

The challenging search for good procurement practices

By Bob Lohfeld

A year ago, headlines were all about IT procurement reform, with Congress threatening to impose new rules on government that promised to increase effectiveness and improve results.

This quickly gave way to more sage advice arguing that what we needed was not procurement reform, but instead, continual and incremental improvements in procurement processes and adoption of best procurement practices.

Today, I see little evidence that the government procurement market is converging on the best IT procurement practices. Instead, agencies appear to be adopting diverse strategies focusing on finding expedient, protest-resistant procurement solutions rather than focusing on enhancing mission outcomes. Many of these practices are gaining market share, but may fall short of achieving long-term mission objectives and have unintended outcomes that ultimately may prove disadvantageous to both government and industry.

Let me give you some examples.

GSA GWACS

Both OASIS and the upcoming Alliant II large and small business procurements have taken a non-traditional approach to selecting winning contractors. Rather than focusing on the more traditional approach of using the bidder's technical and management proposal as the basis for selection, these procurements focus only on the "attributes of competing contractors" and use these characteristics to select GWAC winners.

In these procurements, GSA developed an attributes profile for a hypothetical company that GSA believes can meet the future mission needs for a set of government agencies. The attributes profile specifies characteristics such as desired experience performing contracts of certain types in various product services codes (PSCs); experience with leading-edge technologies; demonstrated certification of technical, quality, and business systems; etc.

Bidders compete based on how well their company's attributes match those of GSA's hypothetical company. The closer the match, the higher the bidder will score in the evaluation.

These procurements are more like an application process than traditional best-value procurements. If your company is lucky enough to have the right attributes, then you have a good chance of winning. If you don't, your chances of winning are slim.

Winning these kinds of vehicles is critically important to firms because winners will have a distinct advantage over all other companies in the IT market—they will be eligible to compete for task orders under these vehicles. GSA is projecting \$60 billion to flow through the OASIS vehicle, and Alliant Large and Small are projecting \$50 billion and \$15 billion, respectively. No matter how you count it, a significant slice of the IT market will run through these vehicles.

If you compete on innovation and creativity, then these vehicles are not going to be to your liking. If you are one of the new boutique players in the IT market with limited government market experience, you have minimal chances of winning. And if you are a mid-tier contractor, you will most likely score at the bottom of the large business pool, leaving you as one of the many runners-up in the large business competition.

Squeezing mid-tier contractors and shunning innovation and creativity make these kinds of vehicles unpopular with many IT companies. Contractors who fail to secure a seat on major vehicles like these will be denied the opportunity to compete for billions of dollars in government IT contracts and, in effect, will be shut out of a substantial part of the government IT market.

Too many or too few winners

One remedy to the problem of excluding contractors from participating in GWACS has been to increase the number of contract awardees. While Alliant II is proposing 40 awardees for the large business procurement and 80 for the small business procurement, others like GSA VETS 1 decided that 43 awardees was appropriate, and GSA 8(a) STARS I selected 346 awardees. VETS 2 (RFP release expected next quarter) and STARS II (now under evaluation) will likely have more awardees than the previous versions.

For programs such as these that provide access to the government market for select disadvantaged groups, it's reasonable to have a low award threshold and award to more, rather than fewer, capable bidders.

Not to be outdone by GSA, the Navy launched SeaPort-e in 2008 with rolling admissions and now has over 3,000 awardees. Each of these awardees enjoys a privileged position where they can enter into a contract with the Navy for IT work

issued as tasks under this vehicle. Many awardees will never see revenue, but others will use it skillfully to pick off task after task from the more than \$38 billion that flows through the vehicle.

For these firms, this vehicle has become a key component of their business growth strategy.

With 3,000 winners it begs the question, was there really a competition? Did enrollment under this vehicle become a convenient method to sidestep many of the rules that apply to full-and-open competition?

It seems arguable that there must be a practical limit to the number of awardees under such contracts. Time will tell if more or less is better.

Too long or too short a performance period

The first GWACS had short periods of performance. For example, CIO-SP1 was a 5-year contract awarded to 20 companies. Today, the period of performance for GWACS has continued to increase. With the award of CIO-SP3 in 2012, the contract period of performance doubled to 10 years, and awards nearly tripled with 54 companies claiming a space on this \$20 billion unrestricted vehicle.

