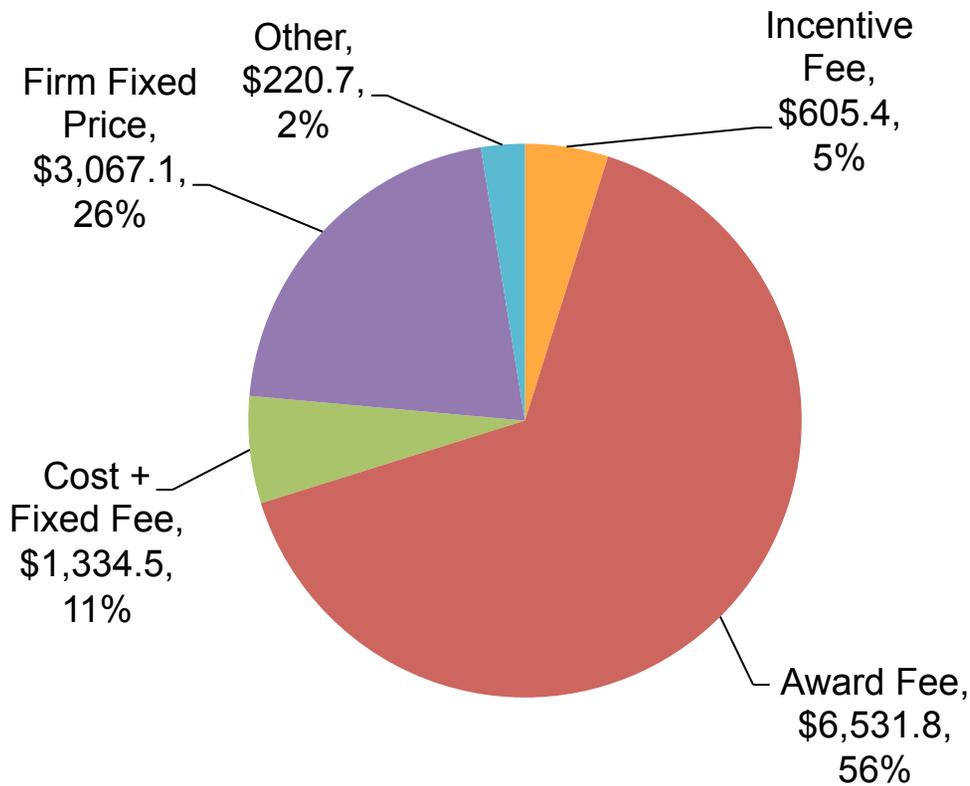FY10 percentage of total obligations:  83.4%
FY11 percentage of total obligations:  80.9%
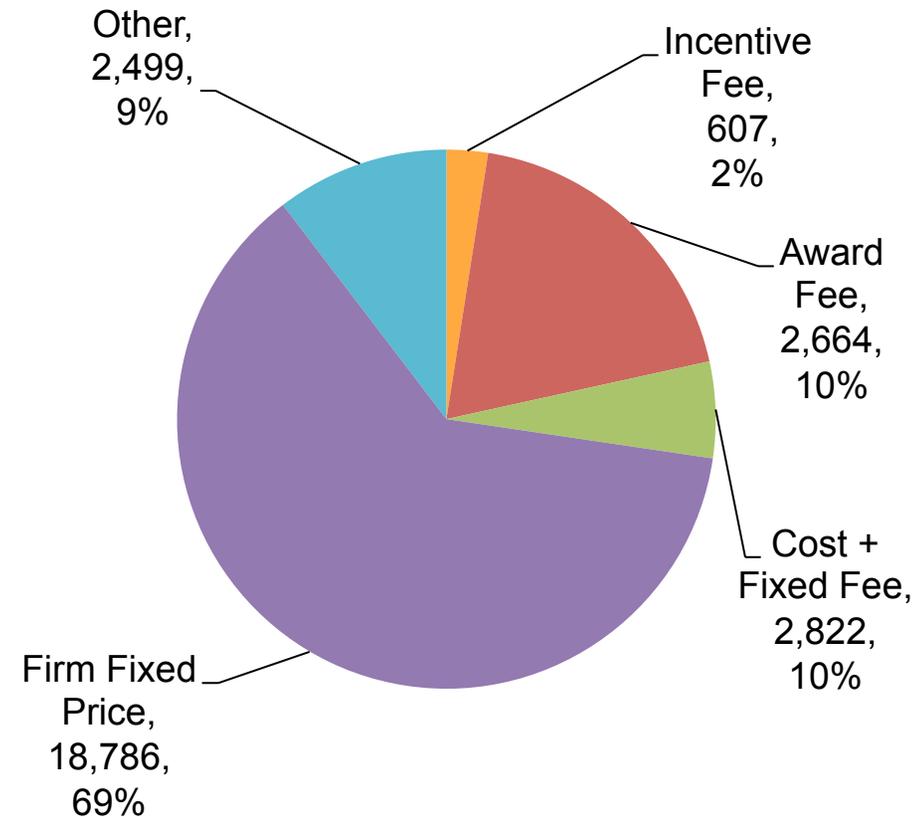FY12 percentage of total obligations:  81.0%

