

# The Balancing Act:

## Acquisition in an Unabated Crisis



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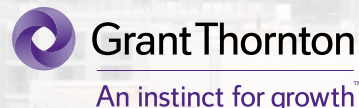
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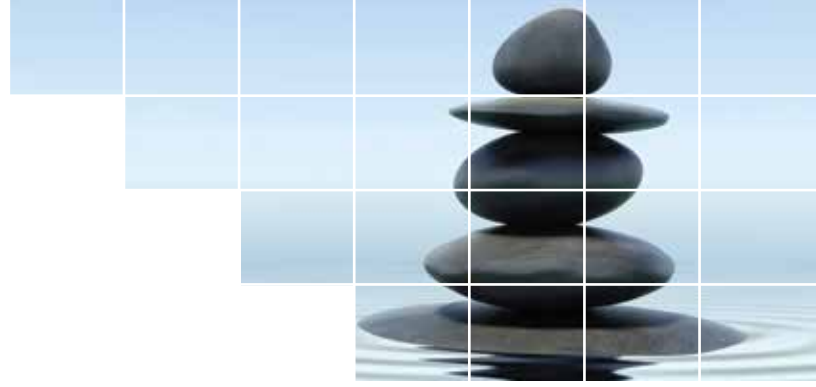


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# Executive Summary

*Since 2002, the Professional Services Council (PSC) and Grant Thornton LLP have conducted a biennial survey of federal government acquisition leaders in an effort to gain insight into the world in which they work—the challenges, the opportunities, the concerns and the bright spots. The survey’s purpose is to provide government policymakers and industry executives with perspectives on the state of federal acquisition policy.*

This is principally a qualitative survey and should not be interpreted as having statistical precision. Nonetheless, in each edition of the survey, including this one, clear trends have emerged that merit close attention.

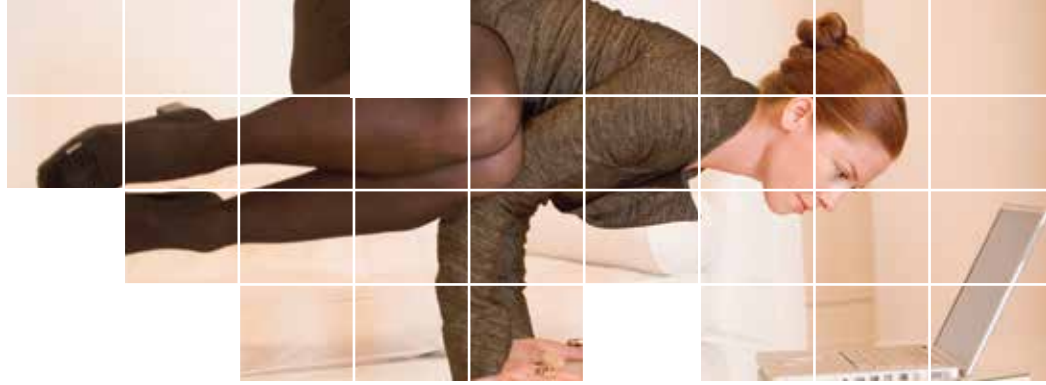
After a decade of conducting the survey, in addition to the usual immediate results, we believe we can also draw important longitudinal conclusions about themes that have remained constant across the decade and the hundreds of interviews conducted.

In every edition of the Acquisition Policy Survey, the respondents have identified **workforce resources, capabilities and training and development as top concerns**. While some progress has been made, nothing in any edition of the survey suggests that it has been significant enough to substantially ameliorate these concerns. Given the centrality of the acquisition workforce to the execution of the government’s missions, solving these challenges should be a high priority for appointed and elected officials.

However, indications are that the situation could deteriorate. As this report will highlight, a number of respondents acknowledged that while some progress has been made in building up the number of federal acquisition personnel, they are also **deeply concerned** that those recent **gains will be negatively affected, or even partially reversed, as a result of budget austerity**.

Further, significant **training and development gaps have also been cited as top concerns by survey respondents** in each edition of the survey. For example, this year’s survey found that seven times more respondents cite negotiating skills as being a major workforce weakness than cite it as an area of proficiency. Yet negotiation is the foundation of establishing sound business relationships. Strong negotiating skills require an understanding on both sides of how risks are identified and managed. The fact that this was so clearly identified in this year’s survey as an endemic weakness is thus highly significant. Similarly, by an overwhelming margin, this year’s respondents indicated that **front-end planning in acquisition**, including requirements definition, selecting appropriate contract type and more, **remains a significant area of weakness**. Yet by any objective measure, such planning is absolutely essential to successful outcomes and has been cited by the Government Accountability Office (GAO), the Special Inspector General for Iraq Reconstruction and others as a foundational source for many contract issues and failures.

Here too, respondents are concerned that these gaps will be perpetuated and exacerbated by limited training and education resources. Many respondents remember the last round of significant budget reductions and the dramatic reductions in acquisition workforce numbers and capability that resulted. Those **staffing reductions are the root cause of many of the challenges that the community is still attempting to**



**rectify today.** They—and we—are worried that the lessons of those budget cuts remain unlearned and unheeded.

In addition to the size and capacity of the federal acquisition workforce, it is also clear that acquisition leaders and practitioners remain discomfited by a **fundamental disconnect between the acquisition and oversight communities.** This theme dominated the 2010 edition of the survey, titled “The Great Divide,” and has been prominent in every edition of the survey. It is about more than differing perceptions of how best to ensure and protect the government’s and taxpayers’ best interests; it reflects an ongoing and destructive conflict that is severely inhibiting innovation and reasonable risk taking. As this year’s survey respondents once again reported, the ever growing **compliance regime,** much of which **they do not see as adding value to the process,** is robbing the acquisition community of crucial time and resources that would otherwise be used to more effectively execute their day-to-day contract management responsibilities.

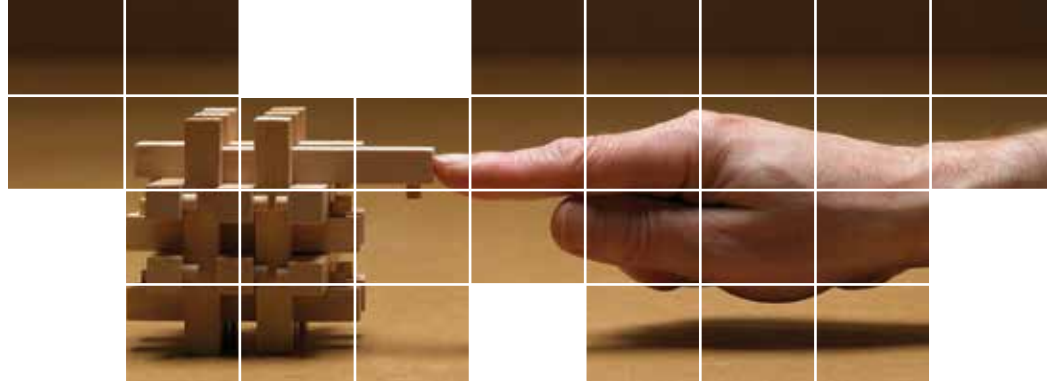
When taken in context with each previous edition of the survey, it is clear that despite progress in some areas, the **federal acquisition community remains in an unabated crisis.** Acquisition workforce numbers are up, but not enough, and fear exists that those increases could be lost by across-the-board budget and workforce reductions. Despite some limited improvements, training and education remains a top challenge and priority, as well as an area many are concerned will be hurt by budget realities at precisely the time those impacts can be least afforded. With so many new, inexperienced professionals in the federal acquisition workforce, and the federal retirement rate increasing at a significant pace, acquisition leaders fear that

the **requisite education and training resources will simply not be available or not be sufficient.** Add to that what many characterized as overly burdensome compliance and oversight requirements and it is not difficult to understand the severity of the challenges ahead.

In light of this problematic combination of forces and concerns, and the consistency of those concerns over an entire decade, **we believe it is the right time for a serious reassessment of how the federal acquisition workforce is educated and trained.** While many talented and passionate individuals have worked endlessly to improve and expand training and education opportunities for the acquisition community, 10 years of unabated concern leads us to conclude that those efforts simply have not delivered the needed results, and that the time is right for a major redirection in this area. Now is the time to assess new, more innovative, cross-functional and contemporary ways to rapidly and more effectively help develop this vital workforce.

We believe that strong support would exist across government acquisition leadership for such an effort. **Constrained budgets can be a great impetus for innovation and reinvention.** One place to start is how the federal acquisition workforce—now responsible for over half of the discretionary budget—is trained and developed. In addition, serious consideration must be given to better integrating the training given to both acquisition professionals and those from the audit and oversight community. As shown by the responses to this year’s survey, the gulf between the two communities remains enormous. It does not need to be that way.

Finally, there is no substitute for leadership support for the acquisition workforce and the vital



functions they perform. That support will be even more critical in the years ahead, as agencies face ongoing fiscal and manpower pressures.

One of the lessons of the budget cuts of the 1990s is that not enough attention was paid to the critical acquisition capabilities that would become increasingly central to the effective execution of the government's missions. As a result, instead of a strategic reduction in the acquisition workforce, acquisition capabilities were reduced at nearly the same rate as other functional areas of the federal workforce. Much of the pressure to cut across the board came not from the administration, but from Congress, where there were annual battles over proposals to slash the acquisition workforce by half or more. As we move along the rocky fiscal paths that lie ahead, it is clear that the acquisition leadership in government fears much the same result, and is looking to the senior political leadership to not repeat the lessons of the 1990s.

There can be little doubt that the precarious balancing act the acquisition community has perpetuated represents a crisis that was, in times of relatively flush budgets, easier to conceal. It is often said that crisis breeds opportunity and innovation. As the results of this year's survey show, **new approaches to solving persistent challenges in the acquisition community are needed now more than ever.**

## Methodology

In the summer of 2012, representatives from PSC member firms conducted in-person interviews with more than 40 federal officials, representing a broad cross-section of the federal government, including senior acquisition executives, front-line contracting professionals, congressional staff, members of the oversight community and others.

In order to engender candid responses, we guaranteed the anonymity of the answers provided by our survey participants and do not attribute quotations or responses to specific individuals. Interviewees, interviewers and survey contributors are listed at the end of the report. The analysis or interpretation of their responses reflects the views solely of the survey's sponsors, PSC and Grant Thornton.

Until the 2010 survey, we referred to the report as the "Procurement Policy Survey." Since 2010, we refer to this report as the "Acquisition Policy Survey" to better reflect the broader federal acquisition community involved in the investment strategy, requirements definition, procurement, use and disposition of services in the federal government.

# Overview

The crisis faced by the acquisition community is not new, but it has clearly been exacerbated by a range of current trends and events. In broad terms, today's federal acquisition community is performing an increasingly perilous balancing act of significant proportions. At the highest level, their efforts to seek the right balance through the acquisition process are buffeted by a set of often conflicting pressures:

1. Declining Resources vs. Expanding Mission Needs
2. Oversight vs. Agility
3. Risk vs. Reward
4. Lowest Price Technically Acceptable (LPTA) vs. Best Value

These conflicting pressures are seen throughout the key challenges identified in this year's report:

- Budget: In this environment of unsustainable deficits, acquisition officials are being increasingly challenged to make strategic choices, often without adequate training or support.
- Workforce Demographics: There is broad consensus that workforce issues are worsening, despite some successes with direct hire authority.
- Workforce Training: Additional training is needed in negotiation, contract structures and techniques. Some new and innovative acquisition training programs exist, but insufficient time is available to access these offerings.
- Multi-sector Workforce: Outsourcing and insourcing efforts appear to have been deemphasized.
- Industry Collaboration: Collaboration with industry is generally perceived as working, and has been further improved with the release of the "Myth Busting" campaign.
- Oversight: Oversight has created additional, unsustainable workloads for acquisition

personnel. The increasing workload has begun to affect their ability to meet regular work requirements.

- Innovation: Strategic sourcing was frequently cited as a renewed acquisition innovation, though concern exists that expanding this effort will encounter barriers.
- Acquisition Strategies: Best Value has been supplanted by LPTA evaluation models, creating the potential for long-term risk.







## Trends over the past decade

For 10 years, the Professional Services Council and Grant Thornton LLP have teamed to produce a biennial survey of federal acquisition and procurement professionals. This survey is designed to gain a better understanding of the challenges facing this community. Understanding acquisition challenges provides insight to both government policy makers and industry executives providing goods and services to the federal government.

Since 2002, survey participants have consistently raised a recurring set of issues related to the workforce (such as pending retirements, training, hiring reform and multi-sector workforce dynamics); transparency and accountability (oversight and audits); and the efficient and effective use of contracting innovations and approaches (competition and strategic sourcing; performance-based acquisitions and LPTA versus best value evaluations).

Not surprisingly, while many of the themes have remained consistent over the last decade, specific areas of emphasis change year to year. The broad

common themes highlighted over the last decade include:

**Workforce:** In each survey, respondents have named “people” their top priority issue. Acquisition workforce-related concerns run the gamut from the impending retirement exodus of federal acquisition experts to the difficulties recruiting and retaining a capable workforce and the need for more frequent and improved acquisition training. These human capital challenges have consistently dominated acquisition leaders’ attention over the last decade. Yet maintaining a workforce at the right size, with the right experience to meet complex mission needs, continues to fall short.

