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An empirical study of the United States Navy's  
management and oversight of services acquisition

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**An Empirical Study of the United States Navy's Management  
and Oversight of Services Acquisition**

**30 December 2008**

**by**

**Ernuel Miranda, LCDR, USN, and  
Robert McMaster, LCDR, USN**

Advisors: Dr. Aruna U. Apte, Assistant Professor,  
Dr. Uday M. Apte, Professor, and  
Dr. Rene G. Rendon, Associate Professor  
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**Naval Postgraduate School**

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Prepared for: Naval Postgraduate School, Monterey, California 93943



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# Abstract

The Department of Defense is spending an ever-increasing amount on support for the operation of Continental United States (CONUS) installations. The purpose of this MBA project is to provide a comprehensive overview of how service acquisitions are managed for United States Navy installations. This project will discuss the process of gathering empirical data from a web-based survey created from a previous MBA project (Compton & Meinshausen, 2007) that will be distributed as a tasker from the Office of the Chief of Naval Operations. This survey was conducted between June and July 2008 and covered 87% of the installations found on the regional commands' websites. Also, this MBA project will compare the survey results with the concerns of the Government Accountability Office (GAO) in the area of service acquisition management. The results of this research demonstrate that the majority of the contracts issued at Navy installations are competitive, firm fixed-price, and without incentives. The project team approach is used on half of the services contracts awarded for installation services. Additionally, personnel assigned to monitor installation service contracts are only minimally trained, resulting in statements of work and statements of objectives not being generated at the requirements level. The results of this project will be used for further research in the area of improvements to installation service acquisitions.

**Keywords:** Service acquisition, empirical study, project team approach, acquisition management, navy base services acquisition



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Disclaimer: The views represented in this report are those of the author and do not reflect the official policy position of the Navy, the Department of Defense, or the Federal Government.



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## List of Abbreviations and Acronyms

ACA-North	Army Contracting Activity-North
ACO	Administrative Contracting Officer
AFNC	Air Force National Command
AOR	Area of Responsibility
ASN (RDA)	Assistant Secretary of the Navy, Research, Development and Acquisition
CFR	Code of Federal Regulations
CLC	Continuous Learning Course
CNO	Chief of Naval Operations
CO	Contracting Officer
CONUS	Continental United States
COR	Contracting Officer Representative
COTR	Contracting Officer's Technical Representative
DAU	Defense Acquisition University
<i>DAWIA</i>	<i>Defense Acquisition Workforce Improvement Act</i>
DFARS	Defense Federal Acquisition Regulations
DHHS	Department of Health and Human Services
DNA	Deoxyribonucleic Acid
DoD	Department of Defense
DOE	Department of Energy
DPAP	Defense Procurement and Acquisition Policy
FAR	Federal Acquisition Regulation
FFP	Firm Fixed-price
FISC	Fleet Industrial Supply Center
FSC	Federal Supply Classification
FSC Q	Federal Supply Classification, Medical
FTS	Federal Technology Service
FY	Fiscal Year
GAO	Government Accountability Office
GSA	United States General Services Administration



IRB	Institutional Review Board
MBA	Master's Degree in Business Administration
NASA	National Aeronautics and Space Administration
NAVFAC	Naval Facilities Engineering Command
NAVSEA	Naval Sea Systems Command
NAVSUP	Naval Supply Systems Command
NEC	Navy Enlisted Code
NMLC	Naval Medical Logistics Command
NPS	Naval Post-graduate School
NWS	Naval Weapons Station
OCONUS	Outside the Continental United States
OFPP	Office of Federal Procurement Policy
OMB	Office of Management and Budget
OSD	Office of the Secretary of Defense
OSD (AT&L)	Office of the Secretary of Defense (Acquisition, Testing, and Logistics)
PBS	Public Building Service
PBSA	Performance-based Service Acquisition
PM	Program Manager
QAE	Quality Assurance Evaluator
R&D	Research and Development
SOO	Statement of Objectives
SOW	Statement of Work
US	United States



# I. Introduction

## A. Background

The Department of Defense's expenditures for services have increased significantly in recent years. During fiscal year 2006, the Department of Defense (DoD) obligated \$151 billion on service contracts—a 78 % increase from fiscal year 1996. Several factors have contributed to the increased use of service contracts. For example, the Global War on Terror impacted the deployment of active duty and reserve personnel, resulting in the DoD having fewer military personnel conducting base operating services. Another factor is the federal policy's reliance on contractors to assist governmental contracting employees in non-inherent governmental functions. As contracting for services have increased, the size of the civilian workforce has decreased. The DoD carried out this downsizing without ensuring that it had the requisite skills and competencies needed to manage and oversee service contracts (GAO, 2007).

The DoD's management of service contractors suffers from a lack of clear and comprehensive guidance, among other shortfalls (e.g., training, contractor oversight, proper documentation, etc.) (GAO, 2007). Also, the DoD does not always oversee and manage contractor performance (in part due to capacity issues) after the contract is in place. These issues expose the DoD to unnecessary risk, which can lead to poor acquisition outcomes, and increase the potential for fraud, waste and abuse (GAO, 2007).

## B. Purpose

The objective of this MBA project is to help develop a more thorough understanding of how services acquisition is managed within the DoD, specifically within the United States Navy, by conducting an analysis of empirical data collected from CONUS Navy installations. Ultimately, this analysis will be part of a larger study sponsored by the Acquisition Research Program, conducted by Dr. Uday Apte,



Dr. Aruna Apte, and Dr. Rene G. Rendon, titled “Managing the Service Supply Chain in the Department of Defense: An Empirical Study of Current Management Practices.”

### C. Research Questions

This project report addresses the following four research questions (Apte, Apte & Rendon, 2008):

1. What types of acquisition strategies, procurement methods, and contracts are being use to acquire services?
2. How are these services contracts managed?
3. What types of organization and management structures are used to manage contracted services?
4. What types of training does contract and project or program management staffs receive?

### D. Benefits and Limitations

This MBA project will contribute to a comprehensive understanding of how service acquisition is managed at the installation level across the United States Navy. It will provide information that can be incorporated into recommendations on how services acquisition can be better managed, and it also can be used to compare the strengths and weaknesses of the Navy and other military services’ acquisition management policies.

This research is limited to Navy installations in the Continental United States (CONUS) for direct comparability within the same geographic area with similar requirements. Also, this project is limited to a selected number of federal service codes that concentrate on common services found at the installations.

### E. Methodology

This survey originated from a previous MBA project that was used to gather the empirical data used to answer the above research questions for a large cross



section of all military installations. This research uses the same survey to collect data on Navy specific installations. Surveys have a wide variety of purposes and can be conducted in many ways including: over the telephone, by mail, or in person. Surveys gather information from a portion of a population that is of interest. The required sample size depends on the purpose of the study. The quantitative results were analyze and compared with the concerns of the Government Accountability Office (GAO) and other literature related to the area of service acquisition management.

## F. Organization of Report

This project is organized into five chapters. This introductory chapter is followed by a chapter on the services contracts in the US Navy. This second chapter provides an overview of how the Department of Defense (DoD) and the Navy manage service contracts. The third chapter, survey development and deployment, describes the methods used to create the survey and the steps taken to identify key persons and activities to successfully deploy this survey. The fourth chapter, data analysis, examines the data gathered by the survey to give insight into how service contracting is currently being performed by the US Navy, in order to infer answers to the questions introduced in the introduction chapter. Chapter V provides a broader view summary of the data analysis for conclusions that tie the data to the research questions. Then, proposed recommendations are formulated from the conclusions, and additional areas for research are presented that will take this research to another level.

## G. Summary

This chapter provided background, objectives, methodology, and the benefits and limitations that applied to this project. The main purpose was to introduce four research questions that are the foundation for this research project.



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## II. US Navy Service Contracting

### A. Introduction

The first chapter covered the basis for the need to research service contracting. The researchers' intent in this chapter is to provide an overview of how the Department of Defense (DoD), particularly the US Navy, manages service contracts. The first section of this chapter provides an overview of the current management of service contracts, performance-based-services acquisition, and services purchased by the DoD. The second section of this chapter examines how the DoD manages service contractors. The purpose of this review of service contracting is to articulate the concerns listed within the Government Accountability Office (GAO) and other literature relating to the DoD procurement process in preparation to apply knowledge gained from the survey analysis (in chapter four) for a better understanding of the challenges facing US Navy regional contracting offices.

### B. Service Contracts

#### 1. Current Management of Service Contracts

Historically, the Department of Defense is the Federal Government's largest purchaser of services. The DoD contracts cover a wide and complex range of services such as professional, administrative, and management support; information technology services; research and development; medical services; operation of government-owned facilities; and transportation, travel, and relocation. "Between 1998 and 2002, the DoD has spent more on services than it has on supply and equipment goods (that includes contracting for ships, aircraft, and other military items)" (GAO, 2003).<sup>1</sup>

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<sup>1</sup> An editorial revision has been made to the original NPS Thesis.





The US Navy has utilized service contractors to perform service functions at the installation level. About 90% of services (e.g., galley management, security services, housing, transportation, and base maintenance) are provided by service contractors. The management of each US Navy installation's service contracts is divided between the Public Works Department and the Supply Department at the designated parent command, which is served by a US Navy Regional contracting office. The oversight of service contracts at each Navy base is performed by personnel attached to the installations. These persons are commonly referred to as Contracting Officer Representatives or CORs, and their duties of contract oversight are not usually their primary responsibilities.

In terms of how the DoD manages service contracts, the DoD's Office of Inspector General found:

That DoD's spending on services is inefficient and not being managed effectively. Too often, requirements are not clearly defined; competition is not adequately pursued; rigorous price analyses are not performed; and contractors' performance is not sufficiently overseen. Information systems that provide reliable data and are capable of being used as management tools are lacking, and DoD has established few enterprise wide contracting-related performance metrics.(GAO, 2003, p.6)

At the strategic level, the acquisition workforce continually responds to emergent service requirements rather than managing them proactively. At the transactional level, acquisition personnel tend to focus more on awarding contracts rather than the formulation of the contract requirements and the needs of the end-user. The GAO reported that:

DoD's current approach to managing the acquisition of services tended to be reactive and did not fully address the key factors for success at either the strategic or the transactional level. At the strategic level, DoD had not developed a normative position for gauging whether ongoing and planned efforts can best achieve intended results. Further, DoD lacked good information on the volume and composition of services, perpetuating the circumstance in which the acquisition of services tended to happen to DoD, rather than being proactively managed. (GAO, 2007, p.16)



Finally, in 2006 the GAO found that the acquisition workforce is subject to certain conditions that increased vulnerabilities to contracting fraud, waste and abuse—including a growth in overall contracting workload, pending retirement of experienced government contracting personnel—and a greater demand for contract surveillance due to an increase in reliance on contractors for services (GAO, 2007).

## **2. Performance-based Services Acquisition**

*The Federal Acquisition Regulations (FAR)* defines a service contract as a contract that directly engages the time and effort of a contractor whose primary purpose is to perform an identifiable task rather than to furnish an end item of supply (Federal Acquisition Council, 2008).

The *FAR* requires performance-based service contracts to:

1. Describe the work in terms of results required rather than “how” the work is to be accomplished or the number of hours to be provided.
2. Enable the use of measurable performance standards (e.g., quality, timeliness, and quantity).
3. Rely on the use of financial incentives in a competitive environment and cost-effective methods of performing the work. (Federal Acquisition Council, 2008)

The Office of Management and Budget (OMB) viewed the potential benefits of using performance-based contracts and established a goal of making performance-based contracts 20% of all eligible service contracting dollars. By 2001, government agencies reported that 21% of the \$135.8 billion of total obligations incurred for services were from base performance contracts (GAO, 2002, January).

On April 5, 2000, the Department of Defense established the following Performance-based Services Acquisition (PBSA) policy:

It is the policy of the Department of Defense that in order to maximize performance, innovation, and competition, often at a savings, performance-based strategies for the acquisition of services are to be used wherever possible. While



not all acquisitions for services can be conducted in a performance-based manner, the vast majority can. Those cases in which performance-based strategies are not employed should become the exception. In order to ensure that the Department continually realizes these savings and performance gains, the DoD establishes, at a minimum, that 50% of service acquisitions, measured in both dollars and actions, are to be performance-based by year 2005 (Deputy Under Secretary of Defense, 2001, p.1).

Summarized from the Department of Defense's definition of PBSA as an acquisition strategy that involves methods and techniques that describe and communicate measurable outcomes rather than direct performance processes. The DoD further defines PBSA as a service requirement in terms of performance objectives and provides the contractors with freedom in figuring out how best to meet the government's performance objective (Deputy Under Secretary of Defense, 2001).

The Office of Federal Procurement Policy (OFPP) provides guidance to all federal agencies on attributes that need to be incorporated in performance-based contracts:

1. Describe the requirements in terms of results required rather than the methods of performance of the work.
2. Set measurable performance standards.
3. Describe how the contractor's performance will be evaluated in a quality assurance plan.
4. Identify positive and negative incentives, when appropriate. (GAO, 2002, September, p. 4)

The GAO reviewed 25 federal agencies' service contracts and found that nine contracts clearly exhibit all four attributes. Table 1 shows a list of the contracts that appeared to meet the criteria for PBSA (GAO, 2002, September).