*Total NASA obligations include salaries, benefits and travel of NASA employees, as well as purchase card transactions. Procurement obligations exclude Funded Space Act Agreements which are done outside of the procurement office.

# Fiscal Year 2013 Awards by Contract Type to Business Firms



**Dollars** (Millions)

- Firm Fixed Price, $3,067.1, 26%
- Other, $220.7, 2%
- Incentive Fee, $605.4, 5%
- Cost + Fixed Fee, $1,334.5, 11%
- Award Fee, $6,531.8, 56%

**Actions** (Number)

- Other, 2,499, 9%
- Incentive Fee, 607, 2%
- Award Fee, 2,664, 10%
- Cost + Fixed Fee, 2,822, 10%
- Firm Fixed Price, 18,786, 69%

# Fiscal Year 2013
# Small Business Participation

## Dollars (Millions)

## Actions (Number)

Small Business, $2,761.3, 24%

Large Business $8,670.2 76%

Large Business, 11,114, 41%

Small Business, 16,009, 59%
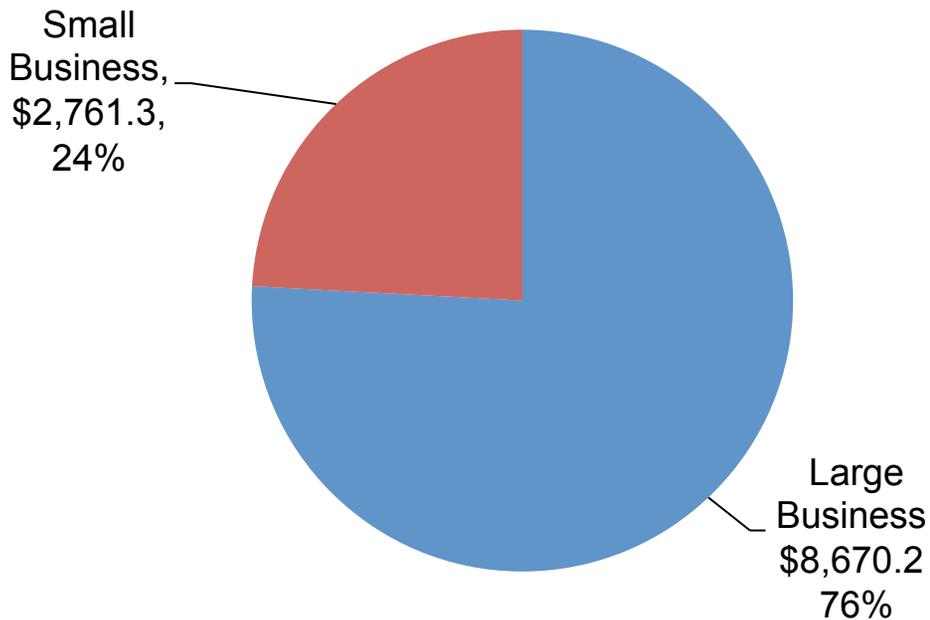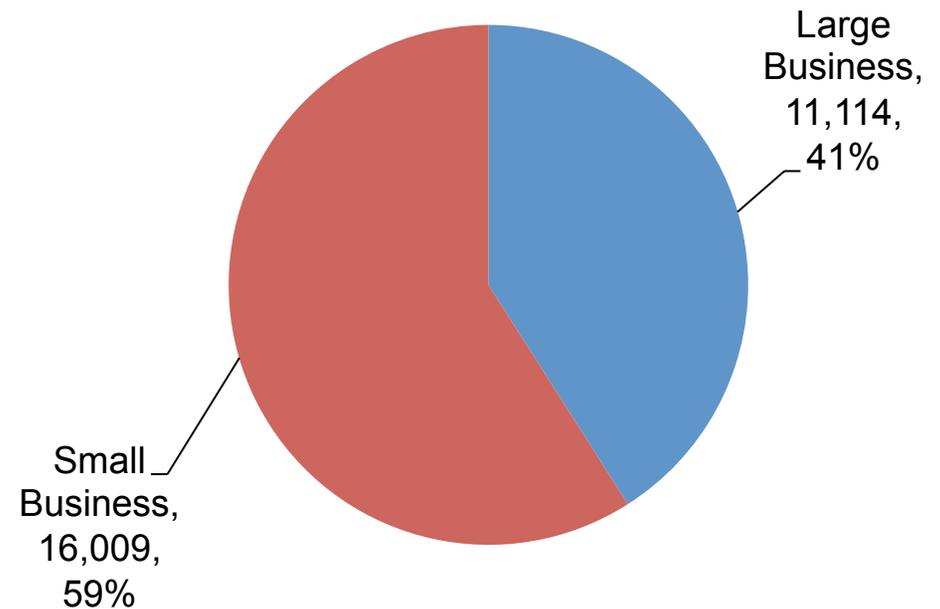
FY10 Small Business totaled $2,286.0 (17.3%)
FY11 Small Business totaled $2,510.7 (20%)
FY12 Small Business totaled $2,630.8 (22.1%)

