

2017

Guidebook for Acquiring Engineering Technical Services (ETS)

*Best Practices &
Lessons Learned*

Version 2.0



Office of the Deputy Assistant Secretary of Defense for Systems Engineering

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Guidebook for Acquiring Engineering Technical Services (ETS): Best Practices and Lessons Learned. Version 2.0.

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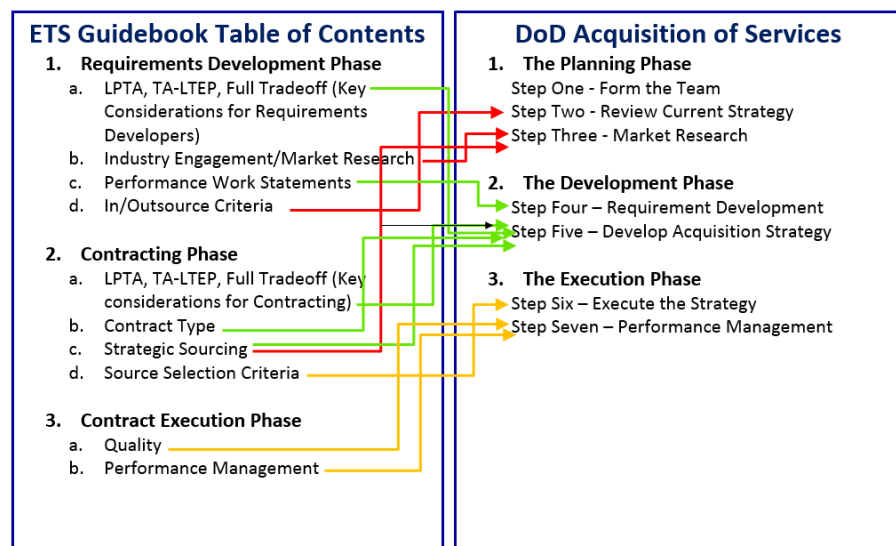
Preface

Engineering Technical Services (ETS) is one of six portfolios in the Knowledge-Based Services portfolio group as defined by the DoD services taxonomy.¹ The Deputy Assistant Secretary of Defense for Systems Engineering (DASD(SE)) is the Functional Domain Expert (FDE) for contracted ETS within DoD and is responsible for identifying functional expertise and localized best practices to share across the portfolio. ETS supports complex acquisition programs by providing robust systems engineering support and technical discipline through the acquisition lifecycle.

Improve Tradecraft in Acquisition of Services is a Better Buying Power (BBP) 3.0² focus area that builds on BBP 1.0 and 2.0 efforts to improve the management of contracted services, which now accounts for over 50% of DoD’s contracted dollars. *Improve the Effectiveness and Productivity of Contracted Engineering and Technical Services* is an initiative of Improving Tradecraft in Acquisition of Services.

This ETS Guidebook was developed to specifically address strategies to achieve the BBP 3.0 objectives with regard to the acquisition of ETS initiative, and is intended to be a living document. The Guidebook is written in the spirit of the “For Dummies” series to help contracting and buying of ETS for people who are not experts in doing so. It is not intended to be all-encompassing, but rather a high-level guide to present some useful best practices and lessons learned from across the

DoD, and serves to provide suggested strategies for acquiring ETS as well as the importance of being aware of the implications of the different strategies. The Guidebook is organized into Requirements Development Phase, Contracting Phase, and Contract Execution Phase. While many of the concepts presented in each of these phases are applicable beyond contracting for ETS, specific areas of focus for



¹ Under Secretary of Defense for Acquisition, Technology and Logistics Memorandum, “Taxonomy for the Acquisition of Services and Supplies & Equipment,” August 27, 2012.

² Under Secretary of Defense for Acquisition, Technology, and Logistics Memorandum, “Implementation Directive for Better Buying Power 3.0 – Achieving Dominant Capabilities through Technical Excellence and Innovation,” April 9, 2015.

ETS are highlighted throughout the Guidebook. The ETS areas of focus are also applicable to the closely related Program Management Support Services (PMSS) FDE portfolio, which includes acquisition of services for program management support of research and development, studies and analyses, and professional and management services.

This ETS Guidebook maps to the DoD Guidebook for the Acquisition of Services³ seven-step process as follows and is intended to complement its processes by offering recommendations suited to contracting for ETS.

It is important that the Department continue to take advantage of the efficiencies gained from enterprise ETS contracts and strategic sourcing vehicles, but also recognize the situations where unique engineering talent and specialization is required and may warrant the need for an independent contract solution. In order to *achieve*

cost-effective, affordable solutions for engineering-related outcomes; increase the effectiveness of enterprise approaches for acquiring ETS; obtain quality support to achieve innovation and maintain technical superiority; and access the right vendors and attract top talent that can be brought to bear on our most complicated technical challenges, it is critical that we continue to share best practices and knowledge in the acquisition of ETS across the community.

**Acquiring ETS is not a
"one size fits all"
solution...compliance
attitude discourages
critical thinking**



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³ Department of Defense, "Guidebook for the Acquisition of Services," June 5, 2012.

Requirements Development Phase

This section is written primarily to inform the requiring community of the importance of understanding the process of planning an acquisition for contracted ETS requirements. Although buying activities ultimately have the responsibility to select the contract type and develop the source selection strategy, requiring activities should be knowledgeable of the impact these decisions will have on the resultant contract and services provided. Understanding the implications can better prepare requiring activities to write ETS requirements that describe the level of innovation and technical complexity needed to meet mission needs. It is recommended that requiring activities engage with the buying activity early in the acquisition planning process to develop a comprehensive acquisition plan and associated requirements package that clearly and accurately describes the need of the requiring activity.

a. Key Considerations for Requirements Developers in Advocating for the Right Source Selection Methodology

Selecting the appropriate source selection strategy is key to ensuring the contracted ETS meet the requirement needs. ETS requirements are typically focused on innovation solutions and require a high level of technical expertise. A source selection strategy that allows industry to propose innovative technical solutions and affords the government the flexibility to evaluate and select the best solution is the goal for contracted ETS. This differs from strategies for less complex services where a Lowest Price Technically Acceptable (LPTA) strategy may be sufficient.