**Table 1. Contracts Maximizing Contractor Initiative to Achieve Desired Outcomes**  
(GAO, 2002 September, p. 5)

Agency	Service
1 Army	On-line educational services to enable service men and women to pursue post-secondary degrees and vocational-technical certificates
2 Navy	Advertising campaign to support the Navy's recruitment needs.
3 Air Force	Custodial services at an Air Force base.
4 GSA/FTS	Information technology support services for the securities and Exchange Commission.
5 GSA/PBS	Janitorial services at two federal buildings.
6 GSA/PBS	Recurring maintenance and repair services at two federal buildings.
7 GSA/PBS	Systems and equipment operations and maintenance at a federal building.
8 Treasury	Tour guide services for the Bureau of Engraving and Printing.
9 Treasury	Firearms support services for the Federal Law Enforcement Training Center.

The nine contracts shown in Table 1 were for types of services that are performed in the commercial sector (such as custodial services, building maintenance, or advertising). For example, as shown in Table 1, the Navy studied how the advertising service was performed in the private sector and used the results of its study to enhance its contract (GAO, 2002, September). The GAO also found four contracts that could have incorporated all of the attributes but did not (see Table 2).



**Table 2. Contracts That Did Not Clearly Exhibit All Four Performance-based Attributes**  
(GAO, 2002 September, p.6)

Agency	Service
1 Air Force	Refuse collection and recycling at an Air Force base.
2 Air Force	Maintaining housing at an Air Force base
3 Treasury	Dormitory management at Federal Law Enforcement.
4 Treasury	Food management at Federal Law Enforcement Training Center.

Legend

FTS = Federal Technology service

GSA=US General Services Administration

PBS = Public Building Service

The four contracts in Table 2 were very prescriptive of how the work should be carried out; therefore, the agencies did not enable the contractors to implement performance-based contracting attributes (GAO, 2002, September).

The twelve remaining contracts (see Table 3) were for complex and technical services and were perceived as high risk. Because of the complexity involved, it is impossible for these contracts to have the attributes recommended by the Office of Federal Procurement Policy (GAO, 2002, September). Because of the complexity (i.e., detailed work specifications) of these service contracts they required stronger government oversight (GAO, 2002, September).

Overall performance-based contracts are a viable way to achieve savings and maximize contractor performance, but government agencies need to understand performance-based contracting, and how to apply this concept to services that are widely available in the commercial sector as well as to more unique and complex services whenever possible.



**Table 3. Contracts That Were Complex and Risky**  
(GAO, 2002 September, p.8)

Agency	Service
1 Army	Technical and administrative support for DNA registry, forensic toxicology lab, pathology center, and museum.
2 Navy	Engineering, logistics, program management, and finance support services for the Naval Sea System Command.
3,4,5 Navy	Operating and maintaining tactical test ranges and equipment at three Navy installations. Three different contracts.
6 DOE	Management and operations at Argonne National Laboratory (R&D).
7 DOE	Management and operations at Savannah River Site Facility.
8 NASA	Avionics system research and development and engineering for the space shuttle and the international space station.
9 NASA	Operations support for launch and recovery of the space shuttle.
10 NASA	Scientific, engineering, information technology, and administrative support at NASA's Laboratory of Terrestrial Physics.
11 NASA	Contractor oversights to ensure that NASA's technical contract requirements are met.
12 NASA	Logistical services for NASA's Goddard Space Flight Center, headquarters, and other locations.

Legend

DNA = deoxyribonucleic acid

NASA= **National Aeronautics and Space Administration**

DOE = Department of Energy

**3. Services Purchased Within DoD**

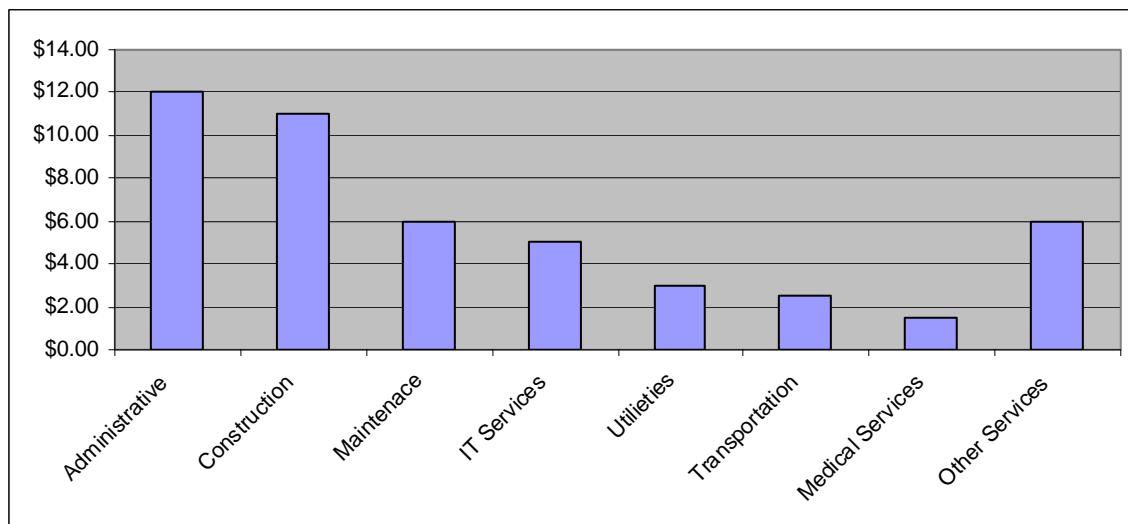
According to GAO: “the Department of Defense is by far the largest purchaser of services, acquiring more than \$53 billion in services in fiscal year 2000” (GAO, 2002a, p.1). This \$53 billion is roughly the same amount the DoD spent on supplies and equipment during the same timeframe, and funding for DoD services is



expected to surpass the amounts spent on supplies and equipment in the near future. “The GAO’s Inspector General has found that this spending is not being managed efficiently” (GAO, 2002, January, p.1). The GAO recognized that the DoD lacks a strategic plan to acquire services. The DoD is working to adapt the same “revolutionary businesses and management practices that helped the commercial sector gain a competitive edge in a rapidly changing global marketplace” (GAO, 2002, January, p.17). Table 4 shows services purchased by the DoD in Fiscal Year 2000.

The US Navy obligates approximately \$1.25 billion annually in facilities support service contracts. This figure does not include professional services (Fletcher, 2008, September 26). All Navy installations in the Continental United States (CONUS) and Outside the Continental United States (OCONUS) are currently purchasing acquisition services in the areas of information technology, utilities and housekeeping, transportation, medical, fuel management, and maintenance and repair of equipment.

**Table 4. Services Purchased within the DoD in FY 2000 (dollars in billions)**  
(GAO, 2002 January, p.18)



## C. Oversight of Service Contracts

This research project focuses on the management of service contracts at the CONUS Navy installations. Surveillance and documentation are vital in the management of service contracts. Surveillance involves government oversight of contractors with the purpose of ensuring that the government receives the services as intended. Documentation is used to ensure accountability over the surveillance process. Both surveillance and documentation are required by the *Federal Acquisition Regulations (FAR)* and the *Defense Federal Acquisition Regulations (DFARS)*.

### 1. Policy

The *Federal Acquisition Regulation* mandated that the government will maintain surveillance of contractor performance as necessary to protect its interest. The contracting officer administering the contract will determine the extent of the surveillance. The following policy lists an overview of the government agencies' responsibilities regarding service contract surveillance:

Agencies shall ensure that:

1. Supplies or services provided by contractors meet contract requirements.
2. Government contract quality assurance has to be conducted before acceptance.
3. No contract precludes the government from conducting inspections.
4. The government has the right to reject nonconforming supplies or services.
5. The government may use quality assurance and acceptance services of other agencies when this will be effective, economical, or otherwise in the government's best interest.
6. Contracts for commercial items shall rely on the contractor's existing quality assurance system as a substitute for government inspections. (Federal Acquisition Council, 2008)





The regional contracting officer is responsible for ensuring that the contractor conforms to contract quality requirements and establishes parameters that the Contracting Officer's Representative (COR) uses when accepting supplies or services (Federal Acquisition Council, 2008). At the Navy installations, the surveillance of the service contracts is performed by the designated Contracting Officer Representative (COR). The Contracting Officer Technical Representative (COTR) is responsible for the technical aspects of specific areas within the contract where he/she is an expert. The COTR reports to the COR, and the COR reports to the Regional Contracting Officer (who is ultimately responsible for the proper service contract management). Both the COR and the COTR are responsible to identify and report all contractual and contractor issues to the Region Contracting Officer.

The *Federal Acquisition Regulation (FAR)* states that the contract administration officer shall develop a surveillance plan to ensure the contractor is adhering to the terms and conditions of the contract. The plan should include all necessary actions to verify whether the supplies or services conform to contract quality requirements (GAO, 2008). This plan should also contain measurable performance standards which the COR can use as a tool to monitor and to document contractor performance.

Finally, proper documentation is an important part of contract surveillance. All surveillance actions need to be documented by the COR and COTR to assemble reports for the Regional Contracting Officer.

## **2. Training**

The Department of Defense requires that all CORs complete the CLC 106, "Contracting Officer Training with a Mission Focus" prior to being assigned to a contract surveillance position. This training is focused on the areas of ethics and integrity, contract types, invoice requirements, contract modifications and contract management. Currently the US Navy does not require that the COTRs complete the CLC 106. This training will enhance the COTR's knowledge of contractual matters



and is relatively easy to obtain because it is available on-line and is administered by the Defense Acquisition University (DAU, 2008a).

After reviewing 90 DoD contracts, the GAO divulged (in report GAO-05-274) that surveillance training is not always completed prior to personnel being assigned to conduct surveillance in a government contract (GAO, 2005). Table 5 provides a summary of surveillance personnel training information in four military commands.

**Table 5. Surveillance Personnel Training**  
(GAO, 2005, p.10)

<b>Military Command</b>	<b>Surveillance personnel assigned to contracts</b>	<b>Surveillance personnel not trained before assignment</b>
Air Force Material Command	60	10
ACA-North	13	1
NAVSEA	31	2
<b>Total</b>	<b>104</b>	<b>13</b>

As shown in Table 5, from a total of 104 personnel assigned to conduct contract surveillance, 13 were not trained before assignment—and in some cases, surveillance personnel had not completed training until many months after assignment to contract surveillance positions. From the DoD perspective, this statistic is disturbing because it reflects that 13% of the total surveillance force was not trained before assignment, putting tax-payer dollars at risk.

### 3. Current Issues

As stated before, the DoD is the Federal Government’s largest purchaser of contract services. From 1999 to the present, spending for services has increased about 66% (GAO, 2005). With the increasing use of contracts for services and a



downsizing of the acquisition workforce, the DoD started to experience problems with inadequate surveillance. This section will provide an overview of the current issues related to surveillance on Department of Defense service contracts.

The Government Accountability Office (GAO), in its GAO report GAO-05-274, examined 90 contracts awarded by three military commands and other DoD agencies (with a total value of \$385.7 million) and found that surveillance was insufficient on 26 of the contracts. From the 26 contracts without proper surveillance, 15 had no surveillance activity. This lack of surveillance happened because no personnel were assigned surveillance responsibility. The other 11 contracts had surveillance personnel assigned, but they did not have proper documentation. Table 6 below provides a summary of the GAO findings.

**Table 6. Summary of Surveillance on DoD Service Contracts (Dollars in Millions)**  
(GAO, 2005, p.8)

DoD organization	Number of contracts	Award amount	Number of contracts with no surveillance personnel assigned	Number of contracts with insufficient evidence of surveillance
<b>Air Force</b>				
AFMC	20	\$ 39.00	0	0
Other organizations	8	\$ 2.40	0	0
<b>Army</b>				
ACA-North	19	\$ 86.20	7	2
Other organizations	11	\$ 20.70	6	1
<b>Navy</b>				
NAVSEA	20	\$ 226.60	0	0
Other organizations	6	\$ 8.70	1	4
<b>OSD and other DoD agencies</b>				
	6	\$ 2.10	1	4
<b>Total</b>	<b>90</b>	<b>\$ 385.70</b>	<b>15</b>	<b>11</b>



The GAO report attributed insufficient surveillance to the following factors:

1. Contract surveillance is not a top priority for contracting officers, and is not given the same importance as getting the contract award.
2. No DoD organization consistently evaluates surveillance personnel assigned to service contracts.
3. There is a lack of proper documentation.
4. Surveillance personnel are not trained before assignment.
5. Personnel from the Air Force and Navy feel that they do not have time to perform surveillance. (GAO, 2005)

In response to the GAO report, the DoD had begun implementing some initiatives to improve the overall management of service contracts by taking steps to implement provisions in the National Defense Authorization Act for Fiscal Year 2002. But up to 2005, little had been done to improve surveillance practices (GAO, 2005).