# Grants and Cooperative Agreement Data

- **FY10:**
  - Grants totaled $571.5, Cooperative Agreements totaled $349.2 Total: $920.7

- **FY11:**
  - Grants totaled $492.4, Cooperative Agreements totaled $322.8 Total: $815.3

- **FY12:**
  - Grants totaled $585.2, Cooperative Agreements totaled $349.9 Total: $935.2

- **FY13:**
  - Grants totaled $561.1, Cooperative Agreements totaled $324.3 Total: $885.4

Data is in millions of dollars

## MISSION

Deliver optimal business solutions meeting NASA's mission

## VISION

Acquisition excellence in an evolving environment

# Procurement Strategic Goals

- Goal 1: Develop and maintain a balanced workforce strategy

- Goal 2: Enhance the development of procurement professionals and leaders

- Goal 3: Ensure procurement policy is required, clear and easily implemented

- Goal 4: Improve procurement by fully integrating teams and processes in order to meet Agency requirements

- Goal 5: Ensure an efficient and sustainable electronic tool set that is useful and used

- Goal 6: Forge strategic alliances, internal and external, that will enable optimal business solutions
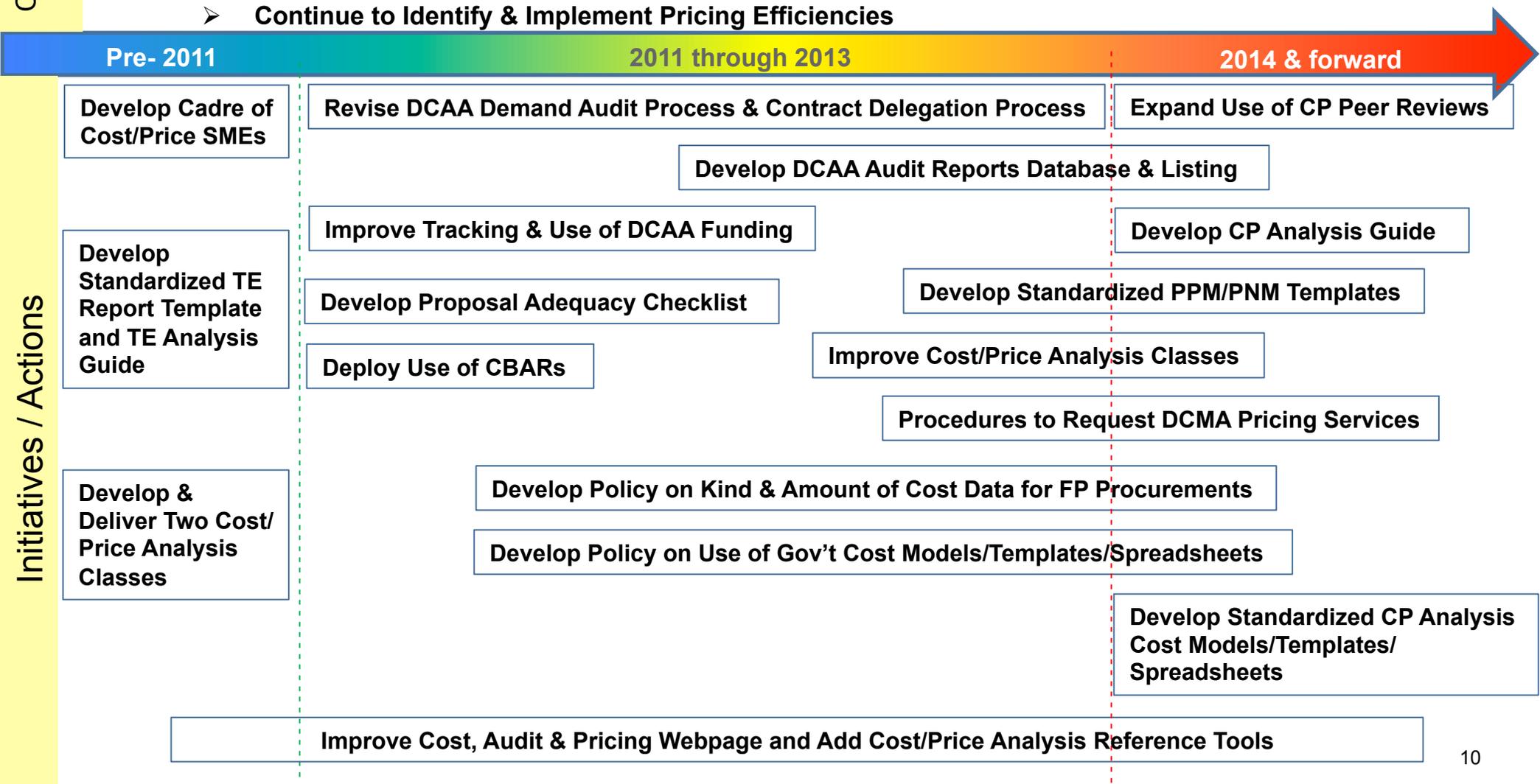
# NASA Procurement Challenges

- NASA's mission is a High-Risk environment