LPTA Most Appropriate When:

- Requirements are well-defined
- Risk of unsuccessful performance is low
- Cost/price is a significant factor
- Neither value, need, nor willingness to pay for higher performance

LPTA not likely an appropriate approach for acquiring ETS

USD(AT&L) issued a memorandum⁴ outlining appropriate use of a **Lowest Price Technically Acceptable** source selection process and associated contract type. LPTA may provide the best value solution in situations in which requirements are well-defined and the government believes selecting the lowest priced,

⁴ Under Secretary of Defense for Acquisition, Technology, and Logistics Memorandum, “Acceptable Use of Lowest Price Technically Acceptable Source Selection Process and Appropriate Contract Type,” March 4, 2015.

technically acceptable proposal will best meet mission needs. While LPTA may be the right choice for well-defined and understood non-complex service requirements such as lawn mowing or janitorial services, it is unlikely the best solution for services such as ETS that may require innovation and a technically superior solution. Used incorrectly, LPTA can have disastrous results. When price is the most important factor in determining which contractor will receive a contract award, contractors are incentivized to propose the lowest possible price. To do so, contractors will propose staff with minimum skills and experience. This results in increased performance risk for services requiring top talent, such as ETS.

Combined with a firm-fixed-price contract type, an LPTA strategy can be a worst case combination for an ETS acquisition. Underbidding is a practice that can result in lower quality, junior performers and can be detrimental to the requiring organization. ***The Department can't afford to lose valuable ETS contractor talent on account of LPTA!***

- ✓ LPTA solutions can help organizations achieve cost savings, but quality of solutions can suffer if used inappropriately
- ✓ LPTA/FFP requirements can decrease contractor's incentive to quickly fill positions due to less profit margin due to low proposed price to win
- ✓ Young/inexperienced engineering/acquisition workforce limits ability to use trade-off strategies; challenged to select other than LPTA

Lessons Learned – Lowest Price Technically Acceptable

Technically Acceptable – Lowest Total Evaluated Price (TA-LTEP) is a source selection strategy that has been used successfully by the Air Force to acquire contracted Knowledge-Based Services requiring a higher level of quality, such as ETS. Under a TA-LTEP construct, the technical bar is established by the requiring activity during requirements development. Technical acceptability of proposals is determined by the technical evaluation team, which should include representation from the requiring activity that defined the technical bar. The proposed price is evaluated through an informed process designed to identify and adjust proposed labor costs that are underbid for purposes of receiving a contract award on the basis of low price. This process is conducted by the cost evaluation team during the source selection process by comparing proposed labor costs with labor costs reviewed and approved by the Defense Contract Audit Agency (DCAA).



A holistic approach using a TA-LTEP strategy, CPFF contract types, and PWSs has yielded positive results acquiring Knowledge Based Services (including ETS)

It is important to understand the need to define the level of technical capability that is necessary as contractors are not incentivized to propose solutions beyond the technical bar due to the Lowest Total Evaluated Price selection criteria.

Best Practices – TA-LTEP Strategy

- ✓ **Develop source selection strategies that emphasize a high technical bar as required**
- ✓ **LTEP is tied to market research; such as for professional compensation practices, and a determination of Most Probable Cost (MPC)**
 - **MPC uses indices for employee cost from DCAA**
 - **Offeror’s proposed cost may be adjusted (upward only) based on MPC assessment**
 - **Proposals with large upward adjustments based on MPC assessment may be discarded**
- ✓ **Requiring activity participates in defining technical acceptability**

A **Tradeoff** source selection process is appropriate when it is in the best interest of the government to consider an award to other than the lowest price offeror or other than the highest technically rated offeror. The government isn’t obligated to award to the contractor with the lowest price, but rather has the flexibility to “trade off” to get the solution that will meet the mission needs. Innovative and complex technical solutions enabling the Warfighter to maintain a technological advantage through a superior solution is an example of an optimal use of a Tradeoff source selection. Requiring activity input is critical in identifying and defining the key technical requirements that warrant paying more to support the value of a superior solution.



Tradeoff Most Appropriate When:

- **Warfighter willing to pay for above threshold requirements or performance standards**
- **Warfighter may benefit from innovative and technologically superior solution**

The government must clearly communicate to industry in the request for proposals that it intends to make a contract award decision based on factors other than price. The government must also tell industry specifically what are the other-than-price factors it plans to evaluate. This is accomplished through evaluation criteria that identify each of the factors the government will evaluate (i.e., technical innovation, management capability, past performance) as well as how important each factor is to the government. Evaluation criteria are unique to each acquisition.



Identify key ETS technical requirements and value of superior performance to support a Tradeoff process

Requiring activities should be involved in designing the tradeoff source selection strategy and developing evaluation criteria to differentiate between Offeror's proposals to trade off cost or price for the non-cost or price factors (i.e., technical innovation, management capability, past performance) to ensure the government can evaluate the things that are most important and receives the best value solution without sacrificing quality.

An example of a successful use of a tradeoff source selection strategy is the Joint Light Tactical Vehicle (JLTV) acquisition. Although the JLTV was a complex acquisition of a major weapons system, some of the basic tradeoff principles can be applied for an ETS acquisition.

During requirements planning, the JLTV program worked collaboratively as an Integrated Product Team (IPT) with their contracting office to prioritize the requirements into tiers and develop a comprehensive source selection strategy. The most critical requirements were identified as tier 1 requirements. Threshold and objective performance levels were established for each tier 1 requirement. The remaining requirements were grouped into tiers 2-5. The IPT designed an evaluation strategy to clearly communicate the value associated with the requirements in each tier to enable industry to understand the available trade space and allow offerors to make design tradeoff decisions with full understanding of the requirements of greatest importance to the government.

The three evaluation factors for the JLTV were as follows: (The non-cost factors, when combined, are significantly more important than the cost factors (as required by the Federal Acquisition Regulation (FAR)).

1. Primary Technical Factor (Non-Cost Factor)

JLTV tier 1 requirements were subjectively evaluated by assessing the risk of achieving the stated threshold performance levels based upon offerors' proposed technical solutions and associated substantiating data.