**Oversight:** Oversight has also been a consistent survey theme since 2002. The increasing demands of inspectors general offices, audit agencies and congressional inquiries for evaluating government contracting are unrelenting. Respondents report that burdensome requests, reporting and “check-the-box” compliance requirements are, ironically, robbing procurement staff of the time and resources needed to manage government contracts effectively. The oversight burden does

Themes of Surveys of the Past Decade				
2002	2004	2006	2008	2010
Downsizing Recruitment <b>Retirement</b> Retention Performance Based Contracting Change Management <b>Competitive</b> <b>Sourcing</b> IPTs	GWACs Best Value SARA <b>Competitive</b> <b>Sourcing</b> REFORM ETHICS Small Business Off Shoring E-GOV PBSC	Training Lines of Business Recruitment Oversight Innovation Communications GAO <b>Transparency</b> PBA PMA <b>Strategic</b> <b>Sourcing</b> Security	Time and Materials Sole <b>Sourcing Hiring</b> <b>Reform</b> Personal Service Contracts PBA <b>Oversight Inherently</b> <b>Governmental</b> IDIQs Training	<b>ARRA Cost Type</b> <b>Contracts</b> MORALE Bid Protests <b>Multi</b> <b>Sector Workforce</b> <b>PCI</b> DIRECT HIRE WORKFORCE



not appear to be easing anytime soon. A steady stream of requests from congressional committees and other external organizations, coupled with expanded reporting requirements and higher level reviews imposed internally, continue to burden this community.

**Contracting Innovations:** Challenging—and enabling—acquisition teams to properly employ the complete set of processes, tools and techniques available has remained a consistent theme of survey respondents. Issues have included improving requirements definition; the use of performance-based service acquisitions; best value versus price only source selection; and appropriate use and proliferation of Governmentwide Acquisition Contracts (GWACs). Clearly a “one size fits all” approach will not meet the demands of increasingly complex missions across the wide expanse of the federal government. Acquisition executives must recognize and reward innovation, while applying the right tools and approaches to meet their customers’ needs. This year’s survey, as in the past, suggests strongly that the needed incentives and support to meet this goal continue to lag.

## Top 3 challenges for 2012

Our 2012 findings reinforce the notion that the more things change, the more they stay the same. That should be a cause for real concern. After all, respondents this year, as in years past, identified a set of critical challenges and concerns that have not been substantially improved.

We asked this year’s survey participants to identify their top three concerns for the future of federal acquisition. The participants echoed many of the same issues raised in the past five surveys. This year, budget stability was added as a top concern.







*The table below, reflecting survey responses, illustrates the acquisition community's top concerns in these areas, the associated impact of the concern, and how these concerns are being or should be addressed.*

Budget Stability		
TOP CONCERN	IMPACT	RESPONSE
<p>"Continuing resolutions (CRs) force agencies to procure only the barest essentials, regardless of the impact on an agency's investment strategy."</p> <p>Budget uncertainty "will impact our ability to backfill the large number of personnel who may be retiring and may also result in "limitations on training and human capital development."</p>	<p>Whether it be CRs, forced budget cuts or sequestration, fewer dollars for federal agencies mean tough choices on mission delivery. "Swings driven by budget instead of strategy will have unintended consequences," and "loss of efficiency."</p> <p>"We need to continue (our) programs in a time of reduced budgets. That is why we need a strong workforce. We need to leverage the dollars as best as possible."</p> <p>"Tighter budgets drive evaluation criteria toward purely price-based decisions, potentially limiting innovation and value to the federal buyer."</p>	<p>"There will be a CR, so we instruct our people to be prepared for a CR for at least four months."</p> <p>"Congress needs to do its best to promote the lessons learned in the 1990s, i.e. don't balance the budget simply by cutting management and acquisition personnel."</p>
Acquisition Workforce		
TOP CONCERN	IMPACT	RESPONSE
<p>"People, people, people...having the right number of competent, trained acquisition personnel is the number one issue."</p>	<p>Without a focused response to the pending retirement of senior acquisition professionals, loss of institutional knowledge may result, increasing contracting risks, extending procurement timeframes, and ultimately eroding mission effectiveness.</p>	<p>Succession planning and creating mentoring relationships is key. Training alone is not the answer.</p> <p>One agency held focus groups to identify retention best practices and found that perks like telework and flex hours are important to staff.</p>
Oversight, Transparency and Collaboration		
TOP CONCERN	IMPACT	RESPONSE
<p>"We have this zero-risk mentality from the oversight community and it has a chilling effect."</p>	<p>"The zero-risk/zero tolerance mentality from the oversight community is coming at the worst possible time and will make government and acquisition unaffordable."</p> <p>"We are so risk averse that in some cases people want to return their warrants. We are seeing the criminalizing of mistakes."</p>	<p>"We need more speed in the acquisition process while retaining appropriate safeguards."</p> <p>"(We need) to institutionalize processes, not just follow a checklist. There needs to be more encouragement of innovation."</p>



# Budget Stability

## Declining budgets have a major impact on the acquisition function

Today's federal executives face an unparalleled level of budget uncertainty. Whether sequestration occurs in 2013 or Congress and the president strike a deal, the nation's fiscal picture for the years ahead is bleak. Acquisition officials will continue to be challenged to support the federal buyer and mission executives in making strategic choices in a resource-constrained environment.

## Anticipated impact

Our survey asked what strategic steps respondents' agencies have taken to help the acquisition function operate effectively in a tighter budget environment. Survey respondents are generally concerned about the implications of both ongoing budget reductions and pending sequestration cuts, regardless of whether the sweeping cuts come to fruition.

Regarding pending sequestration impacts, one survey respondent expressed that there is a "clear need to prioritize initiatives and perform work that aligns with mission needs first...in the event of a sequestration, we would need to identify critical contracts and would have to focus on where the cuts would be. We would stop funding any new contracts and move forward with whatever contracts have existing funding."

Some saw strategic sourcing and other leveraged buying efforts as a potential solution to the problem. According to one civilian agency executive, "because of the budget scenario, we need to pursue strategic sourcing. We're moving from commodities to professional services, and we have to leverage our buying power because it does cost money to duplicate contracts." Another agency respondent stated that his agency has

been "trying to get creative and take advantage of other agencies' contracts." A DoD respondent stated that "we're beginning to see the reduction effects of streamlining and cutting back. We continue to look for 'more bang for our buck,' so we're looking at more consolidated buying."

Respondents also shared their opinions on what sequestration could mean to them. One reported that there is "concern that sequestration will cause us to lose the acquisition workforce we've worked to build. Agencies say that the workforce will be preserved, but I do not believe that is true." Another respondent characterized the budget situation by saying "We face significant challenges in the near future as budgets are likely to be curtailed, resulting in hiring freezes, increasing numbers of retirements, etc." Many expressed concern over the impact that budget limitations will have on their staff. Said one: "Requirements from OMB [Office of Management and Budget] have increased, and the additional priorities and initiatives make responding to this workload difficult without additional staff."

For many in the acquisition field, frustration over the current fiscal impasse has grown greatly. As one put it, "We talk about making a cultural change, but there won't be any change until there is consistency behind it. The Hill drives us to do things we wouldn't choose to do." Another respondent said, "[We currently face a] difficult fiscal environment...due to two competing forces. One, the desire to reduce overall spending and, two, the tendency to take the short-term view and make easy cuts...we should take the long view. It is easier to cut what yields the biggest apparent return, but it shouldn't be that way."

## Trends

Although fiscal constraints are among the most commonly mentioned concerns this year,



historically this issue has not received this level of attention. While mentioned in past surveys, such as in 2004 and 2008, survey respondents this year uniformly emphasized the impact of budget uncertainty on execution. This year's survey participants indicated that budget issues are having a far greater impact on their acquisition plans and implementation, whether through the dramatic consequences associated with sequestration or the realities of reduced mission goals resulting from diminished resources.

### Conclusions

As fiscal pressures rise, it is clear that many in the federal acquisition community believe "smart acquisition" can play a meaningful role in any solution. Strategic sourcing is starting to be leveraged across the federal government as a means to promote increased buying power and as a source of significant savings. Additionally, agencies are consolidating buying requirements through agency-wide buying agreements and the wide range of available GWACs, in addition to the consolidation of buying organizations themselves, such as in the Department of Veterans Affairs (VA) Office of Acquisition Operations. Lastly, the effects of previous budget cuts have resulted in a "new normal." Survey respondents anticipate working with fewer resources and contend that, while difficult, they will be able to cope.

### Strategic investments

Our survey asked respondents what additional actions senior leaders should take regarding strategic investment in acquisition functions to better prepare for an environment of diminished resources. Survey respondents recommend investments in training, maintaining the workforce and other acquisition initiatives.

Many respondents believe that training is the most important area in which to make strategic investments. But there is concern that the fiscal

environment will inhibit the government's ability to prepare and develop its relatively new acquisition workforce. Said one respondent, "We need more funding for training, and more focus within training programs on integrating each staff's function within the 'big picture' on agency procurement." Another acquisition professional said "We've made incredible strides in increasing the acquisition workforce to reasonable levels, but I worry that in this budgetary environment we will go back in the other direction...our training is still not right. We're not agile enough in pushing training at the time of need. We have to train people, and if we don't get the training out, people will start doing things their own way."

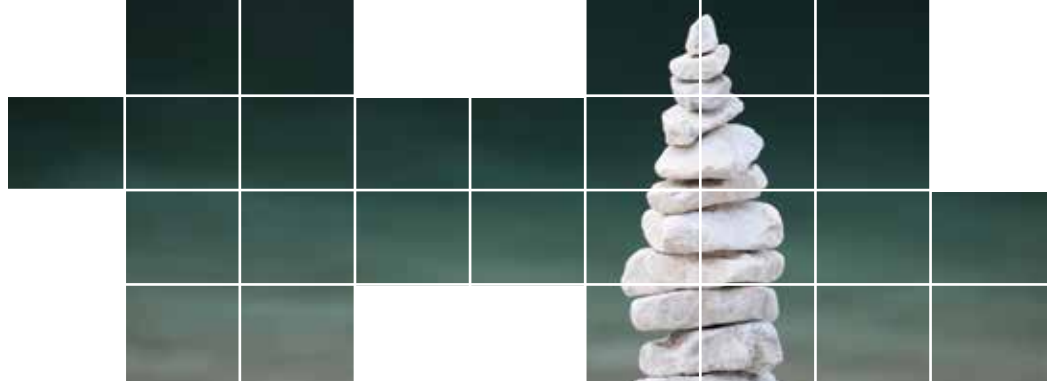
### Trends

As with prior survey findings, this year's results also emphasize transition planning, training and retention. The 2008 and 2010 reports focused on additional authority for hiring more acquisition professionals. Employee retention was also mentioned in the 2006 and 2008 survey results. Attention to training and skills development has been a common theme throughout these survey reports, but there is little evidence from respondents that there has been significant progress in this high-priority area. This year the tone of respondents' comments on training reflect that failure in this area has become even more acute.

### Conclusions

While continued investment in people and training is clearly viewed by almost all acquisition leaders interviewed as an organizational imperative, it is at risk because of the current environment. Respondents clearly recognize that leadership sets the tone for the promotion and prioritization of acquisition initiatives, and that such leadership is more important now than at any point in recent years. At the same time, there is palpable concern

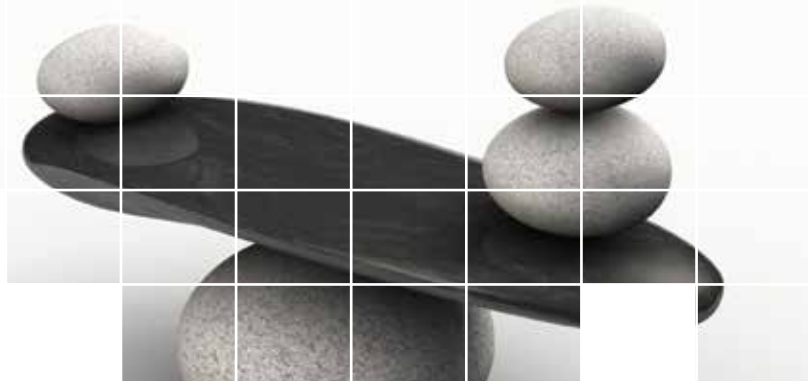




that current budget realities might not only inhibit further progress, but result in backsliding, particularly given the workforce transition that is now underway. As noted in the Executive Summary of this report, many respondents are concerned that we could see a repeat of the 1990s, when acquisition investments (including billets) were cut without regard for the nature and scope of work the acquisition community is asked to perform.

These issues have been prominent in every edition of this survey since its inception a decade ago. As only modest progress has been noted by respondents year over year, our conclusion is that this is the right time for a holistic review of acquisition workforce development strategies. Over the years, survey respondents have demonstrated a growing concern, even frustration, with the status quo. That concern, as well as a call for real change and action, is one of the clearest messages that can be drawn from this year's results. This conclusion is further and powerfully buttressed by the results found in the following survey sections on workforce trends.