  - Procurement is a big part of supporting this high-risk mission
- NASA is implementing OMB's initiative in "Improving the way the Government Buys"
  - Contract savings plan:  Achieve a better Return on Investment
  - Effective strategic sourcing
  - Reduce and manage HIGH-RISK contracts:  cost type, sole source, one bid, T&M
- Pricing and cost analysis
  - Have adequate price and cost analysis capability
  - Implement peer review on high-risk contracts
- Right number of skilled acquisition personnel
- Efficient contract process

# Cost/Price (CP) Analysis Improvement Project

**CP Improvement Project Areas**

➢ **Institutionalize Cost Evaluation Strategy development during RFP preparation**
➢ **Improve DCAA Audit Support Request Process**
➢ **Improve DCMA Support Services Request Process**
➢ **Develop standardized PPM/PNM template**
➢ **Improve RFP Cost Proposal Instructions**
➢ **Improve & Expand Cost/Price Analysis Training**
➢ **Expand Cost/Price Analysis Reference Tools**
➢ **Continue to Identify & Implement Pricing Efficiencies**

**Pre- 2011**      **2011 through 2013**      **2014 & forward**

**Initiatives / Actions**

| | |
|---|---|
| **Develop Cadre of Cost/Price SMEs** | **Revise DCAA Demand Audit Process & Contract Delegation Process** |