Applicability to ETS:

For ETS, an example could be a Program Manager requiring engineering support personnel to evaluate a new technology upgrade. The above evaluation factor could be modified to assess the feasibility of proposed solutions (e.g., individuals/teams) to the ETS requirement. A technical factor identifying the key critical requirements with defined minimum (threshold) capabilities (e.g., a PhD with 10 years of experience) necessary to satisfy the ETS requirements as well as objective (desired) (e.g., a PhD with 15 years of experience) capabilities would need to be developed by the requiring activity. These would be tier 1 requirements and should be limited to only those requirements deemed most critical for success.

Offerors would be required to provide documentation (e.g., resumes) with their proposed technical solutions to assist the government in assessing the ability and risk (e.g., past performance surveys) of the proposed solution to meet the stated threshold capability of the tier 1 requirements. Suitable documentation could include “proof of concept” or other demonstrations of successful execution of the key critical requirements. Remaining requirements could be grouped in lower-level tiers.

Proposed solutions exceeding the stated threshold capability and validated by supporting documentation would be evaluated at a reduced risk to achieve the threshold capability.

2. Total Evaluated Cost/Price (TEC/P) Factor

For purposes of assigning value to the requirements for evaluation and enabling offerors to understand the trade space while developing their proposed solutions, the JLTV IPT developed a set of RFP proposal spreadsheets that provided complex formulas to calculate a TEC/P using proposal “credits.” The spreadsheets provided a method to assign value to each requirement in each tier and included adjustment multipliers, allowing offerors the ability to assess the calculated result of proposing above threshold capability for the tier 1 requirements and proposing threshold compliance for the requirements in tiers 2-5. The proposal “credits” were intended to enable offerors to understand how their proposed solution would be valued by the government.

The calculated TEC/P was used for JLTV evaluation purposes only. TEC/P was determined as follows:

$$\text{TEC/P} = \text{Proposed Cost/Price (following cost realism evaluation)} \\ - \text{tier 1 credits} - \text{tier 2-5 credits} - \text{additional adjustments}$$

The table below provides a simplistic example of how TEC/P could be used in an ETS evaluation. In no way does this represent the JLTV evaluation.

Tier 1 Requirements Evaluation: Proposed solutions received “credits” in the form of a downward adjustment of the proposed TEC/P (for purposes of evaluation only) to assess value of increased capability for proposed performance above the stated threshold levels. The JLTV RFP proposal spreadsheets included adjustment scales for proposed performance between threshold and objective levels.

Tier 2-5 Requirements Evaluation: Proposed solutions received “credits” using a point system devised to award points for proposed compliance with each individual requirement. More points were available for higher tier

requirements (tier 2 = 12 points, tier 3 = 6 points, tier 4 = 2 points, and tier 5 = 1 point). The total summation of points for all tiers 2-5 resulted in an adjustment of the TEC/P (for purposes of evaluation only) based upon comparison to the values provided in the RFP proposal spreadsheet. All proposed compliances were to be incorporated into the resultant contract as threshold requirements.

Additional adjustments for items of value to the government: downward TEC/P adjustments (for purposes of evaluation only) in the form of “credits” were also given for proposing technical data packages (TDP) that support future government full and open competitions and proposed designs that reduce life cycle sustainment costs. TDP adjustments were not available to offerors who declined to propose options for the government to acquire data rights beyond those to which the government is already entitled. Adjustment formulas were also provided in RFP proposal spreadsheets.

3. Small Business Participation Factor

The government evaluated the offerors’ proposed small business participation in terms of how well it achieves the government’s small business goals, which were stated in the RFP, and an assessment of the risk probability that the offeror would achieve its proposed small business participation goals.

4. JLTV Summary

The JLTV evaluation strategy enabled the government to objectively assess the proposed solutions and achieve a best value award decision. The “credit” system enabled the government to communicate to industry how it valued each of the requirements through the TEC/P evaluation and how it intended to execute a tradeoff strategy. Because industry was provided with the spreadsheets as part of the proposal, and the TEC/P approach was clearly laid out in the RFP, offerors could design their proposed solutions with full knowledge of the areas of greatest value to the government.

Lessons Learned – Tradeoff Strategy

- ✓ Requiring activity input critical to develop well-articulated requirements
- ✓ For premier ETS capabilities, requirements activities must articulate the added value to the government to support tradeoff best value strategies
- ✓ Consider complexity of the requirement when selecting best value source selection strategy
 - LPTA appropriate for less highly technical services, but should be carefully used to avoid “race to the bottom” for highly technical services (like ETS)
- ✓ Lack of Technically Acceptable distinguishability can lead to low price awards and “ruthless competition”

Best Practices – Tradeoff Strategy

- ✓ **Strong communication between operational and requiring activities enables selecting the most appropriate best value strategy for each unique requirement**
- ✓ **Balance the need for cost savings with quality of service when selecting best value strategy**
- ✓ **Return to Knowledge Base**
 - **Requiring/Buying activities can move to more use of trade-off strategies by writing better requirements**
 - **Requiring activities should set Technically Acceptable bar then determine how much willing to pay for trade-offs**

b. Market Research and Industry Engagement

Market research and industry engagement to understand the commercial marketplace is essential to inform requirement and acquisition strategy development enabling best value ETS solutions for the government. For example, where unique and specialized engineering talent is required, the small business community may be able to best fulfill niche ETS services. Thorough market research serves to determine the appropriateness of soliciting ETS



Existing strategic sourcing vehicles offering ETS services are identified in the Strategic Sources section of the Contracting Phase of this guide—ETS acquisitions are not limited to these enterprise solutions

requirements as a small business set-aside. Requiring activities should actively participate in market research activities conducted by buying activities as this is an opportunity to “discover” innovation in the marketplace and inform requirements and acquisition strategy selection that allow for the proposal of innovative solutions. ETS requiring and buying activities are encouraged to consider unique solutions to access superior talent that may be unavailable through traditional contract vehicles. For example, the Defense Innovation Unit Experimental (DIUx) is experimenting with strategies to access non-traditional vendors to more quickly acquire innovative and cutting-edge technology for the Department.