#### D. Summary

This chapter provided an overview of the current management of service contracts, the effects of performance-based services acquisitions, services purchased within the DoD, and oversight of service types including: policy, training, and current issues.

In summary, the DoD's service acquisition volume has increased in the last decade. At the same time, the DoD experienced a reduction of the acquisition workforce, which, according to the GAO reports, is the primary cause of inadequate surveillance, lack of proper documentation, and surveillance personnel not being properly trained. This research will use data from a survey to look at how the Navy manages its service contracts in comparison with the GAO findings.

The next chapter explains the development and deployment of the survey along with the collection of the survey data.



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### III. Survey Development and Deployment

#### A. Introduction

The previous chapter provided an overview of the current management of service contracts, the effects of performance-based services acquisitions, services purchased within the DoD, and oversight of service types including policy, training, and current issues. This chapter will: (1) establish the purpose of the survey, (2) outline steps in development of the survey, and (3) explain the deployment of the survey. To further explain the research processes, the researchers will describe the steps involved in sending out this survey and how the data was collected.

#### B. Purpose of this Survey

The purpose of this survey was to gather empirical data on the common contract types used at naval installations for base services. This data will be analyzed and compared with the literature review in Chapter II for use in recommending the best contracting procedures for services needed at the installations level. Data collected from this survey will be incorporated into a larger study conducted by professors at the Naval Postgraduate School (NPS). Their study is aimed at creating a comprehensive understanding of how the acquisitions of services are managed at military installations. This empirical study of Navy service contracts will uncover efficient contracting methods that work best for the major categories of services used at the installation level so that a standard practice may be established across all military installations. Five of these categories are listed in Table 7. The data collected will be used towards generating recommendations on how DoD acquisition professionals can maximize their potential in managing base service and material support. It will also be useful to NPS acquisition instructors in teaching graduate-level business administration courses.



## C. Development of Survey

This survey was designed to collect empirical data from Navy installations on the types of contracts used for base services. The researchers used the survey created for the MBA professional report entitled “The Department of Defense’s Management of Services Acquisition: An Empirical Analysis” (Compton & Meinshausen, 2007), with minor modifications to tailor it for naval installations. These minor modifications were incorporated in the Survey Monkey website under the title of “DoD Military Installation Services Acquisition Survey Navy Installations.”

### 1. Federal Supply Codes

The researchers concentrated their efforts on five major Federal Supply Codes (FSC) used to support naval Continental United States (CONUS) facilities. These codes and their description are found in Table 7 below. The FSC is a set of classifications designed to help the Federal Government in procuring supplies and services.<sup>2</sup> It was developed by the Office of the Secretary of Defense (OSD) and is primarily used by the DoD (Onvia, 2007).

**Table 7. Federal Supply Codes with Descriptions**

<b>Federal Supply Code (FSC)</b>	<b>Description</b>
D	Data processing and telecommunications
J	Maintenance and repair of equipment
Q	Medical
R	Professional, administrative, and management support
S	Utilities and housekeeping

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<sup>2</sup> An editorial revision has been made to the original NPS Thesis.



## **2. Prior Survey Pilot Test**

A pilot survey was conducted prior to sending out the survey letter. The researchers tested the functionality and automatic question-skipping logic within this survey to ensure ease of navigation and correct operation. Some of the questions would skip to another question depending on how the question was answered, making this survey very user-friendly for the participants. Satisfactory completion of the pilot survey determined that the final survey was ready for dissemination

### **D. Deployment of Survey**

The researchers discovered that the most challenging part of this project was the dissemination of the survey to reach the right people in positions to answer the questions, without bias, for their activities. In order to catalog the process in which this survey was deployed and how the results were collected, the researchers have broken down the process into three sections: (1) steps in sending out the survey, (2) sampling of the survey, and (3) the collection of data.

#### **1. Steps in Sending Out Survey**

The most challenging hurdle in sending out the survey was determining which contracting personnel in which positions could respond to this survey. The researchers felt it necessary to request assistance from the top level of the DoD acquisition decision and policy hierarchy. To find the correct personnel to assist in disseminating this survey, the office of the Defense Procurement and Acquisition Policy (DPAP) was consulted to provide recommendation on the best course of action the researchers should take to increase the odds of maximum participation in completing the survey. Personnel in DPAP forwarded the request to the Office of the Secretary of Defense, Acquisition, Technology, and Logistics (OSD (AT&L)), Deputy Director for Program Acquisition and Contingency Contracting, who in turn forwarded the researchers' request to the Assistant to the Secretary of the Navy, Research, Development, and Acquisition (ASN (RDA)). A general tasker was created and issued to the contracting activities at both the Naval Facilities Command





(NAVFAC) and Naval Supply Command (NAVSUP). The reasoning behind sending the survey to both commands is that both commands perform contracting efforts depending on the type of services requested. The Naval Medical Logistics Command (NMLC) was contact directly because the researchers discovered that, from the data they collected, none of the medical contracting questions were answered.<sup>3</sup>

Consequently, it was discovered that only the NMLC performs contracting involving medical services.

1. The NAVFAC is responsible for the majority of Navy installation's community and base support to include:
  - a. Professional, administrative, and management support.
  - b. Maintenance and repair of equipment.
  - c. Utilities and housekeeping
2. The NAVSUP is responsible for operation forces' support and base support not covered by the NAVFAC—in this survey's case: data processing and telecommunications.
3. The NMLC is responsible for all medical type contracting.

## **2. Sampling of Survey**

The initial goal of this survey was to study contracting activities at each Navy installation. This research team assumed that the greatest opportunity for successful completion of this survey is the top down approach. The DPAP was contacted to assist in distribution of this survey. The thought process behind contacting DPAP was that this survey would receive the highest level of attention if the survey was endorsed and tasked by DPAP. This research team contacted DPAP's Deputy Director for Program Acquisition and Contingency Contracting and the Deputy Director for Contract Policy and International Contracting in hopes of

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<sup>3</sup> This paragraph contains editorial revisions from the original NPS Thesis.



making contact with the Director of Defense Procurement, Acquisition Policy and Strategic Sourcing. This action would attain the highest level of visibility in the Department of Defense.<sup>4</sup>

Because the survey was entirely directed toward Navy installations, personnel in DPAP recommended that the survey request be sent to the Office of the Secretary of Defense, Acquisition, Technology and Logistics. From here, the request to promote this survey was transferred to the Assistant Secretary of the Navy, Research, Development and Acquisition ASN (RDA), and finally to the Office of the Chief of Naval Operation (CNO). A general tasker was created and issued to the contracting activities at the Naval Supply Command (NAVSUP) and the Naval Facilities Commands (NAVFAC).<sup>5</sup>

Our main intent was to have one central contracting department official at each installation gather the data and enter it into the web-based survey format provided. All installation contracting activities are concentrated at the regional level for all services with the exception of medical services (coded in the Federal Supply Classification as FSC Q). The Naval Medical Logistics Command (NMLC), based at Fort Detrick, Maryland, consolidates all naval medical contracting activities.

The researchers originally expected about 76 responses. However, the researchers received surveys filled out for 66 installations, which were answered by ten commands. Six of them were from the CONUS Naval Regional Commands, one from NAVSUP, two from NAVFAC, and one from the NMLC. This was because base contracting functions were accomplished at the regional level, two NAVFAC regional commands, one NAVSUP areas of responsibility (AOR), and one NMLC.

This survey covered 87% of the expected coverage, totaling 66 out of 76 installations. The data gathered proved to be very valuable to the researchers for

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<sup>4</sup> An editorial revision has been made to the original NPS Thesis.

<sup>5</sup> An editorial revision has been made to the original NPS Thesis.



this MBA professional report. Table 8 lists the installations and AORs covered by this survey.

**Table 8. Listing of Installation Covered in the Survey by Each Region**

<b>Mid-Atlantic Region</b>		
Naval Station Norfolk	Norfolk Naval Shipyard	NAS Oceana
NWS Yorktown	NAB Little Creek	NAS Willow Grove
NOIC Sugar Grove	NAS Brunswick	NAS Brunswick
NWS Earle	SUBASE New London	NSU Saratoga Springs
NS Newport	NAES Lakehurst	NSA Northwest Annex
NSA Philadelphia	NSA Mechanicsburg	Wallops Island
Cheatham Annex	Dam Neck Annex	
Joint Forces Staff College	Portsmouth Naval Shipyard	
<b>Southwest Region</b>		
NAF El Centro	NAS Fallon	NAS Lemoore
NAVBASE Coronado	NAVBASE Point Loma	NAVBASE San Diego
NWS Seal Beach	NAWS China Lake	NPGS Monterey
NAVBASE Ventura County		
<b>Washington, DC Region</b>		
Naval Support Activity, Washington	NAS Patuxent River	
Naval Support Activity, Annapolis	Naval Support Activity, North Potomac	
Naval Support Activity, South Potomac	Naval Support Activity, Washington	
<b>Southeast Region</b>		
CBC Gulfport	NAS Atlanta	NAS Corpus Christi
NAS Jacksonville	NAS Key West	NAS Kingsville
NAS Meridian	NAS Pensacola	NAS Whiting Field
NAS/JRB Fort Worth	NAS/JRB New Orleans	SUBASE Kings Bay
NAVSTA Ingleside	NAVSTA Mayport	NAVWPNSTA Charleston
NSA New Orleans	NSA Orlando	NSA Panama City
<b>Mid-West Region</b>		
Naval Station Great Lakes	Naval Surface Warfare Center, Crane	Naval Support Activity Mid-South
<b>Northwest Region</b>		
Naval Air Station Whidbey Island	Naval Station Everett	Naval Base Kitsap
<b>NAVSUP</b>		
FISCSD Broadway Complex		
<b>NAVFAC</b>		
Atlantic AOR		Northwest AOR
<b>NMLC</b>		
Naval Medical Logistic Command		



### 3. The Collection of Data

Information is collected by means of standardized web-based procedures so that every survey respondent is asked the same questions to allow comparison of their answers without bias. The intent of the survey is not to describe the particular individuals who are part of the sample but to obtain a composite profile of the population. The industry standard for all reputable survey organizations is that individual respondents should never be identified in reporting survey findings. The survey's results are presented in summaries that keep the participants unidentified. Statistical tables and charts are a concise way to present the data and are used in the next chapter. This survey used a website-based survey engine to collect, store and generate visual graphs of the data collected. The researchers could then view and download data in the format that best represented the data gathered.

#### E. Summary

This chapter explored the survey development, deployment, and collection methods that the researchers used to gather information about contract types and methods used for services at the installation level. The survey development and circulation enabled the researchers to gather empirical data for use in analyzing current trends in order to separate out the best practices—with a goal that a standard service contracting technique could be developed for all of the armed services.

The next chapter analyzes the survey data gathered and displays the results in tables and figures followed by the researchers' commentary.



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## IV. Data Analysis

### A. Introduction

The previous chapter explored the survey development, deployment, and collection method that the researchers used to collect information that examined the contract types and methods applied for services at the installation level. This chapter focuses on the analysis of the empirical data collected from the web-based survey, which relate to the acquisition management and service contract administration in the US Navy at the installation level. The survey was distributed across Navy Regional Commands, Naval Facilities Command (NAFAC), Naval Supply Command (NAVSUP) and Naval Medical Logistic Command (NMLC). These major commands are responsible for 76 installations. The survey had a response rate of 87%, which covered 66 out of 76 installations. The researchers' intention in this chapter is to use the empirical data collected to answer the research questions discussed in Chapter I.

### B. Overview of Data Collected

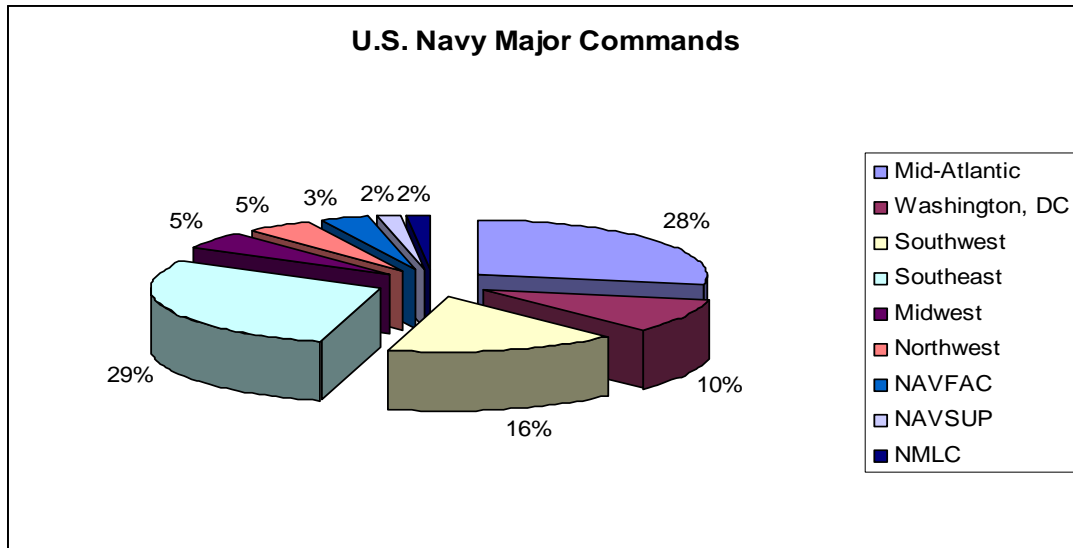
The survey has four main sections: administrative questions, core questions, general questions, and comments. These questions allow insight into how the Navy manages service contracts at the installation level, specifically in the areas of contractor oversight, training, contract types and incentives, and contract administration.