**Expand Use of CP Peer Reviews**

**Develop DCAA Audit Reports Database & Listing**

**Improve Tracking & Use of DCAA Funding**

**Develop CP Analysis Guide**

**Develop Standardized TE Report Template and TE Analysis Guide**

**Develop Proposal Adequacy Checklist**

**Develop Standardized PPM/PNM Templates**

**Deploy Use of CBARs**

**Improve Cost/Price Analysis Classes**

**Procedures to Request DCMA Pricing Services**

**Develop Policy on Kind & Amount of Cost Data for FP Procurements**

**Develop & Deliver Two Cost/Price Analysis Classes**

**Develop Policy on Use of Gov't Cost Models/Templates/Spreadsheets**

**Develop Standardized CP Analysis Cost Models/Templates/Spreadsheets**

**Improve Cost, Audit & Pricing Webpage and Add Cost/Price Analysis Reference Tools**

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# Cost/Price Analysis Peer Review

- Purpose:
  - To provide a thorough and substantive review of major NASA contracting actions relative to the soundness of the cost/price analysis approach and methodology
  - To ensure the rationale for the pre-negotiation and negotiation positions are solid
- Process:
  - Step 1 - Negotiation team provides project overview and top-level cost analysis strategy/methodology to peer review team
  - Step 2 - Peer review team reviews the negotiation teams cost analysis spreadsheet and strategy

# Cost/Price Analysis Peer Review

- ## Process (Cont'd):
  - Step 3 - Peer review team reviews the negotiation teams draft pre-negotiation position memorandum and all associated attachments as well as overall negotiation plan

- ## Statistics:
  - To date, 14 cost/price analysis reviews have been conducted

**Minimize impact to negotiation team during the review process
Get In, Do The Job, Get Out**

# Achieving Contract Savings:  Use of Strategic Sourcing, Others

- **Strategic Sourcing**
  - Collaborative and structured process of critically analyzing an organization's spending and using this information to make business decisions about how to acquire commodities and services more effectively and efficiently
  - Benefits
    - » Increase Agency Purchasing Power
    - » Meet user's needs faster
    - » Reduce user time spent on acquisition-related tasks
    - » Shorten acquisition lead times
    - » Minimize contract duplication
    - » Save resources
    - » Reduce transaction cost

# Achieving Contract Savings: Use of Strategic Sourcing, Others

- Federal Strategic Sourcing Initiative (FSSI)
  - Express and Ground Domestic Delivery Services (DDS2)
  - Office Supplies (OS2)
- NASA Strategic Sourcing Initiative (NSSI)
  - Enterprise License Management Team (ELMT)
  - Solutions for Enterprise-Wide Procurement (SEWP V)
  - Information Technology (I3P)
  - Synergy Achieving Consolidated Operations & Maintenance Contract (SACOM)
  - Agency Closeout and Procurement Support Services Contract
  - NASA Shared Services Center Support Services Contract (NSSC)

# Achieving Contract Savings:  Use of Strategic Sourcing, Others

- Current initiatives and process improvements
  - Cost/Price analysis peer reviews
  - Partnering activities: Navy Price Fighters, DCMA and DCAA
  - Reverse auctioning
  - Agency-wide strategic sourcing plan
  - Procurement lead-time reduction study

# Procurement Management Review
# Process Overview

- Purpose
  - The size of NASA's annual acquisition budget makes it essential for NASA to maintain a continuing program for periodic oversight of contracting activities across the Agency
  - Addresses Agency's requirement to maintain internal control and review of its operations
- Focus
  - Personnel interviews – procurement, technical, legal
  - File reviews for compliance with statutes, regulations and procedures
- Findings
  - Identifies strengths, recommendations, weaknesses and areas of excellence or best practice