# Acquisition Workforce

## Acquisition workforce demographics

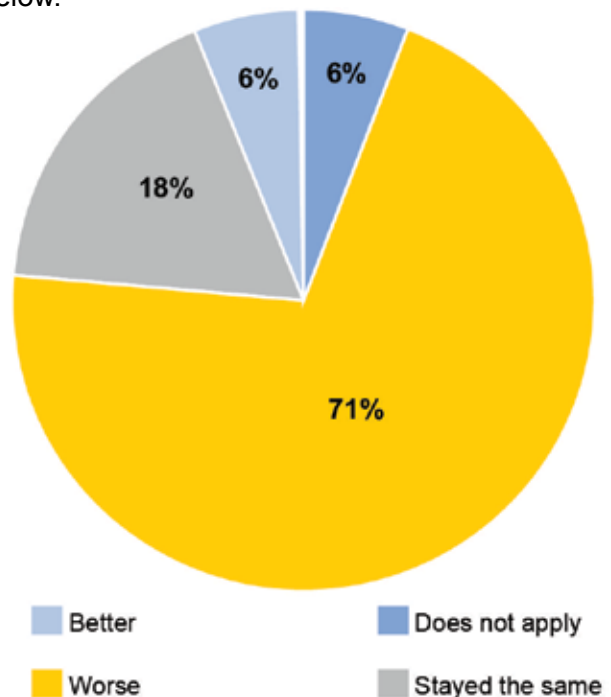
The pending wave of government-wide retirements threatens the retention of institutional knowledge and capabilities. This is especially true of the federal acquisition workforce. The market for acquisition skill sets has driven increasing and intense competition among agencies for limited available talent. While direct hire authority has helped some agencies, problems persist. Expanding the definition of those who are included in the acquisition workforce has engendered better integration of program, financial, procurement and functional personnel. This integration has further enhanced the acquisition function by encouraging involvement and driving better program accountability. But much more needs to be done.

## Size/strength

The survey asked participants if their acquisition workforce challenges have become better, worse, or stayed the same since 2010. It also asked how the demand for these resources, and the amount

of resources available, has changed since 2010. Here, the response was crystal clear: A large majority of respondents, 71 percent, indicated that workforce challenges have worsened over the last two years.

Their responses are reflected in the pie chart below.



Many of the survey respondents reported that the biggest challenges to their workforce are having adequate personnel and coping with the impacts of budget reductions. One acquisition professional was concerned about his ability to backfill retirees, "One of the biggest issues we face...is our ability to backfill the large number of personnel who may be retiring in the relatively near future—and should this occur, our ability to adequately satisfy what is asked of us." Another reiterated a longstanding concern that it is not just about getting the right number of staff, but also staff with adequate knowledge, "The number one issue clearly has to be adequate personnel to perform acquisition functions. Not just in numbers, but in terms of their



skillsets and knowledge of the acquisition process and of the small business components in that process.”

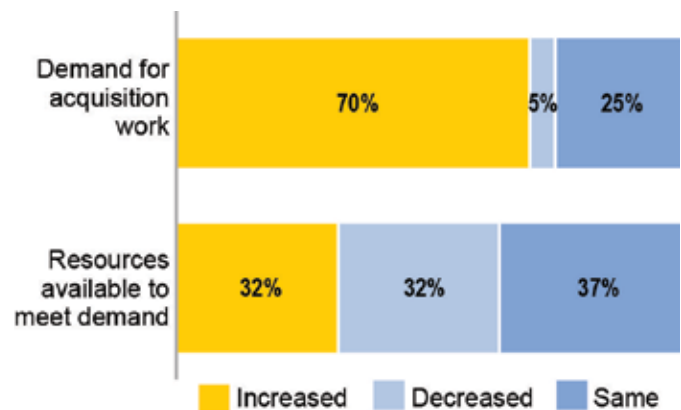
A common response was that improvement is needed in the hiring process. “We need to hire smarter, more talented people. We also need to find ways to keep the workforce happy so you don’t lose them. One way to do this is to create an open and supportive work environment where everyone is respected for their expertise and made part of the decision process,” said one respondent. Another participant pointed out how turnover is decimating their workforce. “The turnover is 400 percent in the contracting officer workforce because of competition within the government... everyone needs 1102s, and you get into a bidding war to keep developed personnel.”

Competition among agencies for resources was reported by several respondents. “The working-level contracting professional has long been a GS-12, but other departments are hiring them away as a GS-13 or 14, and even a 15. They are being bought away. It is a bidding war for talent, and it’s a problem because it is an inherently governmental function and it cannot be augmented by contractors.” Another pointed out that competition among agencies has resulted in promotions before personnel are ready. One mentioned that he sees GS-15s without the requisite experience he expects, “They are often unqualified, poorly trained and lack proper supervision.”

The survey showed widespread concern that their workload has outstripped the acquisition workforce’s ability to deliver what is required, as illustrated in the graphic below.

We asked survey participants if, in considering all types of acquisitions as a whole, since summer 2010, the demand for the work of your acquisition

function changed. We also asked if the resources available for their acquisition function changed along the same lines as demand. Their responses are reflected in the chart below.



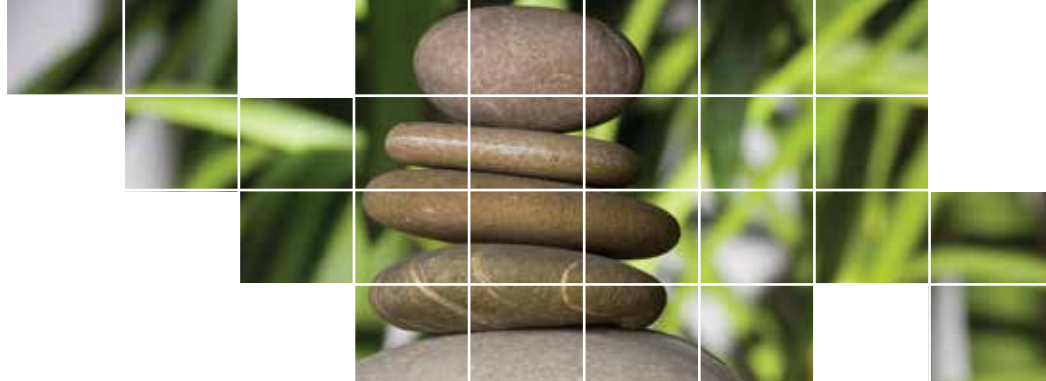
### Trends

Concerns over the acquisition workforce have been common throughout our decade of acquisition survey reporting. This year’s report is no different. In the inaugural 2002 survey, the “coming exodus” of retirements, recruitment and retention and the need for better training all were highlighted as top acquisition issues. Training was a critical issue raised in 2004, with respondents highlighting the lack of standardized and available resources for professional development. In 2006, workforce issues were again the top concern, highlighting retention, training and professional development challenges. The 2008 survey highlighted many of the same issues raised this year: the number of retiring acquisition professionals, the competition for these personnel among agencies, etc. The 2010 report also revealed significant morale issues, the need for enhancing direct hire authority, and the need for more focused training.

### Conclusions

Acquisition leaders and frontline practitioners continue to express significant concerns about the state, readiness, size and support for the





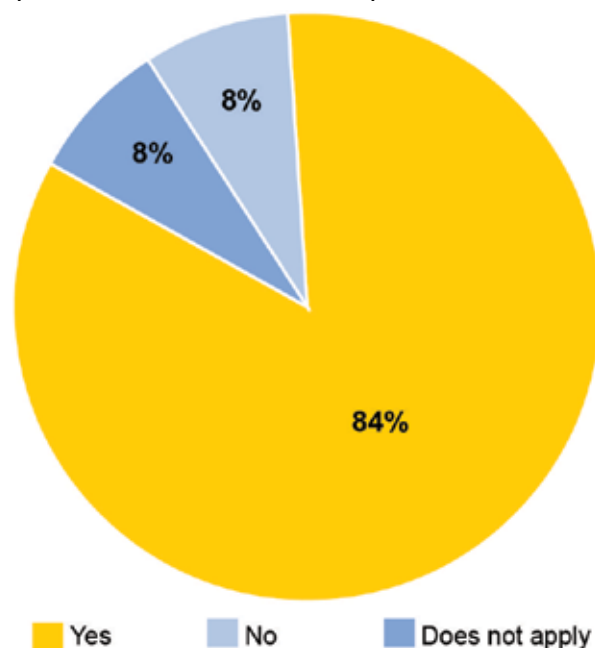
acquisition workforce. Progress toward enhancing the stature of the workforce, developing its capabilities to meet the government's current needs and incentivizing innovation remains inadequate. Survey participants expressed a real concern that fiscal realities will place increasing pressure on the acquisition workforce. The poaching of experienced acquisition resources for better pay among federal agencies has also fostered a series of issues, from loss of institutional knowledge to unjustified promotions creating execution risk. Thus, rather than being able to grow the acquisition workforce and train them on emerging mission and business challenges, the shrinking pool of professionals is being auctioned to the highest agency bidder willing and able to make short-term "market" skills hiring.

## Direct hire authority

The survey asked whether direct hire authority helped agencies obtain the right acquisition professionals. Eighty-four percent of respondents reported that their agency was using direct hire

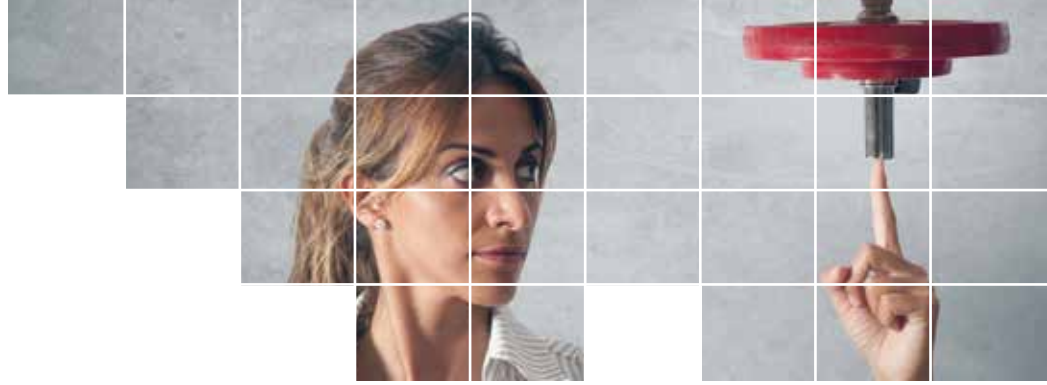
and that it was helpful to their operations. Some survey respondents reported that "it has helped enormously" and that they wished there were more of it occurring. Another said that they have it and use it, "It has helped add substantially to our roles." A third respondent said "The challenge is finding human resource personnel who can apply the authority properly." There is broad support for this initiative to extend into the future because it has helped attract talent and address growing workloads, but the authority will not likely be available widely or for any significant period of time.

We asked survey participants if they have the ability to directly hire acquisition staff. Their responses are reflected in the pie chart below.



## Trends

Our 2002 report called for hiring reform as one possible solution to the then skills shortage and the pending retirement crisis facing the acquisition workforce. The 2004 report echoed the challenges associated with hiring the right level of resources. Again in 2008 and 2010, hiring reforms were called



out specifically as an area that needed attention. Even then, agencies reported frustration with direct hire authority provided during times of a hiring freeze, in effect negating any positive effects for onboarding sufficient personnel. The tool was seen as effective as long as it was provided with a budget sufficient to enable timely action.

### Conclusions

The expiration of direct hire authority, compounded by the hiring freezes currently in place, inhibits the government's ability to rapidly add the right acquisition talent at the right time with the right specific skills to meet its needs. While making this authority available more broadly, and for an extended period of time, can help agency executives fill critical shortages, it is not a silver bullet, even in combination with other initiatives.

### Integration with programs

The survey asked acquisition executives to rate the integration of procurement teams with program managers, contracting officers, financial management and other areas, as well as their effectiveness in achieving integration.

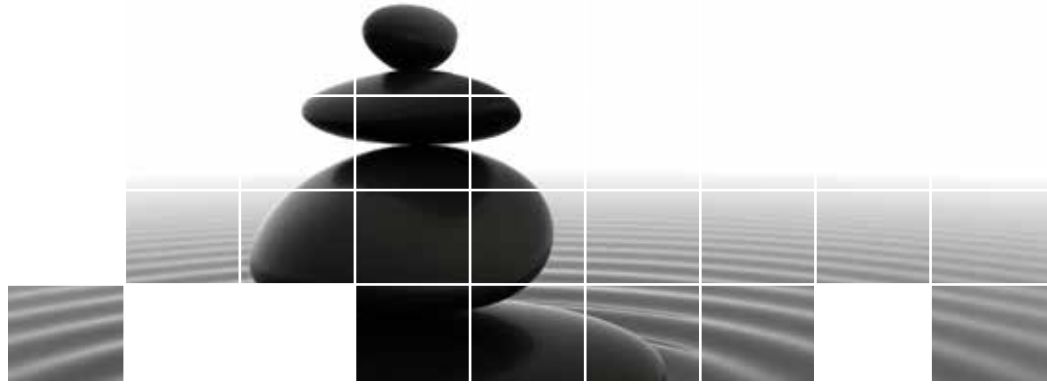
Survey respondents reported that integration has generally improved, but there is still room for interaction to increase. One agency respondent stated "We're getting better at having coordinated program teams. We stood up a contracts review board that brings the legal, contracting and programs side together." Another reinforced the importance of this interaction, relating the "need to engage key players early and upfront." Offered another, "The community needs to do more to both educate and encourage collaboration by both acquisition and non-acquisition personnel. In many cases, this means being engaged sooner in the lifecycle."

One participant shared that, in his organization, there has been a good effort shown, but there needs to be more follow-through, "Initially, organizations/teams do well to establish the contract, but once the contract is in place, proper maintenance tends to falter due to lack of communication and knowledge sharing. There is a loss of institutional knowledge risked because turnover is so high."

*"The community needs to do more to both educate and encourage collaboration by both acquisition and non-acquisition personnel..."*

### Trends

Defining the acquisition workforce to include a broad range of functional skills has been a topic mentioned since the survey began in 2002. As we stated in 2002, "Successful implementation of service initiatives and team integration requires comparable levels of professional understanding of the requirements and issues across the board." The Department of Defense (DoD) has been a leader in this area, but is still constantly facing these challenges because of the size of its acquisition workforce. In the decade since, some progress has also been made on the civilian side, with the creation of broad-based program training now available. However the shifting nature and complexity of the work requires constant maintenance and updating where it is in place, as well as broader implementation in the civilian agencies.