Market research also includes reviewing existing contracts and strategic sourcing vehicles to determine if an existing vehicle is a suitable solution to meet the ETS requirement need. This review includes ensuring the available labor categories and rates complement the level of technical skill required and the talent needed for an ETS requirement.

Industry engagement as a market research tool can further help the government to better understand the marketplace and bring awareness of new and emerging innovative technologies through a variety of engagement techniques (i.e., technical exchanges, one-on-one technology discussion meetings with vendors, requests for

information). This is also an opportunity to ask industry to share methods and commercial best practices regarding quality assurance and performance measures for ETS.

Industry engagement is an integral part of an ETS contracted service acquisition, especially when using a Tradeoff source selection strategy. When the technical requirements and the value of superior performance are shared with industry in advance, industry can understand the value proposition and is better equipped to propose innovative solutions that meet the government's needs.

Best Practices – Market Research/Industry Engagement

- ✓ **Conduct Industry Engagement to Communicate ETS Forecast Requirements and Understand Innovative Solutions Available in the Market**
- ✓ **Strong IPT relationships between requiring and buying activities essential for acquiring solutions that meet requiror needs**
- ✓ **Include on/off-ramps to incorporate new technology/capabilities and enhance competition**
 - **Use market research to describe capabilities and add new vendors or**
 - **Technology areas could be satisfied through sub-contracting relationships**
- ✓ **Small businesses have innovative solutions to offer and can be accessed through existing source selection contracts**

c. Performance Work Statements

Performance-based acquisition strategies for ETS contracts encourage industry to propose innovative solutions by shifting the focus from government-directed processes to performance outcomes. In a performance-based environment, industry has latitude to determine how best to meet the government's requirement.

Performance-based contracts include a Performance Work Statement (PWS)⁵ that describes the work in terms of the required outcomes rather than detailing “how” the work is to be accomplished or the specific number of hours to be provided by the contractor. A PWS also includes measurable performance standards that define acceptable contractor performance in achieving the performance outcomes, and financial incentives to encourage cost-saving innovative solutions. The tasks and associated performance standards identified in the PWS inform the Quality



The PWS can be developed by the government or the government can develop a Statement of Objectives and require Offerors to propose the PWS as part of the proposal

⁵ Department of Defense “Guidebook for the Acquisition of Services” provides additional guidance for developing Performance Work Statements and Quality Assurance Surveillance Plans.

Assurance Surveillance Plan (QASP) used to evaluate and monitor contractor performance during contract execution.

The PWS should state requirements in general terms of what (outcome) is to be done, rather than how (method) it is done and define requirements at a high level to leave room for industry to propose innovative ETS solutions. The PWS gives the contractor flexibility to devise the best method to accomplish the required outcome. Unique ETS requirements need to be clearly identified in the PWS to ensure offerors understand the level of complexity of the effort. The government's inability to accurately describe the need and convey the associated complexity of the need is often a reason for disconnect in what the contractor delivers versus what the government expects.

Best Practices – PWS

- ✓ **Requiring Activity should be heavily involved and engaged in requirements development through strong and effective Integrated Product Teaming with Contracting Activity**
- ✓ **Key question to consider:**
 - **Is flexibility or innovation desired in the performance of the requirement?**
 - **Ensure PWS not overly prescriptive/allows for unique approaches to satisfy requirements**

d. Determinations for Government or Contracted Service Support

Determining allocations and responsibility between in-house government workforce and contracted ETS support should be made using a thoughtful process. The type of work, duration of the need, the level of required skill complexity, and consideration of historical decision making are key elements that need to be considered when determining the appropriate allocations. Programs should forecast future needs and identify key areas to grow in-house capabilities (this requires working closely with HR/workforce offices/leadership) to strike the right balance between government and contracted service solutions. Contracted services are an option to access highly specialized ETS capabilities that do not exist within the government. Programs that are highly susceptible to budget impacts should consider using contracted services as this allows flexibility to quickly grow or downsize support.

Organizations desiring a comprehensive enterprise solution to manage and staff government or contracted service decisions is to adopt a “total workforce” organizational approach such as the one currently being used by Naval Air Systems Command (NAVAIR).

NAVAIR is structured as a Competency Aligned Organization (CAO) to manage the products, core functions, and processes necessary to execute its mission. Developing

and implementing such a strategy requires time and planning investments, and an in-depth look at organizational processes and resources.

Within the CAO, Competencies (Program Management, Contracts, Research & Engineering, Test & Evaluation, Logistics & Industrial, Corp Ops/Comptroller/Counsel) centrally plan and manage the Command Staffing Process at the Command level. The Command Staffing Process provides visibility into manpower capability needs across the enterprise and provides insight into the workforce mix to inform in-house government support versus contracted service decisions to support Program Executive Officer (PEO) mission execution. A Notional Competency Aligned Organizational Structure is provided in Figure 1.

Under the Command Staffing Process, PEOs identify the products and activities its programs must accomplish, and then “buy” the support needed to produce those products from the appropriate Competency (e.g., Program Management, Contracts, R&E, etc.). The Competency is responsible for determining if the government has the in-house capability to support the program’s needs or if a contracted service solution is more appropriate. Typically, program requests for non-enduring, non-organic, and specialized skills the government doesn’t have or intend to cultivate internally, are satisfied through contracted service solutions. Managing in-house government support versus contracted service decisions through the Competencies enables NAVAIR to more accurately estimate resources (people and dollars) necessary to meet the demand for acquisition support across the enterprise as well as manage contracted service contracts at the Command level.

As programs plan acquisitions, they coordinate with the Competencies to identify the acquisition support that will be necessary as the program moves through the phases of the acquisition lifecycle; from planning, budgeting, and requirements generation through operations & support.

For example, a PEO program needing to research innovative solutions to advance a mission capability will submit an electronic request for ETS support from the Research & Engineering Competency. It is critical for the program to clearly define the level of complexity of the work to be accomplished for the Competency to fully understand the need and accurately determine if the capability exists within the government or if a contracted service solution is the best method to provide the level of talent needed for this particular need. If contracted service support is needed, the Competency acquires and staffs the resource/s to the program in addition to any government resources that are part of the solution to meet the ETS need.