The administrative section of the survey is divided by DoD Military Installations Services or military branch. All respondents were from US Navy commands. Mid-Atlantic Regional Command responded for 22 of 22 installations. Southwest Regional Command responded for 10 of 10 installations. Southeast Regional Command responded for 18 of 19 installations. Mid-West Regional Command responded for 3 of 4 installations. Northwest Regional Command responded for 3 of 4 installations. Washington, DC, Regional Command responded



for 6 of 17 installations. NAVFAC responded for 2 of 2 Area of Responsibility (AOR). NAVSUP responded for FISC San Diego Complex, and Naval Logistics Medical Command provided one input for all Navy Medical facilities. Figure 1 shows the results of the administrative portion of the survey.

**Figure 1. US Navy Major Commands**



The core questions of this survey focused on the following service categories: professional, administrative, and management support; maintenance and repair of equipment; data processing and telecommunications; medical; and utilities and level of housekeeping. Each service category has questions related to competition, contract type, applicable contract incentive or award, location of performance phases of contract management, and the use of the project team approach in the acquisition process.

The general questions of this survey are related to contractor surveillance, contract training and level of agreement or disagreement regarding statements about the acquisition of services at the installation level. The analysis of the data collected about each service category is discussed later in this chapter.

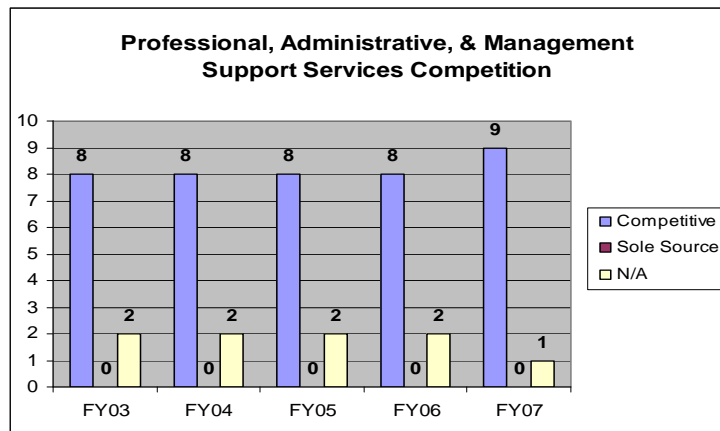


## C. Data Analysis

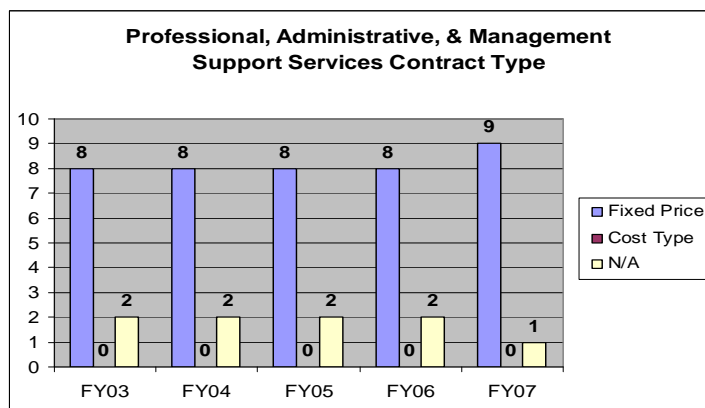
### 1. Professional, Administrative, and Management Support Services

Depicted in Figure 2, the data shows that from FY 03 to FY 06, the competitive approach was used 80% of the time, and in FY 07, the competitive approach was used 90% of the time. The majority of the professional, administrative, and management support contracts were firm fixed-priced contracts with no incentives as shown in Figures 3 and 4.

**Figure 2. Competition by Fiscal Year**

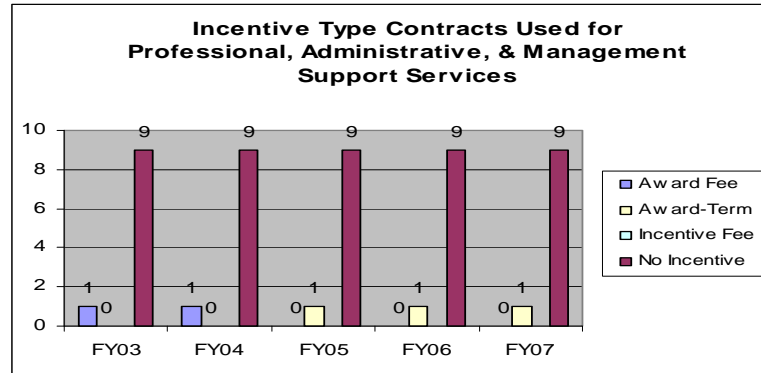


**Figure 3. Contract Type by Fiscal Year**



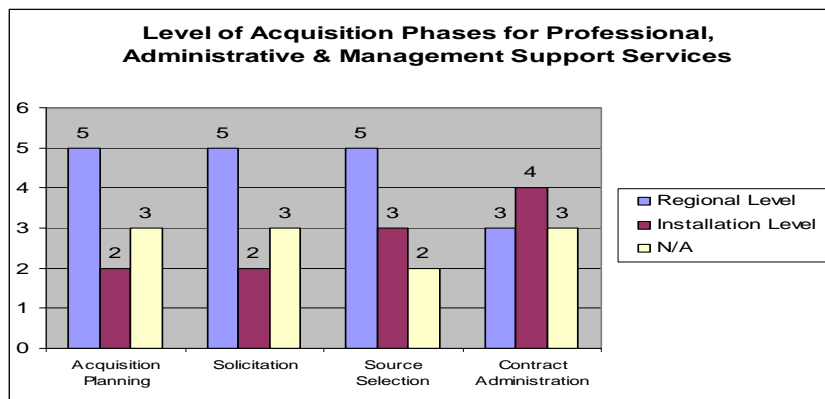


**Figure 4. Incentive Type Contracts Used by Fiscal Year**



The data collected indicate that 50% of the acquisition planning, solicitation, and source selection for professional, administrative, and management services were performed at the regional level. Forty percent of the contract administration was performed at the installation level. Figure 5 recaps the level, regional, installation or N/A at which the contract management phases for professional, administrative, and management services are managed. The contracting phases are acquisition planning, solicitation, source selection, and contract administration.

**Figure 5. Level at which the Acquisition Phases are Performed**

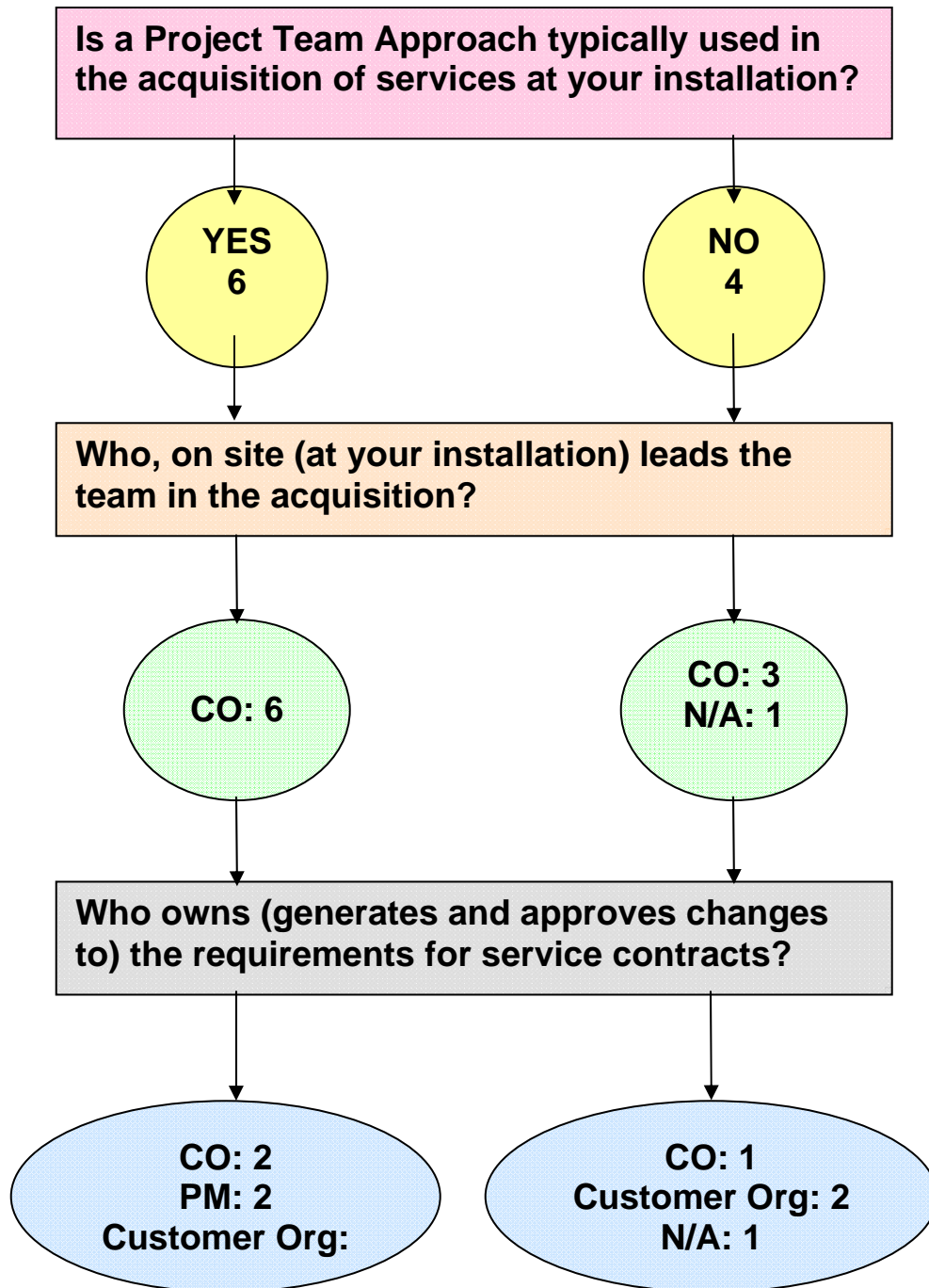


Looking at the results of the survey, the project team approach was used 60% of the time. The Contracting Officer leads the team in the acquisition of professional, administrative, and management support services 100% of the time when the project team approach is used. Also the data showed that approximately 33% of the time



the contracting officer, program manager or the customer organization owns the requirements for this kind of service contracts. Figure 6 recaps the results of the project team approach.

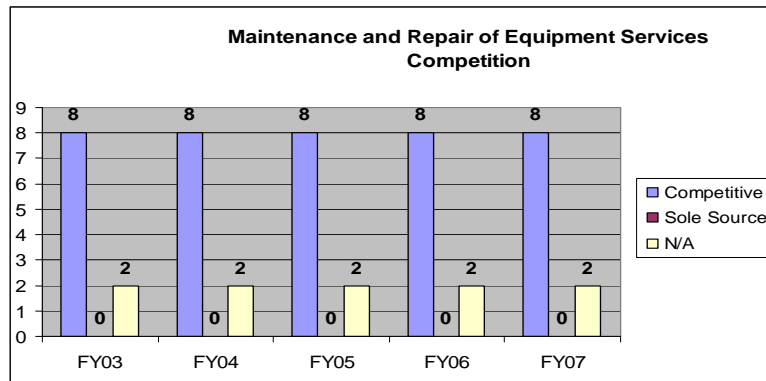
**Figure 6. Professional, Administrative, and Management Support Services Project Team Approach**



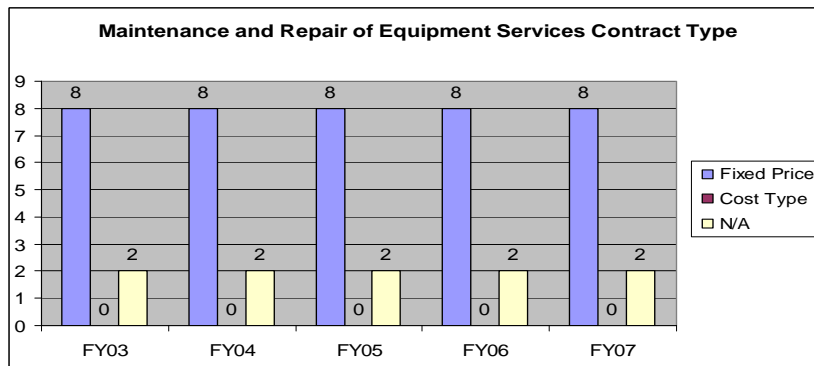
## 2. Maintenance and Repair of Equipment

Figure 6 below shows that from FY 03 to FY 07, the competitive approach was used 80% of the time. From FY 03 to FY 06, 80% were firm fixed-price contracts without incentives. In FY 07, 10% of those contracts used award terms. Figures 7 and 8 recap the survey results.