# Procurement Management Review Process Overview

- Process and Follow-up
  - Frequency based on the magnitude of obligations, volume of contract actions, quality of procurement systems and the results of a risk assessment of the Center's performance on previous reviews
  - Center provides corrective action plan to address findings
  - Corrective actions are verified during subsequent review
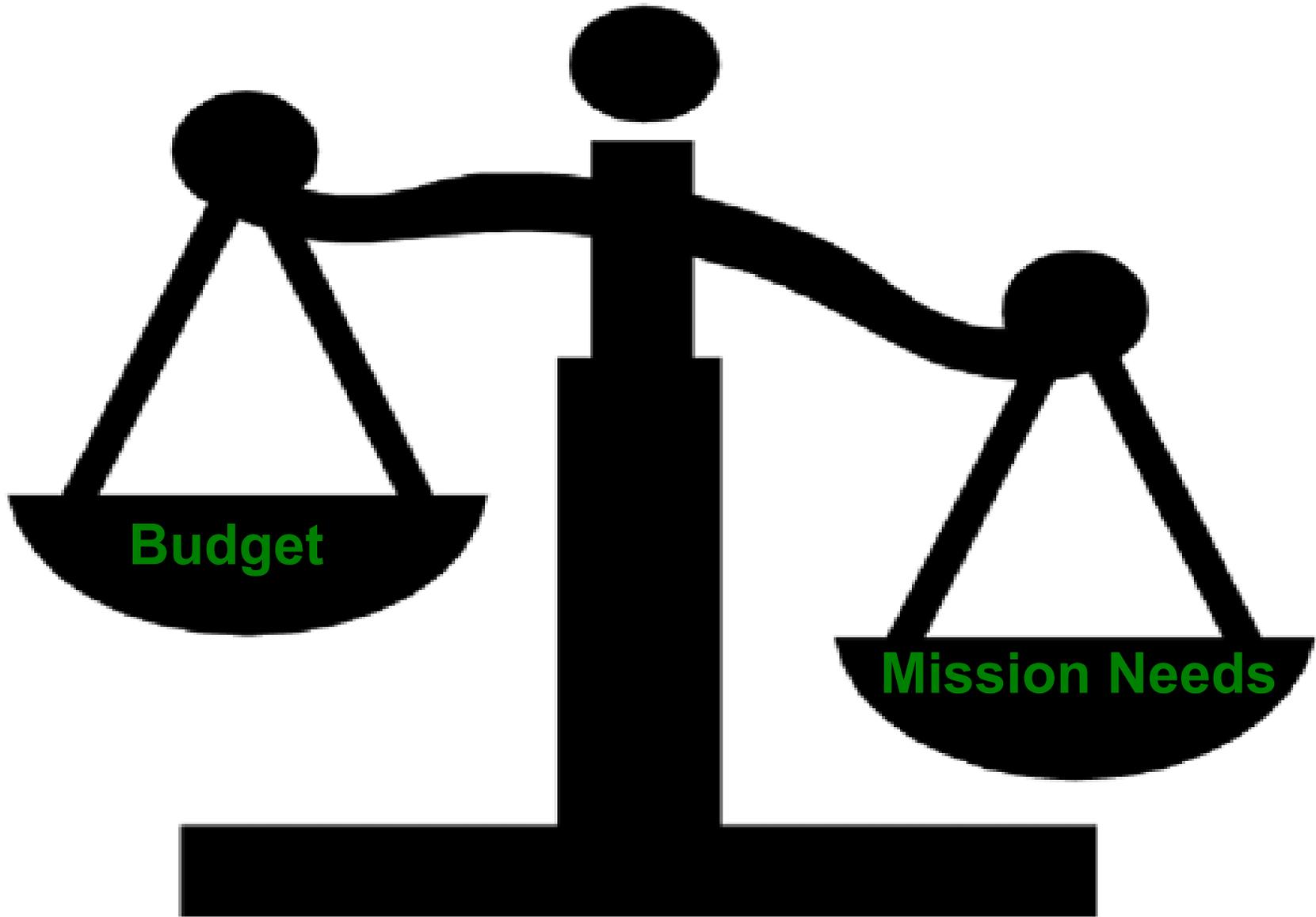
# Reducing Transaction Costs

- NASA's spend in contracting is about 80% of its budget

- NASA's mission is a <u>High-Risk environment</u> with a <u>declining budget</u> and with procurement playing a major role in supporting this high-risk mission and our ability to execute the fiscal year budget

- Need to find ways to increase the Agency's buying power. Decision made to attack and reduce NASA's transaction costs