Requirements Development Phase

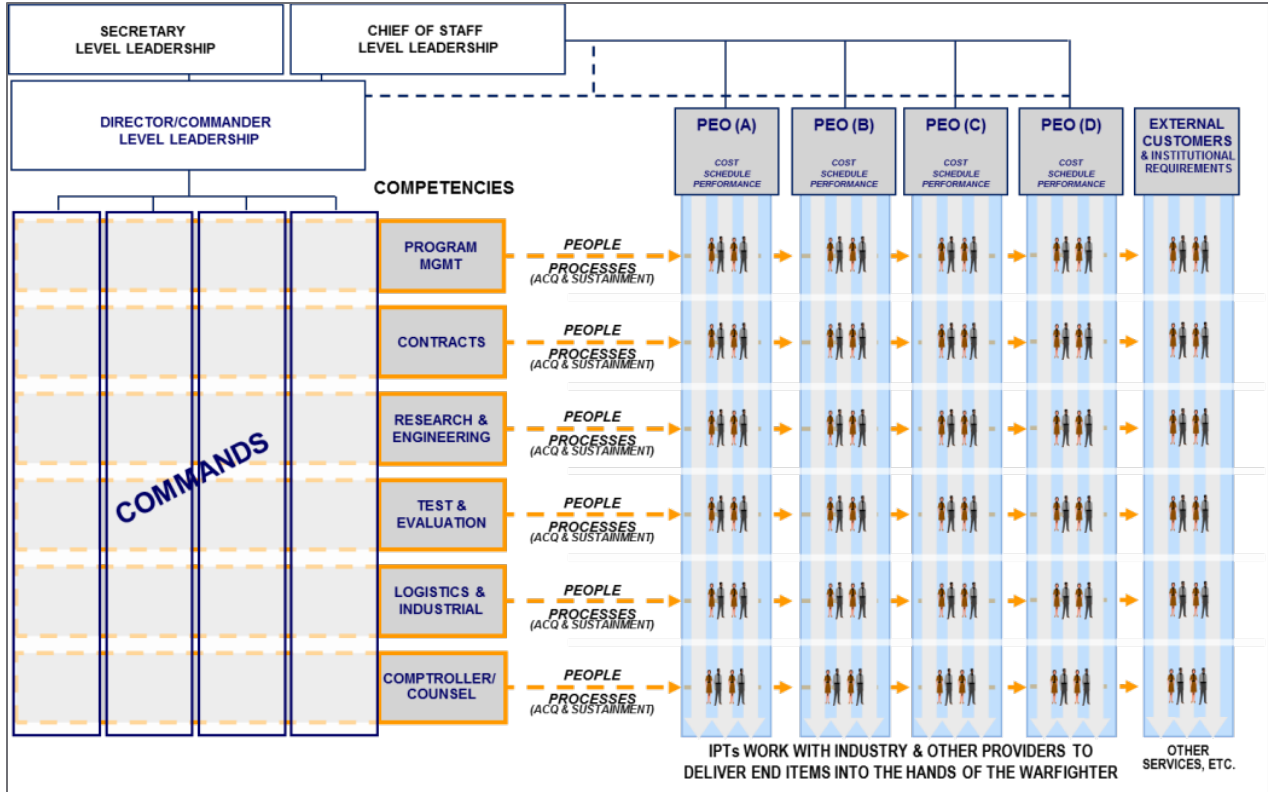


Figure 1 - Notional Competency Aligned Organizational Structure

Best Practices – Government or Contracted Service Support

- ✓ Highly technical fields, like IT, that rapidly change should be contracted out; fields that don't change as rapidly should be considered for in-house (Government) performance
- ✓ Determinations for Government or Contracted Service Support are Command level decisions:
 - Assess inherently governmental functions for Government performance
- ✓ Longer duration tasks that can't be satisfied through a government engineering solution are also good candidates for contracted services
- ✓ Assess highly technical positions for contracted service support given that the private sector is able to compensate a highly specialized talent pool
- ✓ Short duration tasks requiring a high level of technical skill or innovation good candidates for contracted services support
- ✓ Consider mechanisms and reviews to determine and encourage use of internal agency resources prior to acquiring contracted service support

e. Requirements Development Phase Resource Links

AT&L Memo Appropriate Use of LPTA and Appropriate Contract Type

http://bbp.dau.mil/docs/Appropriate_Use_of_Lowest_Priced_Technically_Acceptable_Source_Select_Process_Assoc_Con_Type.pdf

DPAP Product and Service Code Selection Tool

<https://psctool.us/>

DAU Service Acquisition Mall for Knowledge-Based Services

<http://sam.dau.mil/Content.aspx?currentContentID=9689b62c-912b-4a07-b8c3-d9fd0268e119>

DoD Instruction 5000.74 - Defense Acquisition of Services

<http://www.dtic.mil/whs/directives/corres/pdf/500074p.pdf>

DoD Guidebook for the Acquisition of Services

https://acc.dau.mil/adl/enUS/472568/file/69670/Services%20Acquisition%20Guidebook%206_5_2012.pdf

Contracting Phase

This section is written primarily to inform the process of executing an acquisition for contracted ETS requirements. The responsible buying activity should continuously engage with the requiring activity throughout this phase to ensure requiring activity needs are understood and met.

a. Low Price Technically Acceptable, Technically Acceptable-Lowest Total Evaluated Price, Full Tradeoff (Key Considerations for Contracting)

As discussed in the previous section, the appropriate source selection strategy for ETS contracted services should be developed in concert with the requiring activity based on the complexity of the requirements. A summary of the strategies previously discussed is as follows.