Next year's NOAA Pro-Tech may be the only multiple award contract (MAC) with a 5-year period of performance. The Army's ITES-3S is planning a 9-year period of performance, and GSA's OASIS has a 10-year period of performance. The Alliant vehicles being competed shortly, DISA's Encore II, and DOD's HR Solutions II are all planning 10-year periods of performance.

The longest period of performance goes to DOD's Joint Enterprise Research, Development, Acquisition and Procurement (JE-RDAP) Omnibus Contract. JE-RDAP plans a 10-year period of performance with the ability to award a task order on the last day of the contract that can have a 5-year period of performance—giving this vehicle a 15-year reach.

The good news is that if you are a winner on most of these vehicles, it will be 2027 before you have to recompet. If you're a loser, however, you'll be kept largely out of these markets for a decade or possibly more.

I have to wonder if this is good for the mission side of these agencies given the technology in IT contracts and the challenges seem to change every 2 or 3 years. To lock in a set of vendors for 10 years is certainly convenient for the procurement side, but over time may prove to be shortsighted from the mission accomplishment point of view.

On-ramps and off-ramps

To fix the problem of having too long a period of performance, some agencies advocate use of on-ramps and off-ramps for their vehicles. Mergers and acquisitions tend to reduce the number of awardees over time, and small businesses tend to outgrow the size standard for small business vehicles, often leaving them ineligible to compete for tasks.

Rather than shorten the overall period of performance for these vehicles, agencies are discussing the idea of opening up their vehicles and allowing new companies to compete for slots vacated by the original awardees.

Because agencies want to maintain the same competitive standard originally used when the vehicle was competed, they will most likely dust off their old RFP and reissue it. Making changes to requirements or updating requirements would constitute a new procurement, so the plan is to use the same RFP and hold to the same evaluation criteria.

This concept is fraught with problems because no one will want to use today's RFP 5 years from now when the on-ramp competitions are held. My guess is that on-ramps will be talked about a lot, but will not be dealt with seriously for another 5 years. At that point, most procurement organizations will decide that doing an on-ramp takes the same amount of effort as the original procurement, and it will be just too big a task to take on.

Task order size

When task order contracts were first envisioned, the expectation was that task orders would be quick-turnaround, small procurements that needed an expeditious way to get to market. Because of market urgency, task order proposals were often developed in 7 to 14 days, and award values were typically under \$10 million.

Dollar value of task order awards has continued to creep up, and today the largest task orders are just short of \$1 billion. For example, GSA just awarded an OASIS task order for \$937 million to Booz Allen Hamilton.

Perhaps there is no limit to the size of these task order awards, but you have to wonder at what dollar value awards should be reserved for full-and-open competition rather than competed under multiple award vehicles that limit competition to a select set of companies.

Best value tradeoff versus LPTA evaluation criteria

Evaluation criteria varies from vehicle to vehicle with most looking to award to companies that meet a certain technical standard and offer a fair and reasonable price, however, not all vehicles adhere to this philosophy.

DISA's Encore II procurement stands out from the pack and proposes to award the vehicle on a lowest priced technically acceptable (LPTA) basis. The plan is to set a modest technical hurdle that bidders must cross (e.g., the proposed program manager has to be PMP certified, the company has to be CMMI Level 3, and several other similar criteria). Price proposals for all companies that meet the hurdle will be reviewed, and the 20 companies offering the lowest prices will be candidates for award.

For these companies—and only these companies—their technical proposals will be reviewed and scored on a pass/fail basis. Assuming their proposals are acceptable, these 20 low bidders will become the new contractors for DISA.

While most MACs look for fair and reasonable pricing, DISA is marching in the other direction looking for the least-expensive, modestly qualified contractors and planning to enroll them to maintain DISA's infrastructure.

Are they out of step with everyone else or marching in a new direction that others will follow? We'll have to wait and see.

Final thoughts

There are many divergent views about what constitutes best IT procurement practices. What seems missing is some consensus about what works well and what doesn't.

In the interest of incremental improvement, I hope the next 5 years will provide solid evidence upon which to build consensus around what constitutes best practices in government IT procurement, and in the next decade we can all move forward with confidence that what we are doing is good for the mission side of agencies, the procurement side, and the thousands of government contractors who support these organizations.

Agree or disagree with my views, your comments are always welcomed.

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