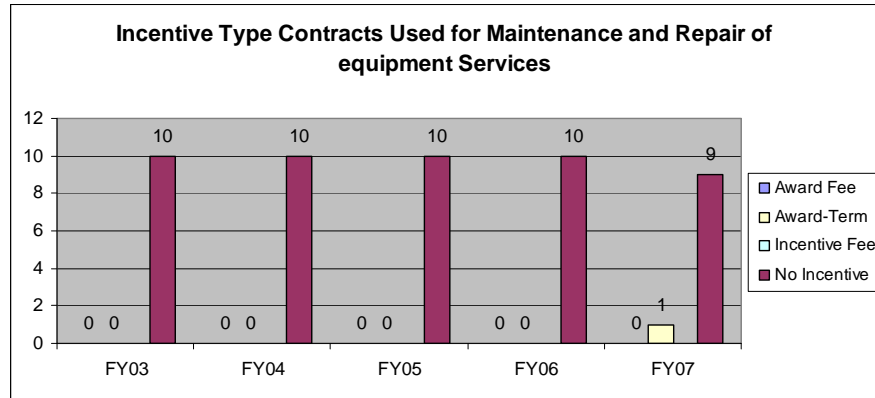
**Figure 7. Competition by Fiscal Year**



**Figure 8. Contract Type by Fiscal Year**

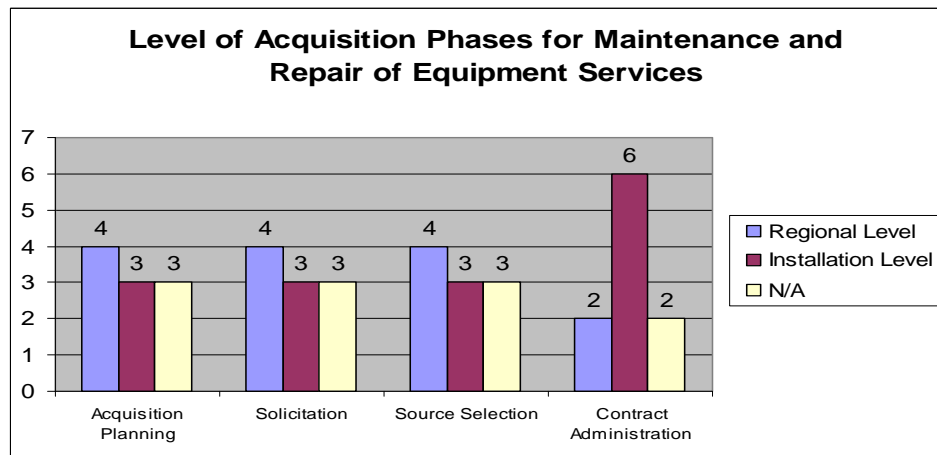


**Figure 9. Incentive Type Contracts Used by Fiscal Year**



The data collected indicates that about 40% of the acquisition planning, solicitation, and source selection for maintenance and repair of equipment services were performed at the regional level. Sixty percent of the contract administration was performed at the installation level. Figure 10 recaps the level (regional or installation) of the acquisition phases for maintenance and repair of equipment services.

**Figure 10. Level at which the Acquisition Phases are Performed**

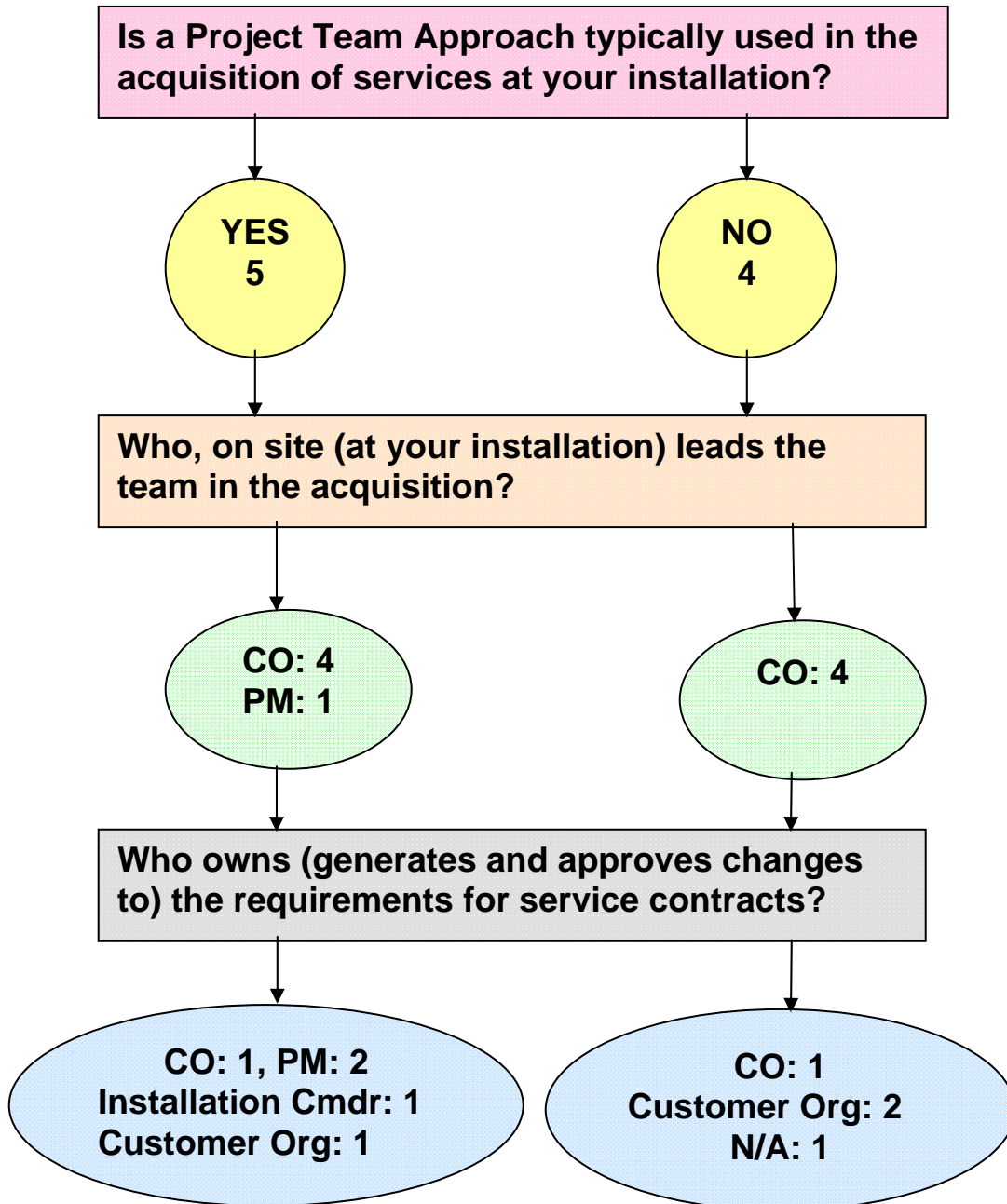


The survey results display that the project team approach was used 56% of the time. The contracting officer leads the team in the acquisition of maintenance and repair services 80% of the time. Also the data showed that approximately 30%



of the time the contracting officer, program manager, the installation commander, or the customer organization owns the requirements for this kind of service contracts. Figure 2 recaps the results of the project team approach.

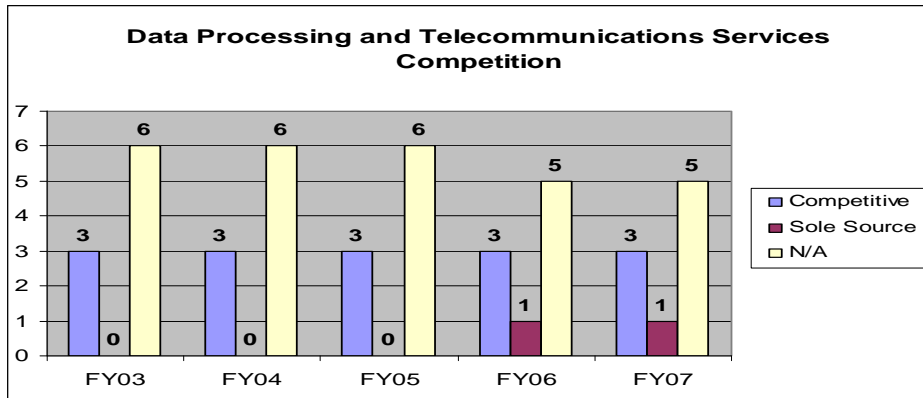
**Figure 11. Maintenance and Repair of Equipment Services Project Team Approach**



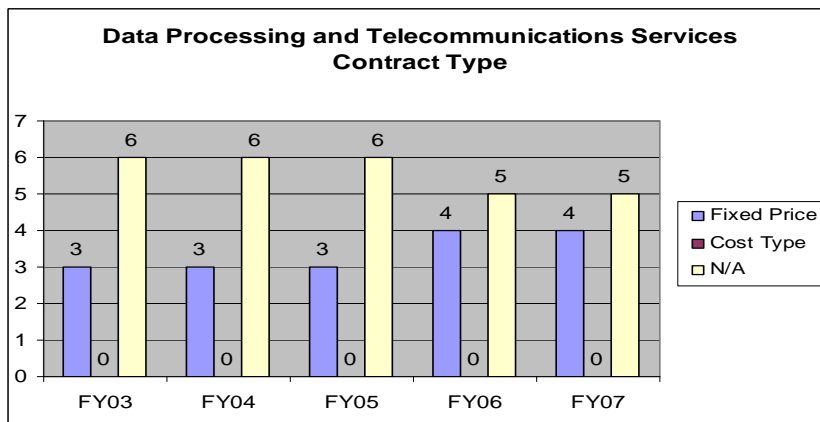
### 3. Data Processing and Telecommunications Services

Figure 12 below showed that 57% of the data processing and telecommunication service contracts were from a competitive source. In FY06 and FY07, 10% were awarded as sole-source contracts. Thirty-three percent of the contracts from FY03 to FY07 were firm fixed-price contracts without incentives, as shown in Figures 13 and 14.

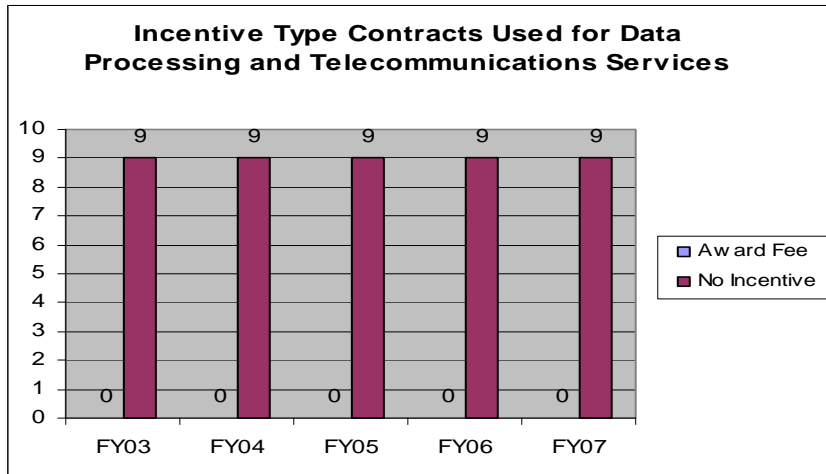
**Figure 12. Competition by Fiscal Year**



**Figure 13. Contract Type by Fiscal Year**

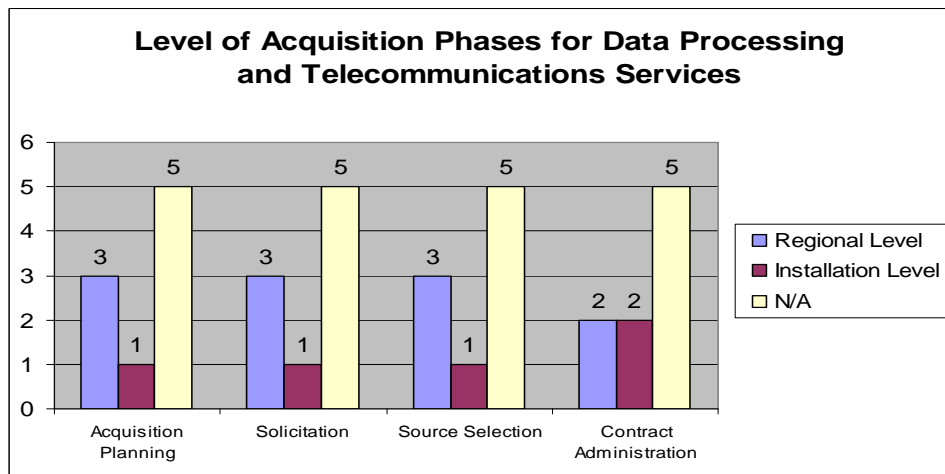


**Figure 14. Incentive Type Contracts Used by Fiscal Year**



Also, the data collected indicates that 33% of the time the acquisition planning, solicitation and source selection were acquired at the regional level. Fifty-six percent of the time, the contract administration was performed at the installation level. Figure 15 recaps the level at which the acquisition phases of the data processing and communication services are managed (regional or installation).