## Conclusions

While there is some evidence that progress has been made in selected agencies, more must be done to increase collaboration and coordination within this expanding community. Effective integration of the acquisition discipline into mission offices hinges on senior leadership commitment, expanding the knowledge, skills and ability of program professionals, and a willingness by all members of the acquisition workforce to partner for success.

## Acquisition workforce skills & competencies

The influx of large numbers of new acquisition professionals has brought with it an additional set of challenges to ensure they rapidly acquire and use the right capabilities and skills. Acquisition executives recognize the challenge of balancing, not just teaching, a broad range of acquisition skills and processes, and also the need for staff to exercise judgment in the buying process. Training exists, but alone it cannot replace the value gained from experience and the benefits of mentorship, which is at risk from anticipated retirements.

The survey asked respondents to first identify important skill areas that their acquisition professionals should have, then asked their opinion of workers' competency in these areas.

Survey responses varied, and the needs of respondents were not limited to strictly acquisition-specific skills. Some mentioned better communication skills and some better program management skills. One respondent stated, "Communication skills will be the most critical, particularly with the tightened fiscal environment. Therefore, it's important to identify and understand requirements in order to identify commonalities for procuring items. Our communication skills

must improve, particularly between program and contracting officials."

Several survey participants highlighted the need for enhanced analytical capabilities, with one respondent stating "Acquisition personnel have stopped thinking. They want templates. I've got to make them do critical thinking about contracting."

Program management skills was a hot button issue with respondents: "We need continued support of the acquisition staff and project/program management function. People often associate themselves with a particular job function, but they need to also see themselves as program managers."

The survey asked what resources agencies rely on most for training their acquisition workforce, such as the Defense Acquisition University (DAU), Federal Acquisition Institute (FAI), VA Acquisition Center of Excellence or internal resources. One respondent lists FAI as his first choice, "... then DAU and the private sector last." Another respondent said "Other than FAI, we use various training resources, including contractors, online training and more traditional sources, including consultants for various soft skills." Agency-specific training centers were often mentioned as well (such as at Department of the Treasury, VA, National Institutes of Health, Department of Homeland Security, or DoD). One respondent offered "There needs to be faster training or just-in-time training. This highlights the need to continue focusing on the acquisition workforce. We have made significant strides, such as civilian agencies putting in place a certification framework."

## Trends

The 2002 survey documented the need for more widely available training, and better training for acquisition competencies. In 2004, respondents





reported that the lack of training remained “the biggest acquisition challenge facing agencies,” despite reporting the feedback that funds and training were generally available. In 2006, acquisition executives continued to report that training was viewed as a critical need, though staffs were often too overworked to invest the time required to take needed training. The 2008 survey reported that while training remained a key issue, the needs were greater, in that skill development would not alone suffice—acquisition professionals required better judgment. In 2010, these issues again surfaced, with participants commenting that better training was needed. As one respondent commented “If people aren’t trained correctly, what you get is ‘cut and paste’ contracting.”

### Conclusions

More resources are available now than ever to gain or sharpen the acquisition workforce’s skills. The FAI, the VA Acquisition Academy, and the DAU have helped to further professionalize the acquisition community, but the training itself needs to be better and more responsive to help acquire professional response to the federal buyers’ needs. However, there is a clear consensus that training alone is insufficient—the real value comes from experience gained in developing informed decision-making and knowing how to apply good judgment.

### Negotiation Skills

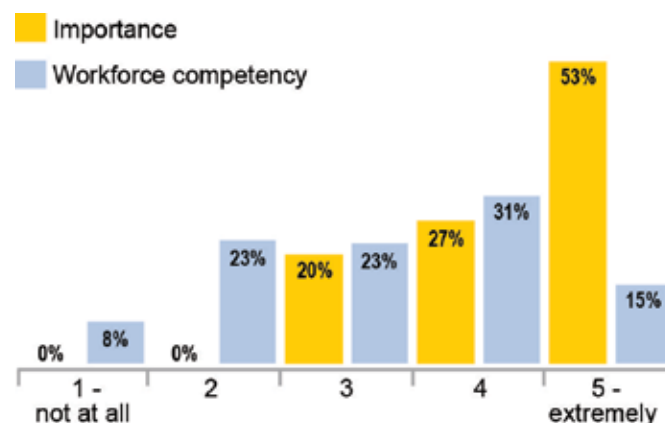
The survey asked participants to rate the importance and competency of their workforce’s ability to obtain the best price, outcome, modifications and other related aspects of a contract. One acquisition professional reporting that his office does not use negotiation at all. Another simply cited Federal Acquisition

Regulation (FAR) Part 15, explaining that negotiation is clearly laid out as an accepted process. One respondent had mixed experiences with his team’s ability to negotiate, “In some cases it’s really good. In others, not so much.” The value of negotiation was generally accepted, however, with over 90 percent of respondents stating that they rate this skill highly, as a 4 or 5 in importance. “Negotiations result in hard savings” declared one respondent.

One response cited a common problem in attempting to negotiate with contractors, “Cost is often going to be what it is going to be, and there is not always room to negotiate.” Another participant characterized his experience with negotiation as “very spotty in terms of understanding, but highly dependent on the person.”

Nearly two-thirds of our respondents cited such skills as being extremely important, but only one in 10 believe their acquisition workforce is highly competent in that area, and more

than 25 percent of those surveyed said the skill is either nonexistent or in need of improvement.





## Conclusions

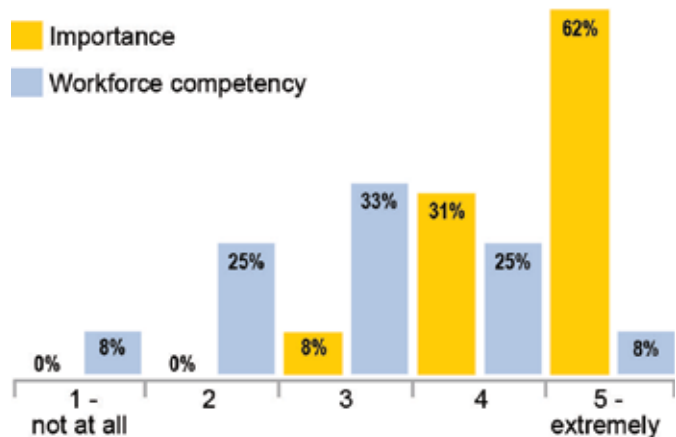
Based on our respondents' answers, it is clear that negotiating skills are high on the list of priorities for acquisition professionals, yet remain a significant weakness in competency.

This finding is of particular note to many in industry. Several years ago, PSC was asked by DAU to review its curriculum for services acquisition training. PSC's review concluded (and DAU concurred) that the training was missing one critical element: how the private sector identifies, manages and mitigates risk. Understanding those elements is essential to developing not only strong business skills and acumen, but also to critical tasks such as effective negotiation. Yet such coursework remains a training gap, despite the module PSC developed at DAU's request. Furthermore, this module was an "elective" that was not highly subscribed to by DAU students. Despite PSC's efforts to embed similar training in the civilian training facilitators, it was not adopted.

## Contract structures & strategies skills

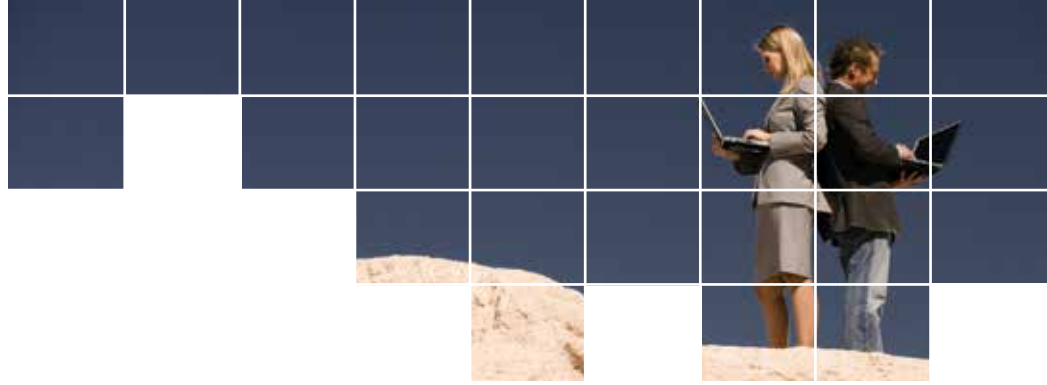
The survey asked participants to rate their agency's acquisition workforce's ability to design, apply and monitor a variety of contract types, such as indefinite delivery/indefinite quantity (IDIQ), performance-based, services acquisition and fixed price contracts.

Here, too, the findings are highly instructive. As with negotiating skills, respondents identified it as an extremely important skill to have, but by a margin of 10 to 1, respondents identified acquisition strategy development as a significant workforce weakness. Only 8 percent of respondents found extremely high competency in this critical acquisition function.



Survey respondents had a variety of opinions on this matter. One shared that he feels "pressure to move away from high-risk contracts" as directed by various Obama administration memoranda, but emphasized the importance of focusing on the nature of the work and remaining fair to contractors. Another respondent said that his team has found "a good balance [of such skills], although there is a significant need to close-out cost-type contracts." The use of a feasible and viable business case, combined with a true understanding of the requirements and objectives of the program, is the best method for designing an optimal contract structure. Survey respondents noted that factors such as the sharing of risks, perceived profits of industry and the pressure to award quickly are contributing factors in choosing contract structures—but none of these factors are included in the regulations.

One participant recognized that in his office, there is a lack of understanding about selecting the appropriate contract type, "There is a significant gap. We see inappropriate use all the time. We have folks brought in and trained to use orders and simplified structures without thinking upfront 'is this the right order to buy that?'...they are writing all the orders they can [using the formats previously used] because that is what they know and that is what they can do quickly." One



acquisition professional said that the correct contract type should incentivize contractors, “You have to understand what you are buying and how to incentivize contractors...and in either case, the conversation is the same. What is the underlying business case, and what do we want to do?” Another respondent said that proper planning leads to better selection of contract type and overall better success of the contract for all involved, “If you mess up the planning piece, you mess up the entire contract and future results. [Our agency] uses a lot of hybrid contracts now, which work well to mix the Contract Line Item Number (CLIN) types.”

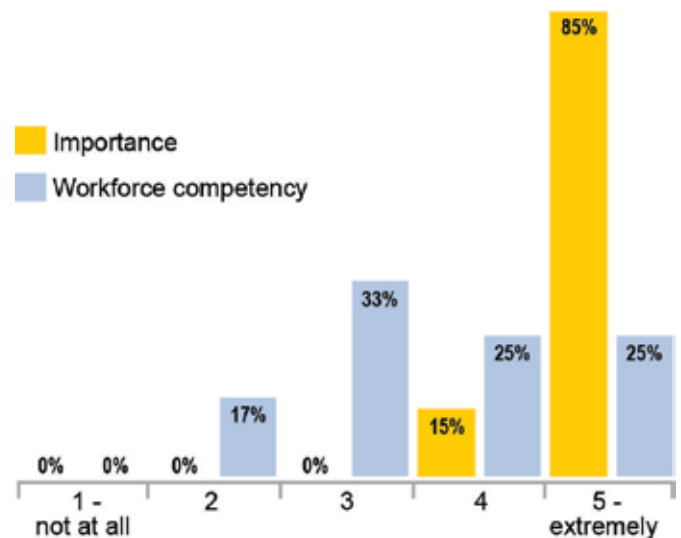
Nearly two-thirds of respondents rated this as a high priority, while approximately one-third felt workforce competency in this area needs improvement.

## Conclusions

Clearly, when tied back to concerns about current workloads and available resources, the capability to do the requisite front-end planning is and will continue to be a significant area of challenge. Of particular concern is not only that this issue has also been a constant throughout the history of this survey, but that front-end planning has been identified by virtually every objective analysis as the key to successful acquisition execution and effective government-contractor business relationships.

## Complex IT skills

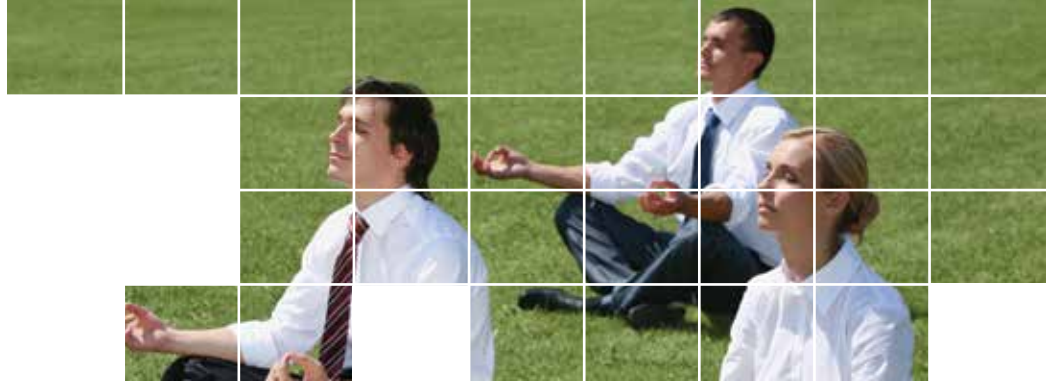
We asked participants to rate the knowledge, skills and ability of their organization in carrying out acquisition and contracting roles in complex IT procurements. Their responses are reflected in the bar graph below.