- AA for Procurement issued a memo to Center Procurement Offices (Nov 12) and the NASA Administrator issued a memo (Feb 13) regarding this challenge and the need to "reduce transaction costs"

# Driving Costs Higher

- Source selection
  - Full source selection where simpler procedures would work
  - Overly complex source selection criteria – too much time spent evaluating information not critical to success
  - These situations drive up bid and proposal costs for companies
- Other inefficiencies
  - Single award task order with many task order solicitations instead of a strong core statement of work
  - Award fee provisions that require extra administration without effectively stimulating contractors to be more efficient
  - Incremental funding/de-obligation actions
  - Long procurement lead times
  - Individual licenses for items where a larger single purchase would be more cost effective

# Reducing Transaction Costs

- NASA procurements must be more <u>efficient</u> and <u>effective</u>, achieving a better Return on Investment
  - Proper selection and management of HIGH-RISK contracts: cost type, sole source, one bid, T&M.
  - Efficient contract process:  Source selection process tailored to requirement, reduced use of ID/IQ will reduce proposal cost for industry/NASA
  - Reduce procurement lead time
  - Reduce incremental funding actions while still using this funding capability for severable services and major non severable requirements
  - Effective strategic sourcing
- Affordability:  Work with industry to get supplies/services at lower costs <u>including reducing transaction costs</u>

# Progress Reducing Transaction Costs

- Contracts moving away from ID/IQ and shifting work as core. Also consolidating task orders (making progress)

- Increase use of price performance tradeoffs in source selections (making progress)

- Reduce the number of incremental funding actions (tough in the current budget environment)

- Shift away from award fee contracts for services

# Challenges to Reducing Transaction Costs

- Difficulty in defining core requirements because of unknown workload and budgets
- Procurement lead times continue to be too long
  - Difficulty of getting Procurement Development Teams
  - Difficulty in getting Source Evaluation Board members
  - Evaluating too much information
- Difficulty in getting technical, procurement and legal team to accept new way of doing business
- Pathway forward:  Continue to communicate the need, progress being made with all levels (technical and procurement)
- Re-engage with NASA senior leadership on challenges

# Management of NASA Awards to Universities and Non-Profit Organizations

- OMB issued "Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards" on December 26, 2013

- Provided one set of comprehensive Federal-wide rules governing Federal awards to universities, non-profits, state and local governments and Indian tribes. Intent is to:

  - Eliminate duplicative and conflicting guidance
  - Focus on performance over compliance for accountability
  - Encourage efficient use of information technology and shared services
  - Provide for consistent and transparent treatment of costs
  - Limit allowable costs to make the best use of Federal resources
  - Set standard business processes using data definitions
  - Strengthen oversight and "cognizant agency" and "oversight agency" roles
  - Target audit requirements on risk of waste, fraud and abuse

# Management of NASA Awards to Universities and Non-Profit Organizations

- OMB mandate for Agencies to adopt, implement and supplement as required by December 26, 2014:

  - Implement Agency regulation, process and procedure necessary to comply and enforce the Federal-wide rule

    » NASA submitted draft "external" regulation to OMB as required, on June 25, 2014

    » NASA has cross-functional team writing internal policy and guidance required to comply by Dec 26, 2014

  - Each Agency to designate a "Single Audit Accountable Official" and a "Single Audit Liaison" to ensure audit oversight and compliance and resolution of audit issues

  - NASA is also reviewing organization roles, budget and functions necessary to properly implement the new rule and to adequately perform award management, administration, audit oversight and "cognizant agency" and "oversight agency" roles where required

# NASA/Industry Relationship

- New suppliers are welcome at NASA
- Want industry to be "satisfied" with NASA procurement
  - Transparency
  - Openness in our communication
  - Consistency
  - Good BUYER/SELLER relationship
  - ROI
  - Proper allocation of risk