LTPA	TA-LTEP	Trade-off Process
<ul style="list-style-type: none"> • Do you have well-defined requirements? • Is there low risk of unsuccessful performance? • Is cost/price is a significant factor? • Is a technically acceptable solution desired? • Is there a value, need, or willingness to pay for higher performance? • Most appropriate when best value expected from technically acceptable proposal with lowest price 	<ul style="list-style-type: none"> • Same as LPTA <p>Except:</p> <ul style="list-style-type: none"> • Heavy Reliance on Cost Realism evaluation using Most Probable Cost assessment to identify unrealistic proposed labor rates, adjust upward to acceptable rates and eliminate proposals requiring large adjustments • Emphasis on establishing a technical bar appropriate for the level of expertise or innovation required 	<ul style="list-style-type: none"> • Are requirements for development of innovative solutions? • Is there a higher risk of unsuccessful performance? • Are factors other than cost/price more significant? • Is the Warfighter willing to pay more for above threshold requirements or performance standards? • Will the Warfighter benefit from an innovative and technologically superior solution?

b. Contract Type

Just as carefully selecting the source selection strategy is critical to successfully acquiring ETS, choosing the appropriate contract type that best fits the requirements and drives desired outcomes is equally important. The two broad categories of contract types are fixed-price and cost reimbursement. There are many variations within these two categories to incentivize contractor



A CPFF LOE structure is well-suited to professional services like ETS that are intended to support or enhance mission performance through technical innovation or excellence

performance.⁶ Contracting Officers are responsible for selecting the appropriate contract type to achieve the government objectives. ETS requirements that are not complex, not easily defined, and have a higher performance risk are better suited to cost reimbursement contracts than fixed-price contracts.

Fixed-Price	Cost Reimbursement
<ul style="list-style-type: none">• Appropriate when requirements are firm, easy understood, and tied to clear and measurable outcomes such as vehicle maintenance or landscaping services• Services performed must meet stated and agreed to minimum requirements• Contractors are incentivized to control costs, not innovate	<ul style="list-style-type: none">• Appropriate for tasks, efforts, and outcomes that cannot be clearly defined, such as R&D• Costs are reimbursed for incurred costs up to the contract ceiling• Contractor receives payment for delivering its “best effort”• Performance monitoring important to ensure government receives services paid for

Lessons Learned – Contract Type Selection

- ✓ **“Lot Buy” constructs for acquiring Contractor Support Services are not effective for managing contractor performance**
 - **No insight into contractor labor hours applied or visibility into rate changes over contract life**

Best Practices – Contract Type Selection

- ✓ **Select Contract Structure Effective for Managing Contractor Performance**
 - **Cost-Plus contract types allow insight into FTEs applied and visibility into rates over contract life**
 - **Develop fee structure, incentives, and performance measures to monitor performance and drive desired contractor behaviors**
 - **Effective selection/use of tripwires to achieve desired performance levels**
 - **Requiring and buying activities should develop collaboratively**

⁶ Variations of Fixed-Price and Cost-Reimbursement contract types are discussed in the Federal Acquisition Regulation, Part 16.

c. Strategic Sourcing

The DoD relies extensively on contracted services for technical management, systems engineering, and engineering services, including programs associated with Systems Engineering and Technical Assistance (SETA) contracts. In many cases, enterprise approaches for acquiring ETS are effective for increasing the efficiency of the acquisition process, identifying cost savings that leverage the buying power of the DoD, and standardizing the oversight and management of ETS contracts.

Many of the military departments and agencies have moved toward enterprise solutions for ETS by offering strategic sourcing vehicles and enterprise contracts that encompass ETS. Examples are as follows:

Vehicle Name	Scope	Availability
OASIS/OASIS SB	Professional Services – Program Management, Management Consulting, Scientific Services, Engineering Services, Logistics Services, Financial Services	Gov-wide
Alliant (GWAC)	Information technology (IT) services and IT services-based solutions	Gov-wide
RS3	Engineering, Research/Development/Test/Evaluation (RDTE) Logistics, Systems Engineering and Technical Assistance (SETA), Education and Training Services	DoD-wide
EXPRESS	Business and Analytical, Logistics, Programmatic and Technical, and Comprehensive Advisory and Assistance Services	Army
S3	C4ISR Life Cycle Support – Engineering, Logistics and Business Operations	Army
R2-G3	C4ISR Services – Research & Development, Systems Integration, Systems Engineering, Test & Evaluation, Logistics Support, Training	Army
CHESS	Business Process Reengineering (BPR), Information Systems Security, Information Assurance, Information Technology Services etc.	Army
TACOM TS3	Knowledge Based Services (KBS), Equipment Related Services (ERS), and Research & Development Services	Army
SeaPort-e	Professional support services in 22 functional areas including Engineering, Financial Management, and Program Management	Navy
TEAMS	Support services from Systems Engineering and Technical Assistance (SETA) support to administrative and acquisition support functions	MDA

OASIS – One Acquisition Solution for Integrated Services

GWAC—Government Wide Acquisition Contract

RS3 – Responsive Strategic Sources for Services

EXPRESS - Expedited Professional and Engineering Support Services

S3 – Strategic Sourcing Services

R2-G3 - Rapid Response—Third Generation

CHESS – Computer Hardware Enterprise Software and Solutions

TACOM TS3 – Tank Automotive Command Strategic Sourcing Services

Seaport-e—is the Navy's electronic platform for acquiring support services

TEAMS - Technical Engineering Advisory & Management Support

Benefits of using a government or DoD-wide strategic sourcing vehicle such as General Services Administration (GSA) OASIS and OASIS Small Business (SB) for complex professional services such as ETS include:

- Reducing duplicative contracts, total spend to acquire services, and high-risk contract actions (Office of Management and Budget’s Strategic Sourcing goals)
- No program ceiling, five-year base and one five-year option structure provides long-term planning for complex program requirements
- Tiered access fee (ranging from 0.1% - 0.75% on OASIS) and negotiated based on expected Service/Agency obligation level

As a result of these strategic sourcing efforts and enterprise contracting initiatives, the Department has achieved efficiencies in the acquisition of ETS. When appropriate, strategic sourcing and enterprise solutions provide benefits in the form of efficiencies and cost savings. However, just because strategic sourcing vehicles are available doesn’t mean they are the best fit for every acquisition. Individual requirements may best be fulfilled by unique solutions that are focused on a high level of quality rather than achieving cost savings. ETS solutions may be best satisfied by one-off contract solutions, and a case-by-case analysis is critical to determine the best solution.



Don't opt for strategic sourcing solutions just because they are available!