All respondents noted these skills as being of significant importance, yet half believe their workforce lacks significant competency in this area—the lowest competency rating of any surveyed.

The comments reflect a real inconsistency in the competencies of their staff in properly executing complex IT procurements. Notwithstanding the rating response to competency, for example, one respondent said “IT is driving everything we do today. This is a huge factor as to why we are in the IT business. The answer is that you see IT in everything.” Another was concerned about gaps in the knowledge, skills and ability of his organization in this area, “[The gap] is worse today because the pace has picked up, especially in the IT arena. The pace has picked up in this administration because they recognize the value of IT to improve citizen services.”





The skills gap was further recognized as significant. “Our IT posture is broken. There are customized solutions that lack interoperability. Some of these solutions were developed without consideration for lifecycle costs or maintenance.” Other respondents offered that there has been some progress in this area, stating “We have improved over the past years...success is best realized when you have outstanding planning and do all the right stuff upfront. If you do all of your homework upfront it makes the acquisition process go a lot smoother.”

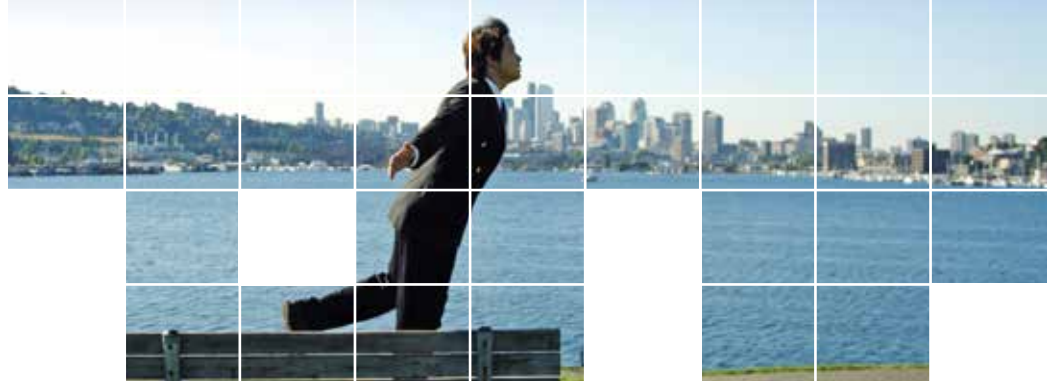
The IT acquisition skill set “is a make or break,” said one respondent. “Part of [why this is so crucial] is that there has been an evolution in how we are buying. We’ve been so busy managing programs that the staff is not getting the training they need and we are not bringing on people with the skill sets we need. For example, with cloud computing, they are learning on the job and from industry. We won’t have cloud experts all of a sudden. It changes constantly and the workforce needs to reflect the environment, which is flexible and agile.”

## Conclusions

IT acquisition first appeared in our 2002 Acquisition Policy Survey with an emphasis on eGOV solutions. We now see an exponential increase in the demand for skilled IT and acquisition resources to help meet the current needs in areas such as cloud solutions, cyber-security, and data center consolidation and optimization, but also see an epidemic shortage of such skilled workers. IT is expected to deliver significant cost savings to the agencies and is driving the demand for competent IT acquisition professionals. Furthermore, IT acquisitions are now more complex than ever, from defining interoperability to setting the stage for new technology. This requires additional knowledge and work across multiple competency areas to

derive value from agency IT acquisitions, but there is little evidence that such competencies are widely available. Finally, a substantial portion of government IT acquisition today involves routine, commoditized capabilities, such as call centers or network support. While the acquisition community may have developed some capacity to award and manage those types of contracts effectively, the commentary from respondents strongly suggests that the gaps in capability are affecting the more substantive, complex technology acquisitions. As the government continues to modernize and rely on increasingly complex solutions, the impacts of that gap will likely become more pronounced.

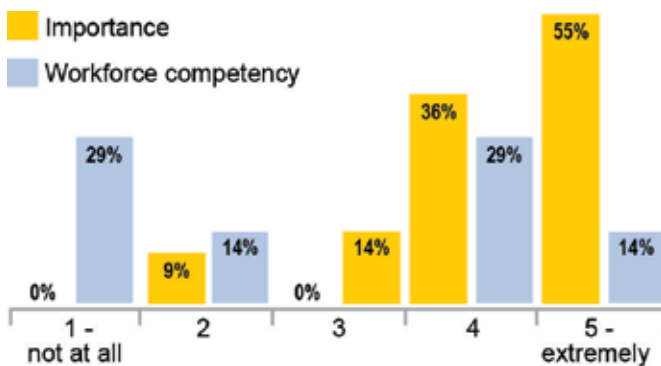




## Sequestration response skills

In light of the potential for sequestration, our survey asked participants to rate the importance and the ability of their professionals to make large realignments in contract spending quickly, including cancelling, changing scope and renegotiating existing contracts.

All respondents rated the skills needed to respond to a sequestration action as high or extremely high in importance. However, 60 percent felt that those skills were either weak or not at all resident in their workforce. This significant difference between the importance of and existence of these skills should be a call to action for acquisition executives to better prepare their workforce for the future; it might be too late to do much about the present. These responses are reflected in the bar graph below.



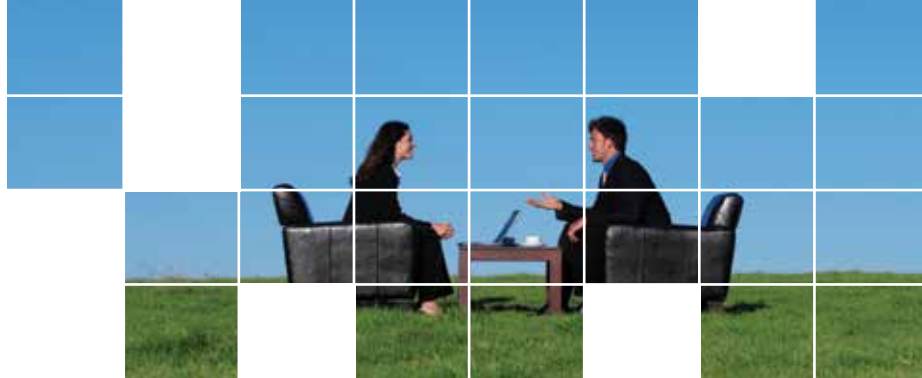
Respondents reported concern over their workforce's ability to handle sequestration, mainly because of circumstances beyond their control and because not much can be done in the face of such extreme measures. One individual said "[sequestration] will present a host of issues, such as contract terminations. There is the potential for millions in broken contracts, so this is a critical area." Another worried participant stated that "sequestration is going to be a disaster if it happens as structured. I have lived through it and everything gets cut and it wreaks havoc across the

board. It will be a very serious problem and I don't know how they will restructure everything." One acquisition professional simply said "It will be very difficult to deal with if it comes to fruition."

## Conclusions

A majority of individuals appear to be taking a "wait and see" approach to sequestration because the precise consequences of such sweeping cuts are difficult to predict. There is a fear that the real and unintended consequences will include wasteful spending prior to sequestration taking effect. Uncertainty has fostered a lack of action on programs and officials fear further delays in program delivery and momentum. "Major spending cuts and the need to make significant mid-course corrections would be a relatively new environment," noted one respondent, suggesting that their workforce was unprepared. Others however, felt that time invested in preparing would not be time well spent: "There will be a lot of wasteful spending if we have to plan for sequestration and its impact on agencies is counter-intuitive."





## Multi-sector Workforce

For years, the federal government has sought to determine the “optimal” balance of public-and private-sector personnel to deliver government missions. The pendulum has swung from outsourcing under the Clinton and Bush administrations to more insourcing under the Obama administration. While the pendulum appears to have stabilized near the center for the moment, the challenge of finding the most effective and efficient application of personnel from both the public and the private sectors will continue. Of particular importance is the 2011 policy guidance issued by OMB, which was designed to help sharpen the definitions of work that is appropriate for performance by contractors. As the responses below indicate, there is inconsistent application or understanding of that guidance among the agencies. For example, one agency reported an objective of eliminating the use of contractors during the pre-award phase, even though the OMB guidance made clear that it is often entirely appropriate for contractors to provide support in that area. Overall, however, it was not at all apparent that the OMB guidance is actually driving agency decisions. Rather, demographics and budget realities remain the principal drivers for agency decision making.

## Use of Contractors

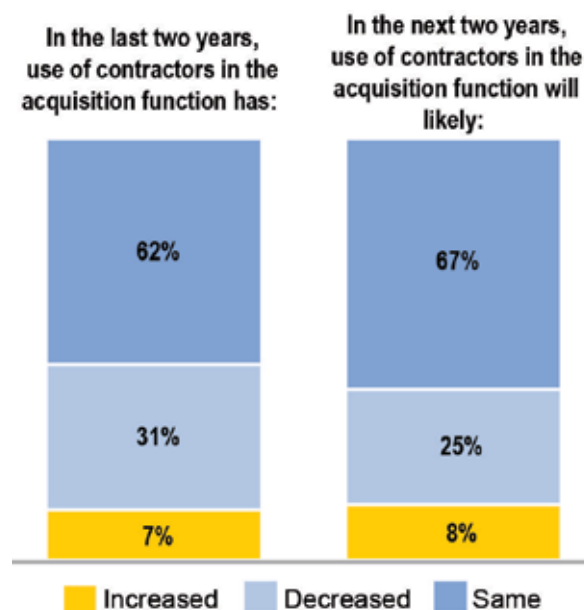
Respondents were asked whether the use of contractors in support of the acquisition function increased or decreased over the past two years, and whether that trend would continue over the next two years.

Most respondents foresaw little change in how acquisition shops used contractors. Some support is predicted to continue for contract close-out actions, but with only limited involvement in the upfront acquisition process. One respondent said he uses contractors for specific functions:

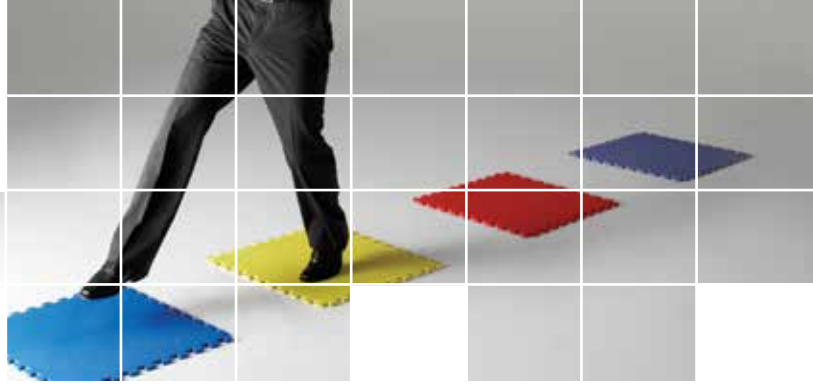
“We leverage contractor support for providing analytical support and subject matter expertise.” Some mentioned that insourcing has decreased this number, and that the trend was expected to continue if the budget situation is not addressed. Those that saw an increase also linked the change to the changing budget environment, “With government FTEs [full-time equivalents], you are invested. With contractors, you have more flexibility to meet your needs, and then let them go.”

One individual said that he uses contractor staff as needed, but is looking to eliminate the use of them, “Most contractor staff used to augment the acquisition workforce is used for post-award contract administration, mainly contract close-out. There are a few pockets of...pre-award process roles, but they are not in any decision-making capacity. We are working to reduce or eliminate the use of contractors wherever possible in the pre-award process.”

Their responses are reflected in the graph below.







## Trends

Substantial concern with the competitive sourcing initiative defined the acquisition environment when we released our 2002 report. Agencies were awaiting guidance on how to run public-private competitions as a result of the congressionally mandated Commercial Activities Panel. The panel's report culminated in the 2003 revision of OMB Circular A-76. Together with the Bush administration's requirement for additional competitions, acquisition professionals were deeply involved in the analysis of government activities and their categorization as commercial or inherently governmental.

Competitive sourcing remained a key focus in the 2004 and 2006 reports, specifically including the challenges around conducting competitions, the impact on organizational morale and the workload impact on the acquisition workforce. Through this period, the role of contractors performing government services grew. In 2008, respondents reported concern that how government defined inherently governmental functions no longer reflected changes in the structure of government or the marketplace.

In 2010, with the Obama administration pushing insourcing, the pendulum had completed its swing past center and, some argue, too far toward government-only performance. Today, survey respondents generally report stabilization in this workforce dynamic, with less emphasis from the Obama administration on insourcing.

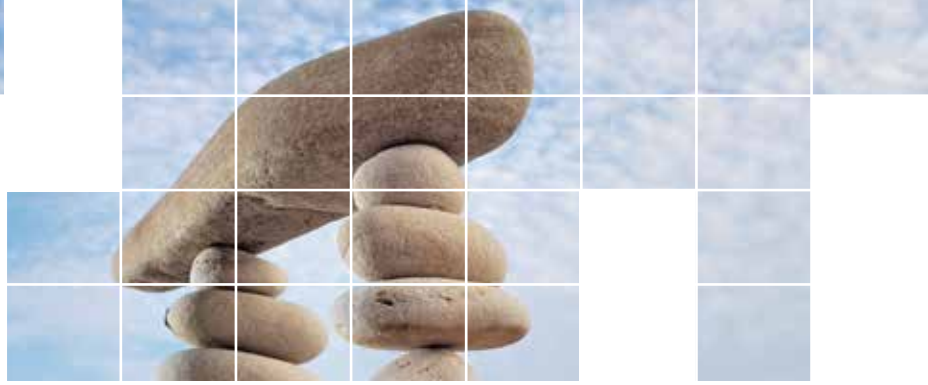
## Conclusions

In the current environment, standardized and routine acquisition functions (e.g., contract close-out) are the few areas of the acquisition process where acquisition executives are comfortable to have contractors perform. Efforts to clarify the definition of functions that are either (1) inherently

governmental, (2) critical or (3) closely associated have been only marginally useful in helping agencies make improved resource decisions. But most respondents acknowledged that the appropriate use of a multi-sector workforce provides greater agency flexibility to obtain the appropriate resources to meet their mission needs.