**Figure 15. Level at which the Acquisition Phases are Performed**

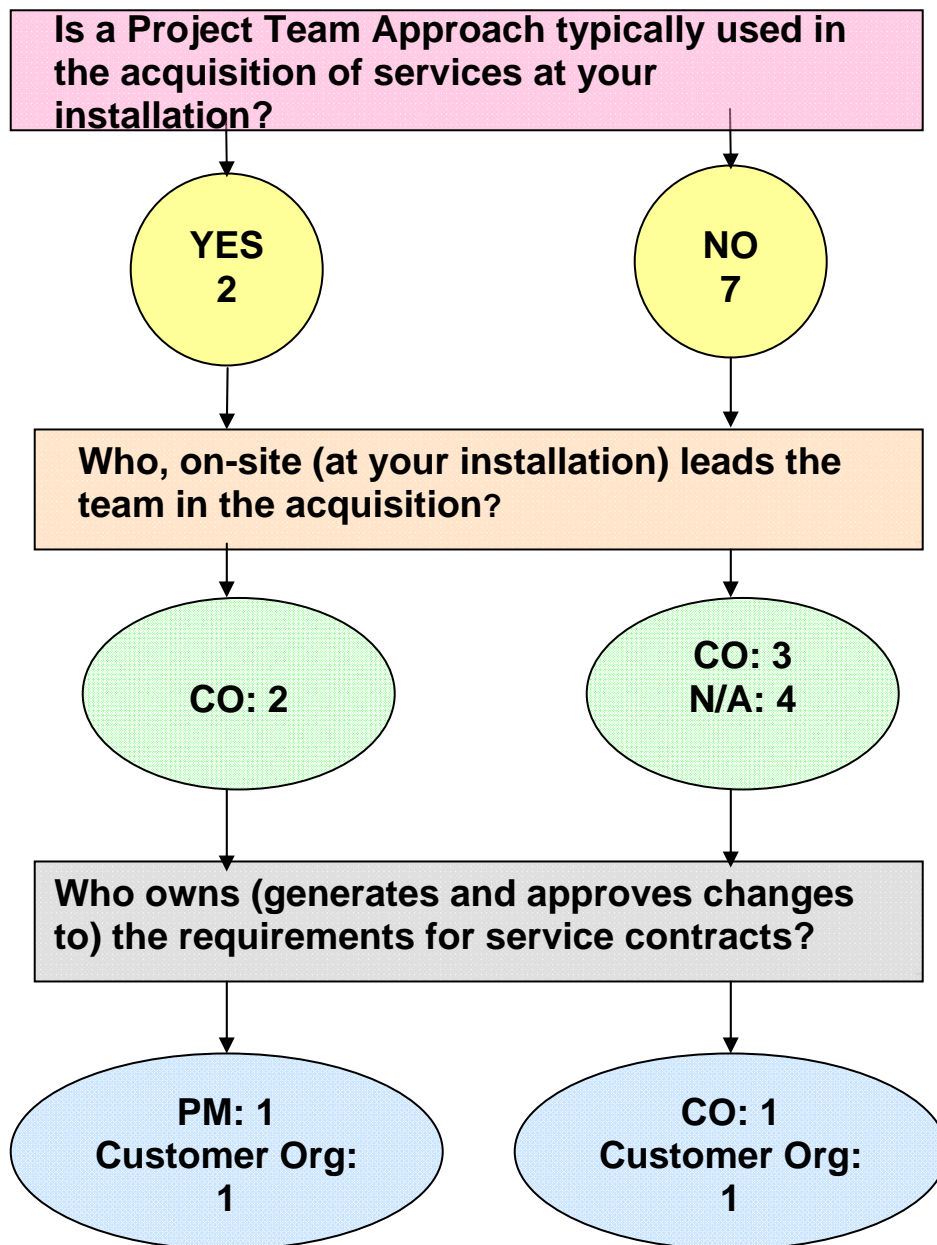


As evidenced in the results of the survey, the project team approach was used 22% of the time. The contracting officer leads the team in the acquisition



process 100% of the time. The program manager and the customer organization generate and approve changes to the requirements with equal frequency when the project team approach is used for contracting data processing and telecommunications. Figure 3 recaps the results of the project team approach.

**Figure 16. Data Processing and Telecommunications Services Project Team Approach**

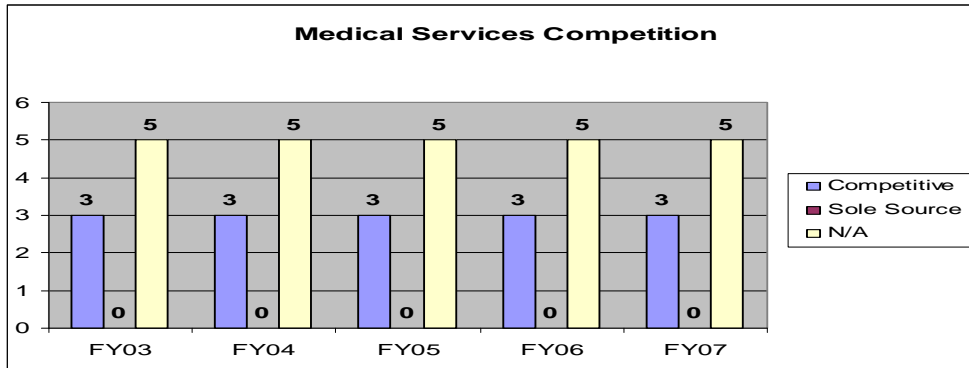




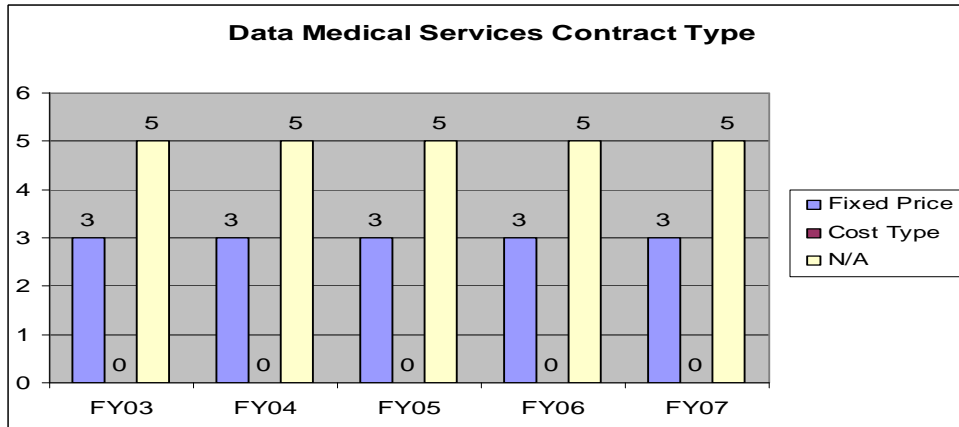
#### 4. Medical Services

In Figure 17, the data showed that from FY03 to FY07, the competitive approach was used in every instance for the acquisition of medical services. Figures 18 and 19 showed that the majority of the medical service contracts were firm fixed-price without incentives. It should be noticed that the majority of the respondents responded “not applicable.”

**Figure 17. Competition by Fiscal Year**



**Figure 18. Contract Type by Fiscal Year**



**Figure 19. Incentive Type Contracts Used by Fiscal Year**

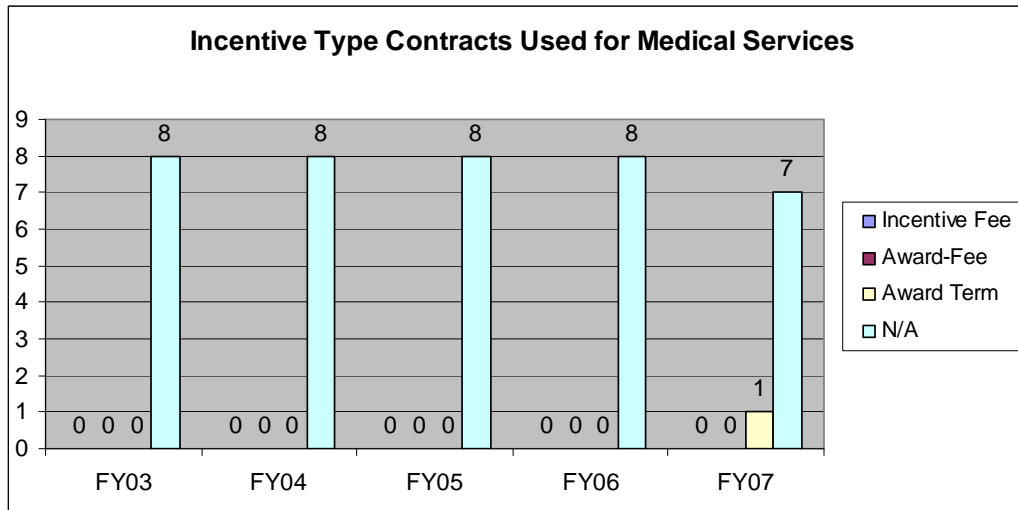
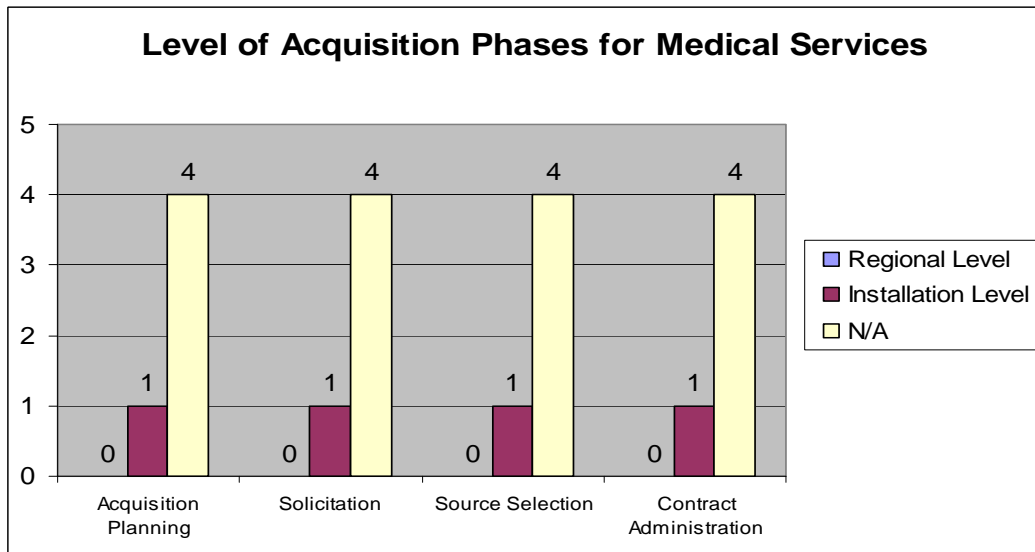


Figure 20 showed that all the acquisition planning, solicitation, source selection and contract administration were performed at the installation level.