Pros/Cons of Using Strategic Sourcing/Enterprise Contracts

- Pros**
- Increase acquisition process efficiencies
 - Realize cost savings
 - Leverage government’s buying power
 - Standardize contract management and oversight
 - Fees can be capped based on base contract proposals
 - Range of contractors to provide solutions based upon past performance and corporate experience
 - Repeatable ordering procedures enable faster task order execution
 - Pre negotiated rates provide better predictability of costs
 - Alignment with enterprise strategies and consistency across organizations

- Cons**
- Sophisticated and specialized ETS technical innovation may not be best satisfied through enterprise contract vehicles
 - Defaulting to enterprise contracts may overlook the small business community that may be able to satisfy niche ETS services
 - Strategic sourcing vehicles tend to have more general labor categories and competition forces lower rates. Must balance convenience of using an enterprise vehicle with potential for lower rates and lower quality staff
 - Combining ETS requirements with other requirements across different functions or organizations could dilute the “uniqueness” required for ETS

An example of encouraging the use of an enterprise solution is the Air Force Life Cycle Management Center's (AFLCMC) customization of the GSA OASIS and OASIS SB vehicles for Air Force-wide Knowledge-Based Services (KBS). The Engineering, Professional, and Administrative Support Services (EPASS) PMO manages the Air Force's KBS needs using a tailored set of OASIS and OASIS SB pools. Although not required, AFLCMC strongly encourages requiring activities to coordinate KBS needs with the EPASS office.

Best Practices from leveraging and customizing the OASIS and OASIS SB strategic sourcing vehicle include:

- ✓ **EPASS PMO – Single office to manage AF Knowledge Based Services (KBS) requirements**
- ✓ **Significantly larger TOs: Raises average TO size to 70+ Contract Man-year Equivalents**
- ✓ **Geo-agnostic – TOs support entire organizational footprint, including overseas**
- ✓ **Defined transition period in every TO – Industry proposes & accountable to execute**
- ✓ **OASIS SB improves stability within AFLCMC program offices**
 - **10 year ordering period & 15 year PoP → EPASS TOs awarded for 5 years**
- ✓ **Low tolerance for contractor inability to perform**
 - **Poor performers ineligible for future work, to include exercise of options**
- ✓ **Tradeoff source selection methodology allowed – When value can be quantified & justified**
- ✓ **More robust sources selections – Technical acceptability emphasized using TA-LTEP strategy**
- ✓ **Cross-teaming rules enhance contractor opportunities**
 - **Encourages prime contractors to assemble unique teams for individual orders**
- ✓ **EPASS PMO does not dictate customer requirements**
 - **Labor categories, education & experience defined by user**
 - **Zero restrictions on subject matter expert requirements**
- ✓ **CPFF in lieu of FFP—Provides cost controls and cost realism w/inherent flexibility**

Lessons Learned – Strategic Sourcing

- ✓ **Larger vendor pools promote competition at Task Order level**
- ✓ **Strategic sourcing offers build-in efficiencies / economy of scale savings**
- ✓ **Balance with requiring activity needs; *do not sacrifice quality for savings***
- ✓ **Consider solutions other than strategic sourcing vehicles when the need for superior expertise outweighs cost savings of strategic sourcing**

Best Practices – Strategic Sourcing

- ✓ Centralized ordering offers efficiencies and effectiveness
 - Ease in implementing standardized processes and templates
 - Stable workforce critical for success
- ✓ Ordering guides and standardized templates promote process standardization and repeatability for faster task order execution
- ✓ Provide Uniform Pricing Templates in Request for Proposals to standardize cost proposals
- ✓ Provide periodic feedback to industry on quality of proposals and desire for innovative solutions
 - Award debriefings and industry days
- ✓ Manage strategic sourcing contracts from total scope perspective regarding use by other Services
- ✓ Open dialog across the Services informs solutions/approaches to assess technical interests and leverages development activities through use of existing strategic sourcing vehicles
- ✓ Develop requirements to take advantage of strategic sourcing vehicles to yield benefits including:
 - Streamlined processes
 - Cost savings
 - Operating efficiencies
 - Standardized metrics
 - Centralized data analysis

d. Source Selection Criteria

Source selection evaluation criteria should be developed collaboratively with the ETS requiring activity. The people that develop the requirements should be the same people that participate in the source selection evaluation. This ensures the critical requirements are identified, well understood, and used to develop meaningful criteria. Clearly linking the evaluation criteria to the requirements of greatest importance to the requiring activity enables a source selection that results in a contract meeting the specific needs of the requiring activity.

The evaluation criteria for a LPTA or TA-LTEP source selection should identify the minimum requirements that will be used to determine Technically Acceptable.

The evaluation criteria for a Tradeoff source selection should identify the evaluation factors that will be used to evaluate offers and their importance as they relate to cost/price. This information is necessary for contractors to understand the value the government is placing on factors other than cost/price to determine best value.

Lessons Learned – Source Selection Criteria

- ✓ Review CPARS comments in addition to ratings during source selection
- ✓ Open communication with Industry essential for success
 - Transparent discussions up to RFP release; draft RFPs for feedback
- ✓ Early and frequent contact with stakeholders essential for success

Best Practices – Source Selection Criteria

- ✓ Conduct Most Probable Cost analysis to ensure quality talent and retention
 - Compare “proposed” labor rates to “acceptable” rates as determined by geographic location
 - Consider upward adjustment of unrealistic labor rates; skill-mix and hours not adjusted
 - Proposals requiring large adjustments may be eliminated
 - Address Most Probable Cost concerns during discussions
- ✓ Develop evaluation criteria focused on Technically/Acceptable proposals/solutions
 - Proposals must demonstrate comprehensive understanding of nature and scope of work
- ✓ Include RFP language that allows award without discussion if one of the two (or more) technically acceptable offers has a realistic total evaluated price (market research informs price realism analysis)
- ✓ Evaluate Task Order past performance in addition to CPARS data, when applicable
- ✓ Tailor past performance questionnaires to reflect complexity of the requirements to effectively discriminate quality, cost, and schedule performance as well as business relations
- ✓ Incorporate terms for contract scope adjustments
- ✓ Require contractor transition plans with proposals to ensure successful contract transitions
- ✓ Include right of first refusal of employment to predecessor contract employees
- ✓ Include key personnel qualifications and requirements to incentivize top talent and reduce risk of post-award “bait and switch”

e. Contracting Phase Resource Links

DoD Instruction 5000.74 - Defense Acquisition of Services

<http://www.dtic.mil/whs/directives/corres/pdf/500074p.pdf>

DoD Guidebook for the Acquisition of Services

https://acc.dau.mil/adl/enUS/472568/file/69670/Services%20Acquisition%20Guidebook%206_5_2012.pdf