# Oversight, Transparency and Collaboration



## Industry collaboration

The acquisition community continues to seek the right balance between the need to engage with industry and maintain a “level playing field.” The key is providing information to communicate the buyers’ requirements while also learning the market’s full capabilities, without sacrificing fairness. The Obama administration sought to clarify these issues by explicitly outlining the appropriate level of engagement through OMB guidance, including the “Myth Busting” campaign, which seeks to enhance the scope and quality of government-industry communications. However, as illustrated below, the barriers to effective communication remain significant, and leadership attention to and support for the OMB initiative remains critical.

## Key challenges

The survey asked about the challenges to enhanced communications. Their responses are reflected in the bar graph below.



Respondents were asked to assess their views of the challenges to using several common acquisition techniques. They reported funding uncertainties, perception issues and the need for increased communication as some of the key challenges they face in working with industry. One respondent said that “funding uncertainties” are a big driver in communication gaps. Another said that the “perception is that you cannot talk to industry, but the OMB ‘Myth Busting’ memo is helpful in getting the word out.” Another participant said that a common issue faced in his office is that hesitation about communication is due to a fear of bid protests, and uncertainty about the rules regarding contractor communications, among other concerns. This was echoed by another respondent who stated that communications challenges are a perception issue: “We still have contracting officers and program managers who have the perception that you can’t speak with industry. We tell people they must so they can get better proposals.”

One acquisition professional characterized the communication challenge as a two-sided issue, “The goal is to break down barriers. Vendors need to be more willing to share information; however, we understand their challenges, as they don’t want to tip their hand on the approach. Sharing draft solicitations is a useful technique, but we don’t always have the time to do it.”

Overall, the challenges are rooted in “budget uncertainty, requirement urgency, changing technology and confining procurement rules.” The good news is that the general perception among respondents is that there are productive relationships with industry. The bad news is that despite recognition of the barriers to effective communications, few solutions were identified.

Survey respondents were split on whether communication challenges exist with industry.



The sharing of draft solicitations was the least challenging area, while having individual discussions with industry was the most problematic. The risk-averse culture and fear of breaking the rules are significant factors contributing to the lack of communication with industry in this area.

## Communication

The survey asked participants to describe the extent to which the February 2011 OMB “Myth Busting” memo and subsequent related activities have helped improve communication with industry. While some felt that the memo only represented common sense, many felt it was worthwhile and would improve overall communications.

Survey respondents reported some positive feedback on the “Myth Busting” memo, but that the guidance “did not get marketed well.” The memo was “not widely distributed, therefore there was not a huge impact. The fear of protest is still a big concern, and it has not been resolved.” Some expressed the sense that they were “already doing the things expressed in ‘Myth Busters.’”

A number of the acquisition professionals we spoke with had positive things to say about the “Myth Busting” memo, including one who said “The memorandum has been a positive development, and needs to continue to be pushed. There is a need to explore the extent to which the government can get people with good industry experience, as well as potentially exploring new opportunities to detail government employees to the private sector... It benefits government as well as industry to have people who have government acquisition experience on both sides of the fence.” Another endorser of the memo said “‘Myth Busting’ was one of Dan Gordon’s best initiatives and it has helped with the folklore in the government that they cannot talk with industry out of fear of a

gotcha!’” Yet another supporter of the memo said “‘Myth Busters’ expanded the dialogue government needs to have with industry and it seems to be in a somewhat better mindset.”

One participant spoke highly of the memo and shared his insights into what it meant that it had to be issued in the first place, “I have never seen so much common sense put down on paper... this is basic stuff. If we have to put this on paper, agencies must be doing stuff wrong.” Another says that it has “had a positive effect because we had general counsels saying, ‘no, you can’t talk to contractors at all.’ This has also helped us understand industry’s bid/no-bid decisions.”

## Trends

The 2004 report found that “interviewees across the board indicated a need for more authority, autonomy and freedom to share innovative ideas with industry partners.” Industry collaboration was again raised as a survey topic in 2006. At that time, respondents reported a strong partnership between industry and government. Success relied on “candor, honesty, accuracy and openness from contractors,” and government’s role “is to make contractors behave appropriately.” The 2008 survey addressed the issue in the context of enhanced transparency. “It’s important for the public to trust contractors,” said one interviewee, reinforcing the need for greater transparency and information sharing.

The need for transparency was also discussed in 2010, this time in the context of the American Recovery and Reinvestment Act (ARRA) and the effect of increased bid protests. ARRA required substantial reporting, providing industry and the taxpayer significant information about how the government was spending its resources and what it was getting in return. However, increased bid protests, and the palpable fear of protests, had a





dampening effect on information sharing, to the point where some contracting officers became less willing to share information on award decisions.

## Conclusions

The “Myth Busting” campaign helped set the stage for an expanded dialogue between government and industry. However, more must be done to promote and market the message, as resistance in the field and fear of repercussions remain strong. Expansion of the “Myth Busting” campaign may further reduce the fears of acquisition professionals and provide a greater understanding of acquisition policy and procedures that govern communication with industry.

## Small business participation

Given the centrality of small business to the federal government market, the survey sought insight on how tighter budgets and increased competition would affect small business participation, as both primes and subcontractors.

One survey participant stated that their small business advocate “reports directly to the deputy secretary and works as a team with the procurement and requirements function,” and suggested this would be an effective way to increase small business participation. Another participant said that merely improving communication and making small business outreach more effective is key to increasing participation, “Our agency’s offices are encouraged to discuss their needs with industry long before there is a requirement, so small and large businesses know our priorities and can be prepared when a solicitation arises.” One respondent shared that his agency has “industry liaisons dedicated to chasing down industry questions and getting the word out on opportunities, so small businesses can effectively compete for all of our requirements.” And another

acquisition professional said that small business is a constant priority for his office: “We are always looking to make sure small businesses are included in [the discussion regarding upcoming] procurements and regulation.”

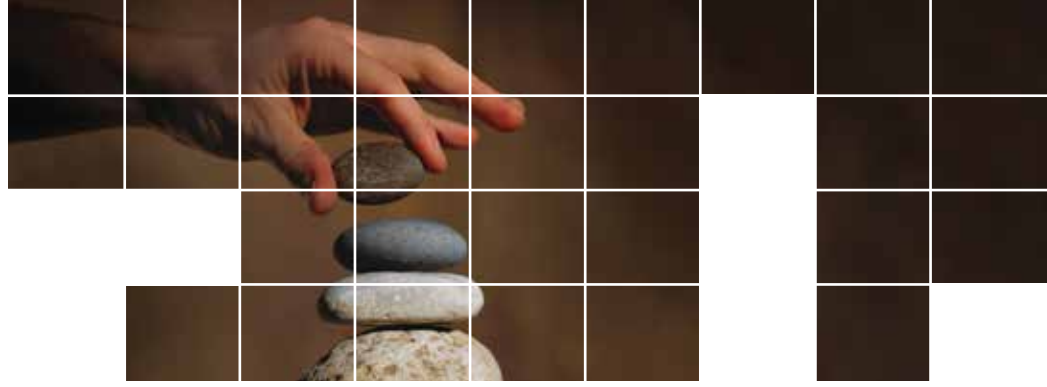
One respondent, however, complained that after meeting their socioeconomic goals, the goals were subsequently raised, “The concern wasn’t that they were raised, but rather that they were raised to unrealistic targets. Not being able to achieve unachievable targets negatively impacts morale.”

## Trends

Small business usage has been a common theme since this survey began a decade ago. The focus in 2010 was the impact of insourcing on small business contracting; in 2008, it was the use of optimal vehicles to drive participation; in 2006, the effects of strategic sourcing on small businesses; and in 2004, best practices to drive participation. This year’s report focused on how best to engage small businesses through targeted communication.

## Conclusions

While significant efforts have been made to promote the achievement of small business goals, more can be done. The federal government has missed its goal to award 23 percent of all federal contract dollars to small businesses for the fifth year in a row. Our respondents recommended increased communication and, in some cases, organizational shifts to better meet goals: “Effective communication with industry is key to increasing small business participation.”



## Oversight

Participants were asked how the frequency of Inspector General (IG), Defense Contract Audit Agency (DCAA), GAO, OMB or congressional audits, reviews, hearings or other oversight activities have changed since the summer of 2010 (the last acquisition survey). For those areas that have increased, how has their organization responded? Do they have more resources?

Respondents cited significant challenges in the area of oversight. “Money next year is declining, but the oversight interests will increase because there is less money, and there will be intense interest in how we’re spending the money,” reported one participant. “We are seeing more activity with no increases in our staff,” reported another.

The additional work has taken its toll on the workforce. “It seems like [my] organization is under constant audit,” said one respondent. Another noted, “Our inspector general’s resources are not increasing, but their focus on IT projects and IT programs and assessing these functions has our folks being reviewed to death.”

Another agreed, offering that the oversight is having a double negative effect on the community, “Because of the way Congress and the audit/IG communities are engaging, contracting officers are looking for more information [from contractors] than they should to cover their rears. Contracting officers accept the responsibility for contracts, and I’ve watched IGs kill people for something immaterial, so contracting officers feel that ‘I have to have it in my file.’”

The additional workload and compliance expectations have further affected the acquisition

community’s ability to take risks and innovate. As one survey participant reported, “We have this zero-risk mentality from the oversight community and it has a chilling effect. Contracting officers need to be able to make smart decisions for the taxpayer and this zero-risk/zero-tolerance mentality from the oversight community is coming at the worst possible time. We hear some concerns about what the IG will think; but if it ends up that we are afraid of any kind of risk, we will make government unaffordable.” The survey respondents generally understood that oversight was important, but felt it often went too far. As

another participant noted, “There is a need to take stock of the current acquisition system and make sure there is not over-regulation. There is a need to be more flexible in allowing for speed in the acquisition process while still ensuring adequate safeguards.”

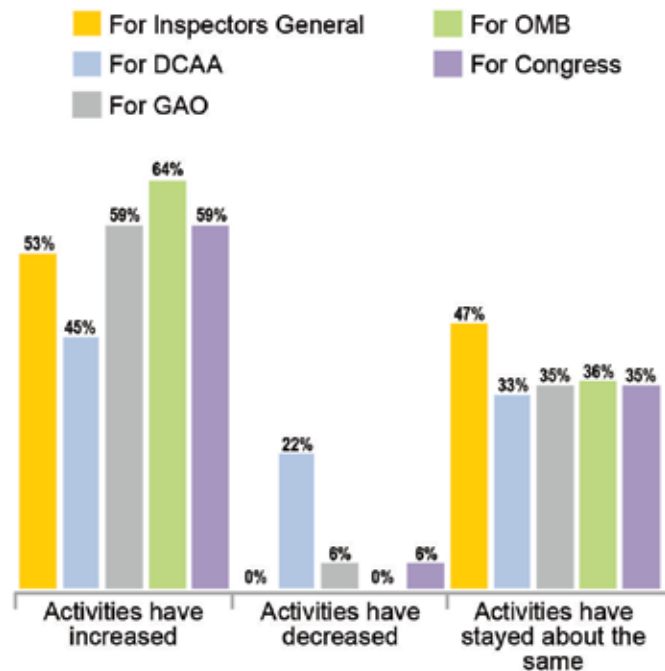
Some expressed frustration with the oversight community. As one executive noted, “Now we have more auditors on the battlefield than contracting staff...if you gave me some of those auditors as contracting staff, I could cross all my ‘t’s and dot all my ‘i’s.” Another offered: “The

expectation from the oversight community is that we will become an extension of them in terms of auditing. Does a contracting officer need to verify executive compensation? And do they have the skills to even do that?”

*“We have this zero-risk mentality from the oversight community and it has a chilling effect.”*



We asked survey participants if, since the summer of 2010, they noticed changes in the frequency of IG, DCAA, GAO, OMB or congressional audits, reviews, hearings or other oversight activities. Below is a chart reflecting their responses.



## Trends

The oversight trend was first reported in 2004. At the time, “revolving door” integrity issues had surfaced, demanding attention from oversight bodies. Stemming in part from abuses observed in Iraq, many 2004 interviewees reported that the “combination of ‘new’ authorities and [oversight] capabilities coupled with the growing emphasis on compliance presents special challenges to the government.” By 2006, the survey reflected specific disconnects with the oversight community. It reported “Nearly all survey respondents said that the acquisition and oversight communities do not share the same views on appropriate roles and responsibilities.” In the 2008 report, more than 90 percent of respondents reported that oversight had increased over the previous two years, and for many it was a top concern. By 2010, 86 percent

of all interviewees said that more resources were going to oversight activities than to contract administration. This continues to be a top concern in the acquisition community today, with broad consensus that the resources provided to the front-line acquisition workforce are insufficient for the work associated with responding to oversight and audit demands.