**Figure 20. Level at which the Acquisition Phases are Performed**

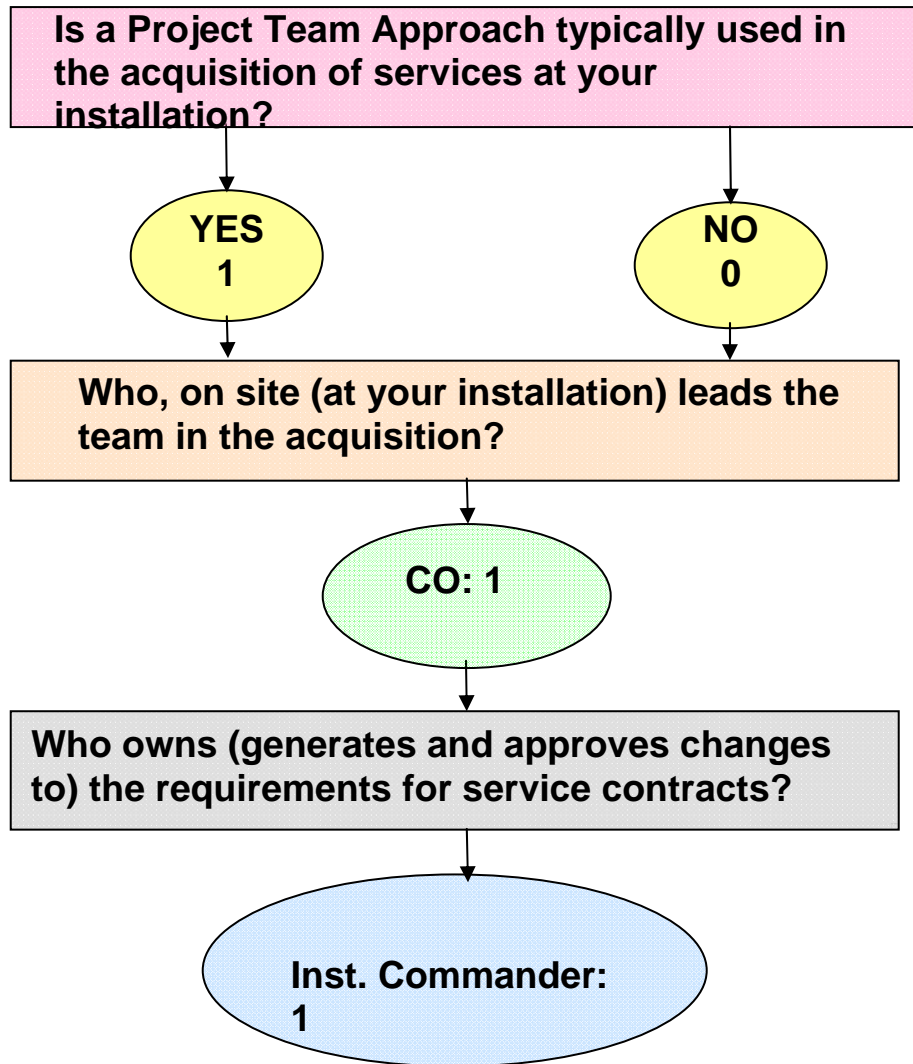


The survey results from NMLC displays that the project team approach was used at all times for the acquisition of medical services. The contracting officer is the one that leads the acquisition team at all times, and the installation commander



is the one that generates and approves the requirements. Figure 4 recaps the medical services project team approach.

**Figure 21. Medical Services Project Team Approach**



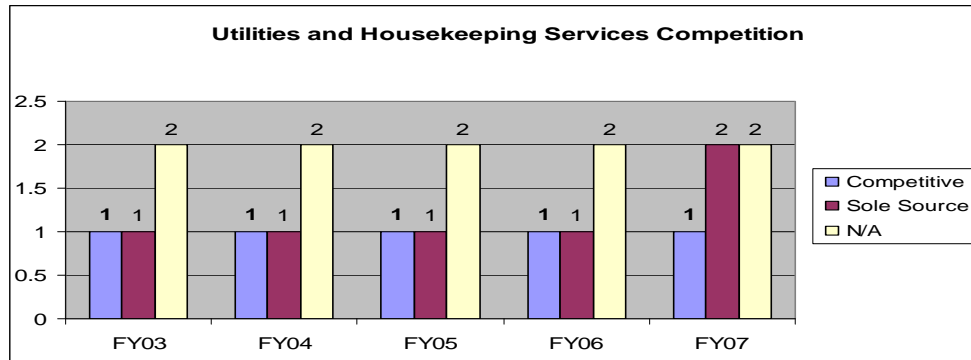
## 5. Utilities and Housekeeping Services

Figure 22 showed that from FY03 to FY06 in the Utilities and Housekeeping service code, 25% of the contracts administered were competitive, and 25% were sole-source. In FY07, 20% were competitive, while 40% were awarded as a sole-source contract. Sixty percent of the contracts awarded were firm fixed-price. Of

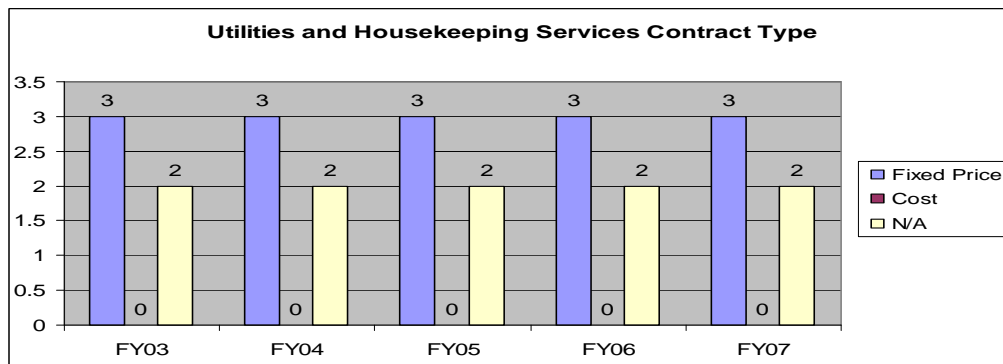


those contracts, 25% were incentivized by an award fee, as shown in Figures 23 and 24. It should be noted that half of the respondents responded “not applicable.”

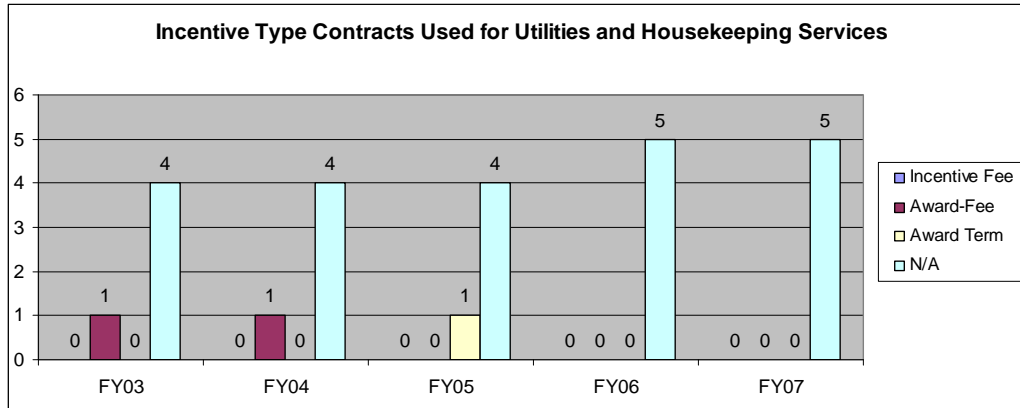
**Figure 22. Competition by Fiscal Year**



**Figure 23. Contract Type by Fiscal Year**

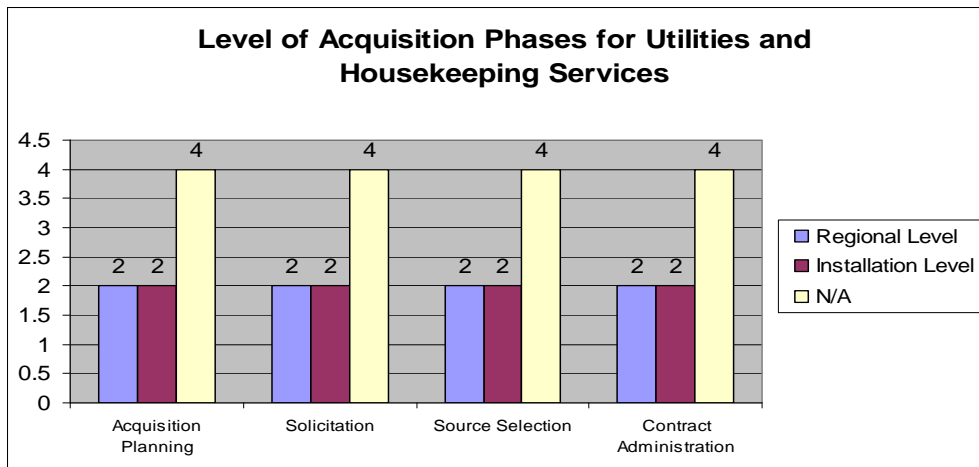


**Figure 24. Incentive Type Contracts Used by Fiscal Year**



The data collected indicates that, of the respondents for utilities and housekeeping services, it is a 50% split of contracts planned, solicited, selected and administered between the regional and installation level. Figure 25 recaps the performance level of acquisition phases for utilities and housekeeping services.

**Figure 25. Level at which the Acquisition Phases are Performed**

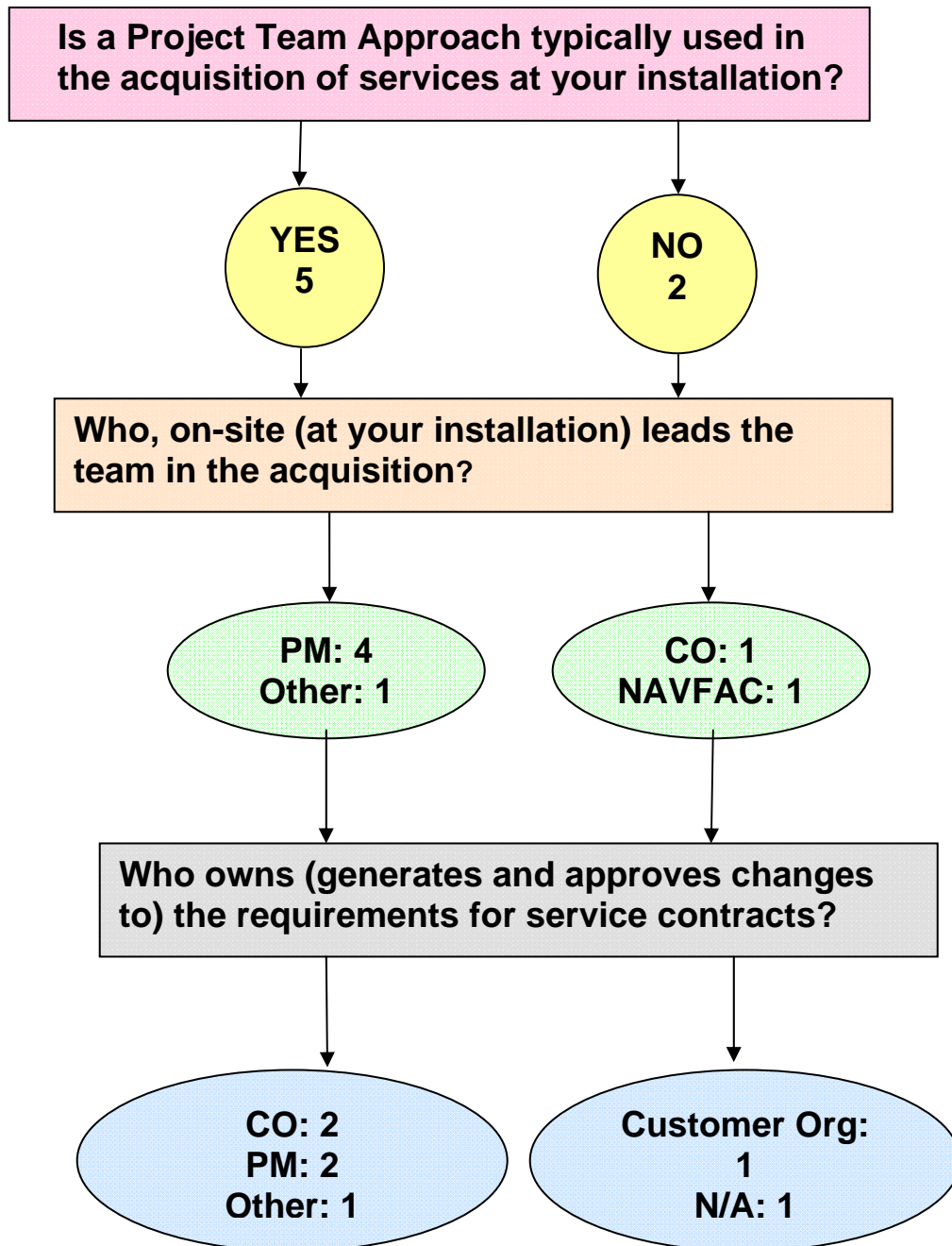


The results of the survey showed that the project team approach was used 71% of the time. The program manager leads the team when the project team approach was used to acquire utility and housekeeping services. On the other hand, when the project team approach was not used, the regional contracting officer or NAVFAC are the ones that lead the acquisition team. Also the data showed that the



contracting officer or the program manager own the requirements for these kinds of contracts. Figure 5 recaps the results of the project team approach.

**Figure 26. Utility and Housekeeping Services Project Team Approach**



## **6. Summary Analysis of Core Questions**

This summary analysis explains the core questions in a top-level perspective. The respondents to the survey indicated that service requirements were competitively solicited. Additionally, the regional contracting activities awarded these service contracts as a firm fixed-priced contract. Also, the majority of service contracts were awarded without incentives, however in few instances the Navy incentivized contractors with an award term or an award fee. In FY06 and FY07 there has been an increase in the number of sole-source contract awarded for data processing, telecommunications, utilities and housekeeping. The pursuance of pre-award functions (acquisition planning, solicitation, and source selection) for service contracts are executed at the regional level, while post-award contract administration is fulfilled at the installation level. Finally, the results of the survey showed that the project team approach was used approximately 50% of the time. When the project team approached was used, it is noted that in most cases the Contracting Officer lead the team.

## **7. General Survey Questions**

The final part of the survey is related to general questions concerning the acquisition of services at the installation level. The general questions highlighted issues concerning the scope and ability of personnel responsible for service contracts. Table 9 recaps the general responses to questions from the survey. It should be noted that some respondents responded “not applicable.”