2016 DoD Source Selection Procedures

<https://acc.dau.mil/docs/DoDSSP/Source%20Selection%20Guide%20and%20Memo%201%20April%202016%20ljm.pdf>

DPAP Strategic Sourcing

<http://www.acq.osd.mil/dpap/ss/>

GSA OASIS and OASIS SB

<http://www.gsa.gov/portal/category/104731>

Alliant Government wide Acquisition Contract

<http://www.gsa.gov/portal/content/104793>

Army Responsive Strategic Sourcing for Services (RS3) Contract

<http://acc.army.mil/contractingcenters/acc-apg/RS3/>

Contract Execution Phase

Ensuring quality services are received during the contract execution phase requires consideration during acquisition planning. Appointed Contracting Officer's Representatives (COR), Contracting Officer's Technical Representatives (COTR), and Technical Points of Contact (TPOC) must also be adequately trained and equipped to monitor contractor performance against the performance measures to ensure the government receives the agreed to quality of service.

a. Quality

Quality is uniquely defined for each individual acquisition. The key requirements that were identified in the requirements development phase and used to develop evaluation criteria in the contracting phase also inform the measurable performance standards that define required contractor performance in achieving the performance outcomes, and financial incentives to encourage cost-saving innovative solutions. Using a performance-based acquisition strategy, performance measures align with and map to the PWS through the Quality Assurance Surveillance Plan (QASP).⁷

CORs, COTRs, and Technical Points of Contact (TPOCs) must fully understand the contract-specific QASP performance measures and features designed to measure quality of services provided.

b. Performance Management

The focus of performance management is to ensure contract requirements are delivered using the agreed-to performance measures. An understanding of roles of responsibilities of all stakeholders (government and contractor) is a critical element for successful performance and performance management. This includes frequent, meaningful communication and feedback with the contractor throughout the performance period.

Contractor Performance Assessment Reporting System (CPARS) is a required tool intended to collect a record of positive and negative contractor performance throughout the contract period of performance.

Assessments should be factually based and supported by cost reports, customer feedback, how well the contractor met the



Don't let CPARS input be the first time poor performance is addressed

⁷ Guidelines for developing a QASP are presented in the DoD Guidebook for the Acquisition of Services

QASP performance measures required by the contract, and other factors.

It is important that CPARS assessments accurately reflect performance as this data directly feeds past performance reports that are used in contract source selections, as well as the DoD Superior Supplier Incentive Program,⁸ which recognizes contractors that provide the greatest value to the DoD through superior performance and informs those who perform below average.

Care should be taken in conducting timely and realistic CPARS assessments reflecting the quality of ETS performance. Inaccurate information can have potentially serious implications.

Best Practices – Performance Management

- ✓ **Effectiveness of contract surveillance a direct result of quality of CORs**
 - **Adequate COR training critical to ensure inputs accurately reflect reality of contractor's performance**
- ✓ **Use descriptive comments to expand on CPARS performance ratings, good or bad**

⁸ According to the Performance of the Defense Acquisition System: 2015 Annual Report – <https://www.defense.gov/Portals/1/Documents/pubs/Performane-of-Defense-Acquisition-System-2015.pdf>, dated September 16, 2015 (page 99), "as part of BBP, the three Military Departments and the Defense Logistics Agency (DLA) each established a Superior Supplier Incentive Program (SSIP) to incentivize contractor performance by recognizing the contractors that provide the greatest value to the DoD through superior performance and by informing those who perform below average."

c. Contract Execution Phase Resource Links

DoD COR Handbook

http://www.acq.osd.mil/dpap/cpic/cp/docs/USA001390-12_DoD_COR_Handbook_Signed.pdf

DAU ACQuipedia – Quality Assurance Training Plan

<https://dap.dau.mil/acquipedia/Pages/ArticleDetails.aspx?aid=07612fab-5891-4078-abfc-a6a7ca2b8c0a>

CPARS Online Training and Materials

https://www.cpars.gov/webtrain_tm.htm

CPARS Guidance

<https://www.cpars.gov/pdfs/CPARS-Guidance.pdf>

DoD Superior Supplier Incentive Program

<https://acc.dau.mil/CommunityBrowser.aspx?id=735521>

DoD Guidebook for the Acquisition of Services

https://acc.dau.mil/adl/enUS/472568/file/69670/Services%20Acquisition%20Guidebook%206%20_5_2012.pdf

Definitions

Best Value: The expected outcome of an acquisition that, in the government's estimation, provides the greatest overall benefit in response to the requirement.

Contracted Services: A negotiated contract for a contractor's time and effort rather than for a concrete end product.

Evaluation Factors: Represent key areas of importance and emphasis to be considered in the source selection evaluation and support meaningful comparison and discrimination between and among competing proposals.

Functional Domain Expert: OSD level official who services as the DoD-level staff lead for his or her respective service portfolio group, reporting to USD(AT&L). Responsible for actively overseeing and improving lifecycle processes of services acquisitions within his or her portfolio group.

Incurred Costs: Reasonable, allowable, and allocable actual costs that are paid to a contractor under a cost reimbursement contact type.

Market Research: Collecting and analyzing information about capabilities within the market to satisfy agency needs.

Most Probable Cost (MPC): Analysis of proposed costs for realism to identify proposals that are significantly over or under priced compared with the government's estimate of the true probable costs of performance based on the proposed technical approach.

Performance Work Statement: A statement of work for performance-based acquisitions that describes the required results in clear, specific, and objective terms with measurable outcomes.

Requiring Activity: The organization charged with meeting a mission and delivering requirements, obtaining funding, developing the program objective, and submitting written requirements for services required.

Strategic Sourcing: Enterprise-level contract vehicles in place to acquire services more effectively and efficiently.

**Guidebook for Acquiring Engineering Technical Services (ETS): Best Practices and Lessons Learned.
Version 2.0.**

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