## Conclusions

Across the board, survey participants felt that resources were overextended in responding to the oversight community, and that few if any resources were available to respond. Resources devoted to these tasks were “pulled away from mission work.”

Acquisition executives reported feeling inhibited about taking reasonable business risks, especially when it could require additional explanation or reporting to oversight authorities. Respondents agreed that there is a need to maintain flexibility in the system, while still ensuring adequate safeguards are in place.

A majority of respondents felt the demand for oversight was going to increase, even with declining budgets. The budget environment was offered as a further explanation of why oversight was going to increase, with greater attention paid to spending decisions, and increased protests from industry chasing fewer opportunities to work in the federal market. From this, it can be concluded that collective scrutiny—from ever-increasing audit and compliance requirements to other reporting and waiver requirements, as well as industry protests—will continue to strain the acquisition community.





## Source Selection

Budget and oversight pressures have affected how source selection panels determine contract awards. The recent trend toward low-price awards has affected the quality of results and has underserved the federal buyer.

Survey respondents recognized that applying selection decision criteria should reflect the nature of the solicitation. “LPTA is okay for commoditized services like janitorial services and ground maintenance. But with complex services like IT, they have to be more performance-based or at least best value.” Another said “Technically acceptable is important, but the ability to make technical trade-offs is critical for us.” Other participants however, expressed concern over the use of best value. Said one participant, “There may be a reluctance to add [best value] because of the perception that there will be a legal fight after every best value decision.”

Some contracting shops have instituted controls, or “tripwire” policies, that require additional approvals for using best value rather than price for a decision. “We have a tripwire policy now in place, so if you want to pay 10 percent more, it has to go to the highest levels for approval,” said one respondent. He added, “It shows...a paradigm shift from two years ago when we got drunk on best value. Prices were good, so we added enhancements, but now we’re on a judiciousness kick to drive costs down. It’s causing confusion among contractors and resulting in protests.”

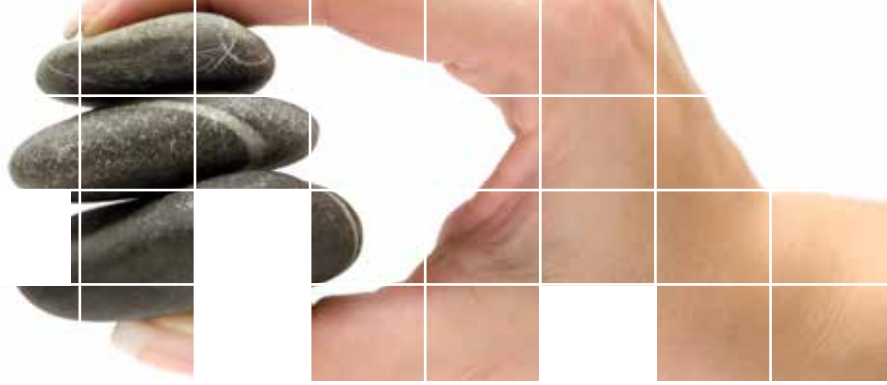
“Leadership understands that the trend is swinging too far, creating situations where contractors are unable to perform,” said one respondent. Offered another, “Contracting shops are to blame. Risks need to be better translated at the lower levels. There has always been a pendulum swing (toward and away from LPTA), and the current trend is back toward LPTA.”

The trend toward LPTA does have consequences, as one respondent added. “Quality of services/products that the government can purchase is a concern because of the focus on decreased spending, going for low-price options. Price constraints will not allow the government to think more strategically for the long-term. An over-concern about price is going to lead to non-strategic decisions.”

## Trends

Our 2002 survey reported that government acquisition executives needed better understanding of how to quantify best value procurement decisions, despite there being broad agreement that this model represented the right approach in many instances. Challenges to best value continued to be a focus in 2004. In 2006, strategic sourcing was noted as a substantial opportunity, but only if it employed best value, not LPTA, for evaluative purposes. In 2012, respondents were stating that budget pressures, the increase in risk from oversight activity and the comparative clarity for decision justifications have all driven the increases in LPTA as the primary source selection criteria.

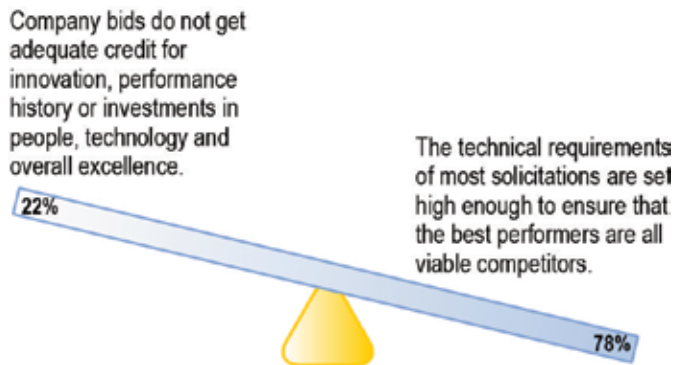




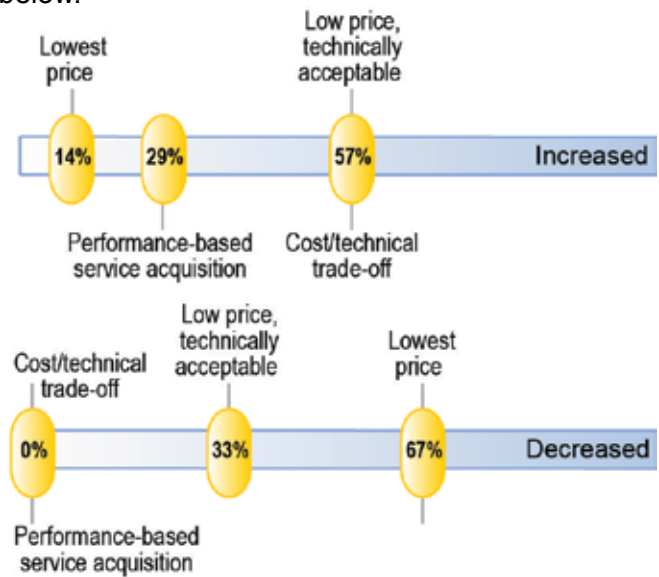
## Conclusions

Budget pressures, concerns over protests and oversight scrutiny and relative ease of decision making have led to a shift from best value to LPTA as a more and more common driver for source selection decisions. Program executives are becoming increasingly mindful of where they want to pay a premium for best value, in an effort to stretch limited funds, but there are too few examples where it has been applied to services. Some, however, recognize the risk inherent in this approach for services better suited to delivering different values to the buyer. The impact on strategic decision making and support may have long-term implications that will ultimately affect customer mission capabilities.

We asked survey respondents to read two statements about LPTA acquisitions and then to select the one that is closer to their view. The results are shown in the graphic below.



We asked respondents if, since the summer of 2010, their organization changed the frequency with which they have made awards for professional services. The results are shown in the graphic below.





# Innovation, Initiatives and Other Trends

## Innovation

Driving innovation through the acquisition process is at real risk. The current budget environment, workforce challenges and increased oversight have had a clear effect on the acquisition community. The innovation that is taking place is largely organizational in nature, rather than involving business strategies.

## Key innovations for acquisitions

The survey asked participants to identify acquisition innovations in their organizations of which they were particularly proud. Respondents reported a broad range of organizational innovations, including consolidation of the acquisition support function, development and leveraging of tools and templates, information technology and intra-agency and inter-agency sharing.

Intra-agency sharing was mentioned several times as an innovation. “We took 18 offices down to 10,” offered one respondent. “We can see common needs and develop contracts that can serve more than one institution. We are looking at ways to expand that and save.” Another offered an inter-agency example: “We’re trying to get creative. We’re taking advantage of other agencies’ contracts. We are sharing statements of work as templates. We need to reuse and share where we can.” Information sharing is also critical: “With regard to the federal strategic sourcing initiative (FSSI), there is a reporting aspect that’s been big because it shows what we are able to obtain in terms of discounts.”

Another offered further support for expanding the scope of federal buying to drive efficiencies related to software spending. “CIOs need to be able to rationalize on an enterprise-wide basis... the real goal is to give CIOs greater control over their budgets and personnel and re-energize

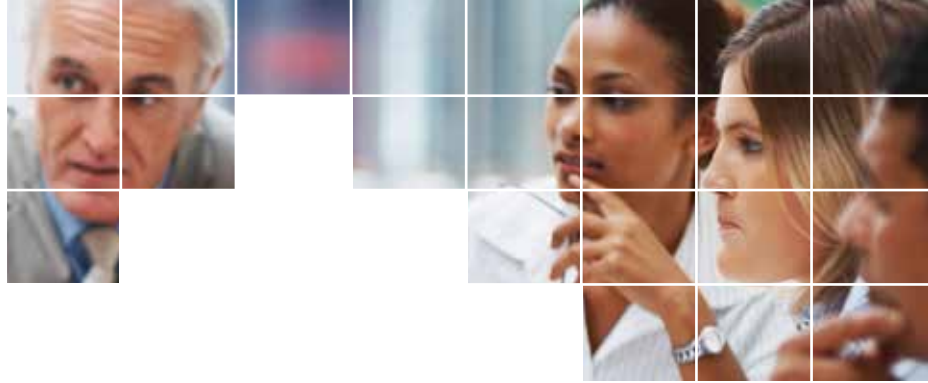
the CIO. [We need] a preference for cloud computing, software as a service and data-center consolidation. It is based on the United Kingdom (U.K.) paradigm of making government-wide software acquisitions. All the ministries use the same license, so they don’t have the problem of shelf-ware that we have here where one agency buys 1,200 seats and only uses 500. Under the U.K. model, they can give those seats to another agency. We want to drive demand for aggregation and consolidation in this tough budget environment.”

Respondents also talked about building a workforce capable of innovation. One agency strives to “hire people from other organizations and sectors, to broaden the experience base of the workforce and to adapt or adopt and improvise based on lessons learned and best practices from across a large community.” This expanded capability does not come at the expense of getting the basics right. One participant offered, “If you do the basics right, everything will be good...when someone makes a mistake they say ‘think outside the box’ or ‘be innovative,’ but sometimes the box is good. Sometimes you need to stay in the box.” Clearly, workforce capabilities are critical to not only doing the job right, but knowing where to innovate and expand into new areas or techniques to drive a better result. Finally, further empowering the acquisition team to get the job done was noted as an essential element: “We increased the number of warranted contracting officers, empowering staff to make decisions and therefore reduce workload.”

## Conclusions

A risk-averse culture has significantly reduced acquisition innovation, despite efforts by some acquisition leaders to the contrary. The acquisition workforce is forced to find efficiencies through leveraging other organizations’ templates and





tools, but is falling back on the basics and “old habits” to get work done. Workforce enhancements are viewed as critical to responding to workload, and are made all the more important because of the strain on staff. Clearly, much work remains to be done.

## Federal acquisition initiatives

The survey asked respondents to look across all current federal acquisition improvement initiatives and identify which ones they considered the most and least likely to be effective in their organization.

Strategic sourcing is one area where most acquisition officials recognize value. One respondent stated “Although the current budget situation is concerning, the silver lining is that the situation is driving rationality, increasing interest in inter-agency contracting and promoting strategic sourcing.”

Challenges exist, however, to strategic sourcing’s continued success. Several officials reported a concern that opportunities in this area are drying up. “Strategic sourcing has been successful,” said one respondent, “but the low-hanging fruit may all be taken.” Nevertheless, this initiative has shown results, especially when structured to preserve buying power and choice at a local level, while leveraging larger enterprise-wide vehicles to drive up volume and achieve lower prices.

Respondents expressed concern that the small business initiatives are among the least successful. Likewise, the high-risk contracting initiative got low marks. As one respondent noted, “It’s like punishing the entire class for the actions of a few bad actors.”

## Trends

In the 2002 survey, acquisition executives reported an emphasis on finding creative ways to meet the needs of program staff. In 2004, interviewees reported that federal acquisition initiatives such as performance-based acquisitions (also cited in 2006) and “share-in-savings” incentive programs were promising but under-employed, due to a lack of understanding and proper planning. Large GWACs were called out in 2004 and 2008 as broad opportunities to drive efficiencies. Strategic sourcing and the rise of lines of business were mentioned as key innovations in 2006. The 2008 report reflected some cynicism with performance-based contracting, saying that it was overstated and was simply too difficult to use regularly. The 2010 report noted that the rise in oversight was taking its toll on innovative techniques.

Throughout the survey’s 10-year history, respondents have noted that acquisition professionals need access to all of the tools for acquisitions, without artificial restrictions that disconnected them from buyers’ needs. In 2010, 71 percent of respondents said that the Obama administration acquisition mandates had not resulted in better outcomes. Little appears to have changed since.

## Conclusions

FSSI has resulted in general support among the acquisition community. Future cost-savings, however, will hinge on agencies’ abilities to go beyond the “low-hanging fruit” to drive further application of this approach. Increasing levels of oversight and the budget reductions are both significant factors when determining the degree of innovation applied to acquisition activities; those factors are suppressing the appetite for widespread use of innovative techniques.

# Summary:

## The Unabated Crisis



Current political and economic realities have placed an ever-increasing emphasis on the critical role acquisition professionals play in serving the mission of the federal government. Today's acquisition professionals are faced with the task of making critical strategic and tactical decisions that have lasting effects on the organizations they support. They are engaged in a balancing act of significant proportions amid uncertain times.