# Communicating with Industry

- NASA has developed a vendor communications plan
- Transparent acquisition process while protecting proprietary and source selection sensitive information
- Industry feedback is vital to developing acquisition strategy
  - RFI, industry days, one-on-ones, small business outreach sessions and industry workshops are all types of communication forums to consider
- The type and amount of communication is dictated by the requirement and acquisition environment
- We are particularly interested in industry's feedback of unnecessary and overly prescriptive requirements
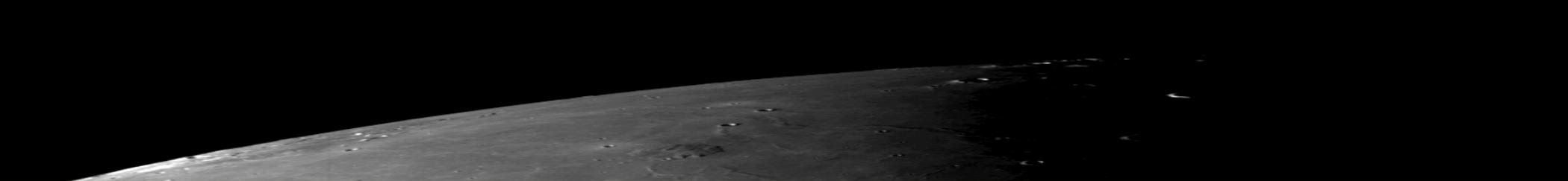
# Backup Slides

# Training and Development of the NASA Acquisition Workforce

- Federal law and statute[1] require a professional and qualified acquisition workforce. The NASA acquisition workforce consists of:

  - 1102s (728)

  - CORs (3,429)

  - PPMs (153)

- Agency training programs must include courses to achieve Federal acquisition certification and opportunities for continuous learning and skills currency for all acquisition workforce members

  - Over 3,800 NASA acquisition workforce members have participated in training events made possible through the acquisition workforce training program in FY13 and thus far in FY14

[1] As implemented by the Office of Management and Budget's Office of Federal Procurement Policy

# Training and Development of the NASA Acquisition Workforce

- Acquisition workforce members across the Agency participate in formal/informal mentoring programs; professional development programs such as the NASA FIRST, Mid-Level Leader and SES Development programs

- Career paths have been developed to guide employees as they pursue formal training, on-the-job experience and other developmental opportunities to enhance their overall career development

# NASA Contracting Workforce - Snapshot

- Total number of full-time permanent personnel virtually unchanged between FY12 (724) and beginning of FY14 (728)

- Average age is 45.6 (44.8 in FY11)

| Grade structure in FY11: | Grade Structure in FY14: |
|---|---|
| 6% are GS-5 through GS-9 | 3% are GS-5 through GS-9 |
| 63% are GS-11 through GS-13 | 61% are GS-11 through GS-13 |
| 30% are GS-14 through GS-15 | 34% are GS-14 through GS-15 |
| 1% are Senior Executives | 1.5% are Senior Executives |

# NASA Contracting Workforce - Snapshot

- **Retirement eligibility**
  - 31.5% of all 1102s (229) will be retirement eligible by the start of 2019
  - Of the retirement eligibles, 79% are in grades 13+ (up from 67.5% in FY11)
  - 27% of the senior executives are currently eligible to retire
    - » All but one SES will be eligible within 5 years
- **Turnover – 6.3% in FY13**
  - Currently higher than the Government-wide 1102 attrition rate
    - » Government-wide rate averaged 5.3% for FY10-FY12
  - 51% retired
  - 19% left NASA to work for another agency; 20% quit or were terminated

# NASA Contracting Workforce - Snapshot

- A key focus is ensuring an appropriate workforce balance

  - Centers must continually receive authority to replace losses at comparable experience levels

  - Advocating for the restoration of funds and FTE for a centralized (HQ-managed) contracting intern program to maintain a pipeline of contract specialist/officers to effectively support NASA mission needs

# Destination Paperless

- Initiative to help NASA become paperless by the end of the decade

- Enterprise level in scope (implements strategic objectives)

- NASA Centers are engaged through an "Enterprise Investment Board" chaired by the Office of Procurement

- Center-unique systems and initiatives have been reviewed for possible promotion to Enterprise level

- An e-signature pilot is underway at KSC and the NSSC

- Archive and destruction capabilities, as well as the need for a single (Enterprise) data container are being worked

- Coordinating our efforts with the NEACC to assure emerging Enterprise solutions are sound and sustainable