**Declining Resources vs. Expanding Mission Needs:** Shrinking budgets have forced federal executives to go beyond determining which programs have marginally higher priority than others. Now they must begin to determine whether such requirements will be performed at all. The mantra “doing more with less” that governed recent budget cycles is being replaced with “doing less with less.” Despite the budget uncertainty, demand for government services continues to rise. Acquisition professionals are challenged to balance these competing forces, and to minimize the loss of mission delivery, while facilitating tough investment decisions: “We understand that with a tighter budget, we may not be able to do everything, but we’ll get as much done as possible”

**Oversight vs. Agility:** Increased activity of oversight organizations and the expansion of transparency and accountability initiatives, have had a cumulative effect on the acquisition community. Maintaining the tempo of acquisition audit inquiries with declining resources has hindered the ability to respond to mission needs. “We’re pulling resources away from the strategic mission and placing them to answer the mail of just meeting minimum requirements.”

**Risk vs. Reward:** Providing a means for innovation, flexibility, maintaining momentum and ensuring adequate safeguards is a clear objective of the acquisition lifecycle. Inconsistent application

and fear of failure have created a highly risk-averse culture in the acquisition community: “This zero-risk mentality has had a chilling effect on the ability to make smart decisions.”

**Lowest Price vs. Best Value:** The trade-off between obtaining LPTA goods and services versus best value is a key consideration in the government's buying decisions. The current climate has forced agencies to apply more scrutiny when answering the question of where to pay a premium. Whereas price-based decisions are generally more difficult to challenge, they are not always the most appropriate evaluation criteria when the government needs innovation, technology enhancement or services that directly affect program results. The restricted budget environment and increased scrutiny of every dollar spent have further challenged acquisition professionals to balance the price versus value trade-off, “We have a tripwire policy now in place, so if you want to pay 10 percent more, it has to go to the highest levels for approval. It shows...a paradigm shift from two years ago when we got drunk on best value.”

The fact that the community is facing this combination of longstanding and new challenges is what prompts us to characterize it as a community in an unabated crisis. Efforts to enhance the support given to the acquisition workforce have not delivered the results needed. Going forward, new thinking—about training and development, hiring policies, supporting and encouraging innovation (including the inevitable associated failures) and appropriately resourcing the acquisition workforce—is clearly needed. The pressures on this workforce are clearly growing. So too must the creativity and consistency of the responses to those pressures.



## 2012 Acquisition Policy Survey Interviewees

(Titles reflect positions held at the time interviews were conducted)

### **Laura Auletta**

Director,  
Governmentwide Acquisition  
General Services Administration

### **Rich Beutel**

Senior Counsel  
House Committee on Oversight and Government Reform

### **Mark Bogart**

Chief Acquisition Executive  
Defense Intelligence Agency

### **Kevin Boshears**

Director,  
Office of Small and Disadvantaged Business Utilization  
Department of Homeland Security

### **Sharie Bourbeau**

Principal Executive,  
Office of Program Development,  
U.S. Customs and Border Protection  
Department of Homeland Security

### **Elliott Branch**

Deputy Assistant Secretary,  
Acquisition and Procurement  
Department of the Navy

### **Major Clark III**

Procurement and Small Business Assistant Advocate, Office of Interagency Affairs,  
Office of Advocacy  
Small Business Administration

### **Soraya Correa**

Director,  
Office of Procurement Operations,  
U.S. Citizenship and Immigration Services  
Department of Homeland Security

### **Troy Cribb**

Senior Counsel  
Senate Committee on Homeland Security and Governmental Affairs

### **Mary Davie**

Assistant Commissioner,  
Federal Acquisition Service  
General Services Administration

### **Lesley Field**

Administrator (Acting),  
Office of Federal Procurement Policy  
Office of Management and Budget

### **Paul Francis**

Managing Director,  
Acquisition Sourcing and Management  
Government Accountability Office

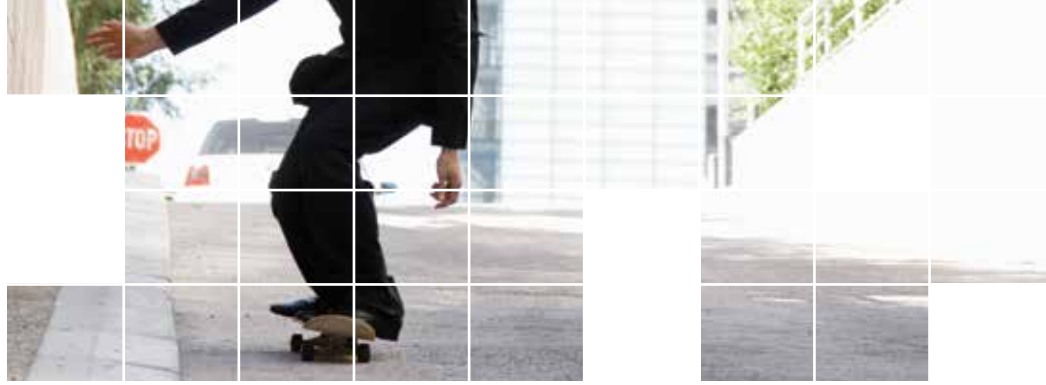
### **Diane Frasier**

Director,  
Office of Acquisition and Logistics Management,  
and Head of Contracting Activity  
National Institutes of Health  
Department of Health and Human Services

### **Jan Frye**

Deputy Assistant Secretary,  
Office of Acquisition and Logistics  
Department of Veterans Affairs



**Gregory Giddens**

Executive Director,  
Enterprise Program Management Office (ePMO)  
Department of Veterans Affairs

**Richard Ginman**

Director,  
Defense Procurement and Acquisition Policy  
Department of Defense

**Robert Griffin**

Assistant Commander for Acquisition,  
Naval Facilities Engineering Command (NAVFAC)  
Department of the Navy

**Nancy Gunderson**

Deputy Assistant Secretary,  
Office of Grants and Acquisition Policy and  
Accountability  
Department of Health and Human Services

**Glenn Haggstrom**

Executive Director,  
Office of Acquisition, Logistics, and Construction  
Department of Veterans Affairs

**Jake Hansen**

Director,  
Procurement, Internal Revenue Service  
Department of the Treasury

**Stuart Hazlett**

Director,  
National Contracting Organization  
Army Corps of Engineers

**Virginia Huth**

Director,  
Acquisition Policy, Integrity and Workforce  
General Services Administration

**Donna Jenkins**

Director,  
Federal Acquisition Institute  
General Services Administration

**Daniel Kane**

Director,  
Office of Acquisition and Grants Management,  
Centers for Medicare and Medicaid Services  
Department of Health and Human Services

**Jack Kelley**

Policy Analyst,  
Office of Federal Procurement Policy  
Office of Management and Budget

**Brett Lambert**

Deputy Assistant Secretary,  
Manufacturing and Industrial Base Policy  
Department of Defense

**James Lieberman**

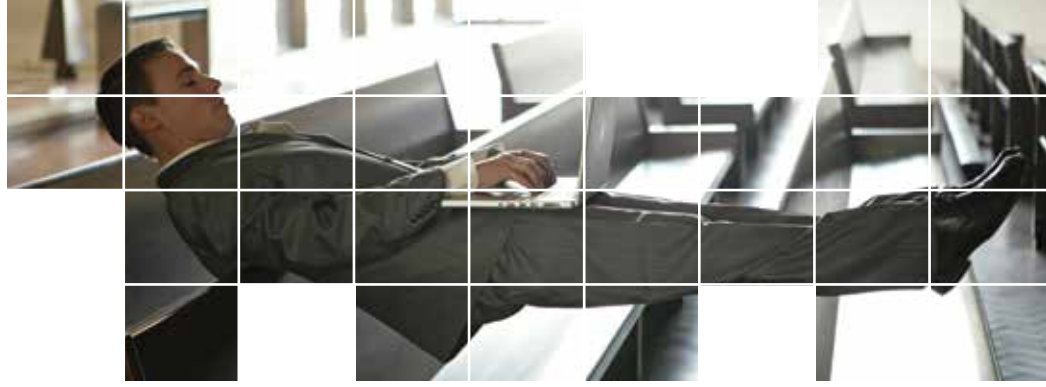
Division Director,  
Office of Procurement,  
U.S. Customs and Border Protection  
Department of Homeland Security

**Jeremy McCrary**

Procurement Analyst,  
Office of Federal Procurement Policy  
Office of Management and Budget

**Bill McNally**

Assistant Administrator,  
Office of Procurement  
NASA

**Joanie Newhart**

Associate Administrator for Acquisition Workforce Programs,  
Office of Federal Procurement Policy  
Office of Management and Budget

**Marianne Roth**

Director,  
DHS Efficiency Review  
Department of Homeland Security

**Tim Shaughnessy**

Senior Technical Advisor  
Department of Homeland Security

**Maureen Shauket**

Mission Director  
USAID/Kosovo

**Dr. Francis Spampinato, Jr.**

Chief Procurement Officer,  
Federal Emergency Management Agency  
Department of Homeland Security

**Dr. Nancy Spruill****Anne Terry**

Procurement Department Director,  
Office of the Chief Procurement Officer  
Department of Homeland Security

**James Wade**

Management Analyst,  
Office of Federal Procurement Policy  
Office of Management and Budget

**Charlie Williams**

Director,  
Defense Contract Management Agency  
Department of Defense

**Julia Wise**

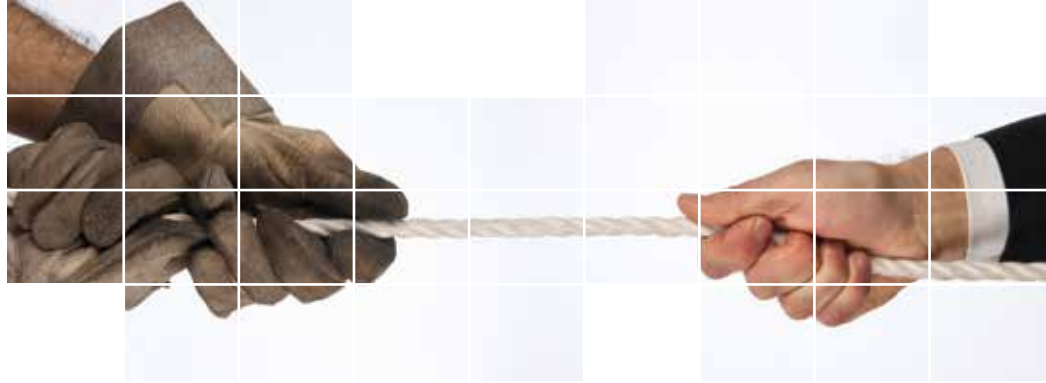
Procurement Policy Analyst,  
Office of Federal Procurement Policy  
Office of Management and Budget

**Ray Wong**

Accountant,  
Office of Federal Procurement Policy  
Office of Management and Budget

**Bill Woods**

Director,  
Sourcing Management, Acquisition and Sourcing  
Management  
Government Accountability Office



## 2012 Acquisition Policy Survey Interviewers

Jeremy Arensdorf, Jefferson Consulting Group LLC

Brian Balicki, Grant Thornton LLP

Nicole Best, Public Contracting Institute LLC

Bret Birkholz, Grant Thornton LLP

Susan Borschel, Morrison & Foerster LLP

Tom Callahan, PAE, Inc.

Bonnie Carroll, Information International Associates

Mark Drever, Celerity Government Solutions

Alfred Elliott, MCR LLC

Nicholas Evans, CGI Federal

Jan Gardill, Booz Allen Hamilton

Don Goff, Wyle

Rich Greene, PAE, Inc.

Larry Halloran, Professional Services Council

John Hancock, Celerity Government Solutions

Chris Hare, Grant Thornton LLP

Kirk Herdman, Sotera Defense Solutions, Inc.

Wiley "Pete" Horsley, ASI Government

Eric Hoskote, Kearney & Company, P.C.

Keith Kerr, Robbins-Gioia LLC

Tom Lampley, KBR

Erica Lee, Kearney & Company, P.C.

Debra Lehman, MCR Federal, LLC

Brion Loftus, Suntiva LLC

Cynthia Punsalan, Grant Thornton LLP

Dan Rogers, Grant Thornton LLP

Randy Rose, CSC

James Scampavia, American Systems

Robin Schulze, Baker Tilly

Jigna Shah, Grant Thornton LLP

Gloria Sochon, ASI Government

Katell Thielemann, Honeywell

Stacy Tselekis, Grant Thornton LLP

Peter Vaeth, Booz Allen Hamilton

Herb Watson, ASI Government

Mark Youman, ICF International

## 2012 Acquisition Policy Survey Team

### Professional Services Council:

Stan Soloway, President and CEO

Alan Chvotkin, Executive VP and Counsel

Roger Jordan, VP of Government Relations

Elise Castelli, Media Relations Manager

Jeremy Madson, Federal Affairs Manager

Victoria Huet, Government Affairs Intern

Matt Taylor, Government Affairs Intern

### Grant Thornton LLP:

Phil Kangas, Principal

Lou Crenshaw, Principal

Eric Heffernan, Director

Thad Juszczak, Director

Jen Glazer, Senior Manager

Brad Wilhelm, Manager

Darrell Kent, Manager

Moshe Nelson, Manager

Zach Fuqua, Senior Associate

Michelle Cotton, Technical Writer

Jason Charter, Graphics







**4401 Wilson Boulevard**  
**Suite 1110**  
**Arlington, VA 22203**  
**703.875.8059**  
*[www.pscouncil.org](http://www.pscouncil.org)*



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**Grant Thornton LLP**  
**333 John Carlyle Street, Suite 400**  
**Alexandria, VA 22314**  
*[www.GrantThornton.com/publicsector](http://www.GrantThornton.com/publicsector)*