**Table 9. Scope and Ability of Personnel Responsible for Service Contracts**

General Questions	Survey Results	
Who writes and awards contracts to provide services?	CO 100%	
Who is responsible for the surveillance of contractor's performance?	COR/COTR 37.5%	CO 12.5%
What type of training these personnel receive?	DAWIA 41%	Phase I and II 36%
How much time was spent in the QAE position?	12-36 Months 37.5%	Over 36 Months 50%

Legend:

CO – Contracting Officer

The survey results presented in Table 9 reflect that the contracting officer is the one that writes and awards service contracts at the regional level. In terms of contract surveillance, the data suggested that about 63% of the time, the Navy did not assign a COR to perform surveillance at the Navy installation. Also, the survey results showed that the majority of the contracting officers in the Navy did not receive Phase I and II contracting training. Phase I and II training were established by the *Defense Acquisition Workforce Improvement Act (Public Law 101-510, 1990)* to establish development standards for persons serving in acquisition positions in the DoD. Phase I courses are designated to provide foundational knowledge and establish primary qualifications and experience in the individual's acquisition career. Phase II emphasizes courses designed to enhance employees' capabilities in their career fields (DAU, 2008a). These findings reflect the GAO concerns related to training and surveillance that were discussed in Chapter II. In terms of the time that the COR/COTR spent in their respective Quality Assurance Evaluator (QAE) positions, more than one-third of the respondents indicated that they rotate every 2 to 3 years. These numbers make sense because some of these positions are filled by military personnel that rotate every two to three years. The contracting officers,





on the other hand, were in their positions for longer periods, because most of these positions are filled by civilians.

## **8. Likert Scale Statements**

The final part of the survey asked Likert scale-based questions related to lifecycle approach, market research, service acquisition billets and responsibility of staff members. The answers of these questions are divided in three categories: the percentage of survey takers that disagreed, the percentage that are neutral and the percentage that agreed. “Disagreed” and “agreed” categories also include “strongly disagreed” or “strongly agreed,” respectively. Table 10 recaps the Likert scale statements.



**Table 10. Lifecycle Approach, Market Research, Billets and Responsibility**

Likert Questions	Results <sup>6</sup>		
	Disagree (%)	Neutral (%)	Agree (%)
<b>Lifecycle Approach</b>			
For routine services this was the dominant strategy.	50	25	62
For non-routine services this was the dominant strategy	0	37.5	50
<b>Market Research</b>			
Market research was conducted for the acquisition of services.	0	0	100
<b>Services Acquisition Billets</b>			
There are adequate number of Staff positions.	37.5	25	25
These positions are adequately filled.	50	12.5	25
These staff members are adequately trained.	12.5	25	50
These staff members are adequately qualified.	12.5	12.5	62.5
<b>Responsibility of staff members</b>			
Persons identifying requirement also write SOW/SOO.	62.5	12.5	2.5
QAE receive prior formal/documented training.	12.5	12.5	75
QAE submit written requests of performance and quality of work to CO.	12.5	25	62.5
Proper level of oversight is afforded to monitor performance.	37.5	37.5	25

<sup>6</sup> Note that some rows may sum to more than 100% as the responses were not mutually exclusive and as such some respondents provided more than one response to a particular question.



The data presented in Table 10 reflect that some services acquisition billets are not adequately filled. This may explain why the Navy did not assign COR/COTR in all Navy installations to conduct contract surveillance. Also, the data collected reflect that the person identifying the requirements is not the one that writes the SOW (Statement of Work) or the SOO (Statement of Objectives) for service contracts. This practice reflects inadequate requirements management training.

#### D. Summary

The empirical data collected from the web-based survey indicate that each of the services acquired by the Navy was procured at the regional level. The great majority of the service contracts were awarded fixed-priced contracts without incentives. The project team approach was used by the Navy approximately 50% of the time in the acquisition for all services categories. For service contracts in which the project team approach was used, 39% of the respondents stated that the program manager led the acquisition team, and 54% stated that the contracting officer led the team. On the other hand, when a project team is not employed, approximately 100% of the time, the contracting officer is still responsible for leading the acquisition of services.

In terms of the scope and ability of personnel responsible for service contracts, the researchers found that most installations did not assign a COR/COTR to perform contractor surveillance. Also, the researchers found that the majority of the contracting officers in charge of service contracts in the Navy had not received Phase I and II contracting training. Finally, the data collected showed that some of the services acquisitions billets are not adequately filled. The situation explained above may validate the GAO claims related to contract training and oversight discussed in Chapter II.

In the next chapter, the researchers provide a summary of and conclusions from this research. Recommendations are proposed, and areas for further research are discussed.



## V. Summary, Conclusions, and Recommendation

### A. Introduction

The previous chapter provided analysis on the survey data collected on the five Federal Supply Classifications (FSC)(s) used as focus points for this research. The purpose of this chapter is to summarize the analysis in a broader category as it pertains to the collective naval regional commands. The conclusions will be derived from this broader summary of installation contracting processes to address the research questions from Chapter I. Following the conclusion, recommendations are tied to the conclusion to provide insights into contracting process improvements. Finally, lists of recommended research topics are provided at the end of this chapter.

### B. Summary

The Navy manages all facets of service contracting for installations at the regional level. Continental United States (CONUS) installations are grouped into six regional commanders and encompass elements of the Naval Supply Systems Command (NAVSUP) and Naval Facilities Engineering Command (NAVFAC) that are responsible for information technology and physical structures at naval bases.

The Navy is contracting for services at an increasing rate as evident in a 78% increase in the dollars spent from 1996 to 2006. This rate is not just in the Navy but across all of the services. The need for contracting out base services has expanded when personnel that originally performed these duties have been downsized or deployed for the War on Terrorism. This forced fewer personnel to maintain the needs of these installations with fewer resources, driving the use of commercially procured services. The DoD is pushing for the use of business best practices in order to maximize commercial practices in acquiring services for military bases.

The Navy has moved to regionalize its contracting effort. This creates difficulty in developing an efficient means in which to monitor contract performance.



Still, after regionalization, the Navy uses two organizations with contracting activities, NAVSUP and NAVFAC. NAVSUP is responsible for support of operating forces, personnel, public safety, and command and staff. NAVFAC is responsible for support of housing, facilities, and environmental contracts.

The preferred contract type awarded for all installation services is the Firm Fixed-price (FFP) contract without incentives. The FFP is the easiest contract for the Navy to administer, since pricing is determined before award (as long as the contractor is deemed to be technically acceptable). The requirements for an FFP service contract are relative simple, easily definable, and performance is quickly measurable.

The Navy uses the acquisition project team approach for half of the installation service contracts awarded. Fifty four percent of the time, the Contracting Officer leads the acquisition team when this team approach is used for the acquisition process. The rest of the time, the Program Manager is the leader of the acquisition project team. When the team approach is not used, the sole responsibility for performing all steps of the contracting process for acquiring the services reverts to the Contracting Officer.

Contract performance surveillance is not being performed properly, if at all, by Contracting Officer's Representative/Contracting Officer's Technical Representative (COR/COTR). The current training for CORs and COTRs is not adequate to provide efficient oversight functions required by Administrative Contracting Officer (ACO) in administering the services contracts. CLC 106, Contracting Officer Training with a Mission Focus, is specialized enough to be the only instruction necessary for COR/COTR duties. Requirement generators are not assigning COR/COTRs to watch contractor compliance with the terms and conditions of the contract.

The majority of the time, the SOW/SOO is not being developed by the activities that are generating the requirement. This shows a deviation from generally



accepted acquisition processes in which the requirement generating activity defines the end state expected from the service.

## C. Conclusion

These research conclusions will connect the summary of the survey analysis and literature review to the research questions for this project. A review of the four research questions are as follows:

1. What types of acquisition strategies, procurement methods, and contracts are being used to acquire services?
2. How are these services contracts managed?
3. What types of organization and management structures are used to manage contracted services?
4. What types of training does contract and project or program management staffs receive?

### **1. What Types of Acquisition Strategies, Procurement Methods, and Contracts are being Used to Acquire Services?**

#### **a. Acquisition Strategy**

Navy installations use their separate regions to provide and manage contracting support. The data received from this survey indicates that the majority of service contracts for the Navy are managed at the regional level. Breaking into regions has assisted the Navy in capitalizing on services of a common nature. This enables the Navy to provide services to multiple installations under one contract. This effectively reduces the number of contracts and the administration that is required to set up and execute the services required.

The Navy's move to the regionalization of contracting for installation services presents a problem of how to oversee and monitor these contracts. The Navy's solution is to use CORs as a contract-surveillance mechanism. In theory, this is an attractive solution in which 100% of the contract can be monitored on a day-to-day basis. In practice, this is not so—63% of the time; the Navy did not assign a



Contracting Officer's Representative (COR) for contract surveillance at the installation level. Only about 75% of the CORs have received relevant training before they assumed their COR duties. This, combined with the reality that being a COR is not their primary duty, lends itself to the under-representation of the Government to the contractors performing the work.

**b. Procurement Method**

The Navy is experimenting with the project team approach even though only about half of the contracting for services is reported as using this method. As reported in the surveys, the Contracting Officer is almost always the team leader. This contradicts the expectation that the Program Manager (PM) would most likely lead the team as it would in other major programs. The team leader oversees the functional areas that are in the cognizance of a technical expert and incorporates recommendations into developing a comprehensive contract.

Changes to the requirements occur from the PM or the Installation Commander. In a few instances, the Contracting Officer has performed this function, which should be beyond his responsibility and could border on a conflict of interest. The Contracting Officer's main responsibility is to safeguard public funds and to contract these funds in the best interest of the Government.

The Navy should mandate that the requirements' owners develop their own Statement of Work/Statement of Objectives (SOW/SOO) when contracting for services. This requires the requirement-generators to prepare a SOW/SOO for the required services. The Contracting Officer enters into a binding contract with suitable vendors that provide the service. The surveillance of the contract is performed by the COR as a direct representative of the Contracting Officer, and he or she reports the status as the contract is being executed. At completion of the contract, the COR verifies that all stipulations of the contract have been met and prepares documentation for the closeout of the contract.



### **c. Contract Type**

The majority of the contracts issued for services at Navy installations are competitive firm fixed-price contracts with no incentives. While there are other contracting types available for services, firm fixed-price contracts are the quickest and easiest to award, monitor and closeout. This makes them an attractive option with the limited personnel available to contact for requirements and to administer the contract element after award.

Applying appropriate incentives to service contracts can improve performance of these contracts. The challenge is establishing a good matrix to determine if the contractor met the objectives to receive the incentive instead of giving the contractor a blank check. A knowledgeable COR becomes a valuable tool for the Contracting Officers in measuring the performance of contracts.

Having at least one COR at each installation to bridge the gap between the Contracting Officer, end-user, and the contractor is critical. The distance between the Contracting Officer and the technical expert (i.e., Chief Petty Officers, Chief Warrant Officers, and civilian employees) becomes a barrier to the proper communication flow critical for acquisition planning. In the US Navy, the majority of the personnel that understand the technical requirements of service contracts are located at the installations. The technical expert is in the best position to make recommendations to the Contracting Officer on which areas of the requirements should be incentivized to reward the contractor based on performance of the contract.

## **2. How are These Services Contracts Managed?**

### **a. Regional Level**

As stated earlier, service contracts are managed at the regional level for the bigger multiple base as well as base specific contracts. At the regional level, the bulk of contracting for installation services falls to two commands: Naval Facilities Engineering Command (NAVFAC) and Naval Supply Systems Command (NAVSUP). NAVFAC contracting personnel mainly oversee infrastructure and motor





pool contracts. Included in this purview are housing, facility support, and environmental contracts. NAVSUP contracting personnel are responsible for supporting air and port operations, personnel, public safety, and information technology.

The Regional Contracting Officers depend on the COR or the customer organization for monitoring contract progress and for notification when issues arise. These contract performance monitors may or may not have had any instruction or specialized training in contractor surveillance, increasing the risk of substandard performance. Without sufficient contractor surveillance, the contractor is allowed to monitor its own performance, but surveillance contract execution remains the responsibility of the Contracting Officer.

**b. Installation Level**

Service contract management at the installation level is mainly performed by the COR or the customer organization. These persons are located at the installation where the contract is being performed and are also the ones generating the requirements for services. Managing the performance of contracts is usually in addition to their primary duties. These persons receive minimal training that results in difficulties for the Contracting Officer-to-COR relationship that has to be corrected during the performance period of the contract. The COR becomes the point of contact for performance between the contractor and the Contracting Officer.

**3. What Types of Organization and Management Structures are used to Manage Contracted Services?**

The Navy had regionalized the management of service contracts. Most of the acquisition planning, solicitation, and source selection for contract services were performed at the regional level. The regional contracting officer writes and awards contracts for the specific installation. The COR or Customer Organization is responsible for the surveillance of those contracts and reporting of contractor performance.



#### **4. What Types of Training Does Contract and Project or Program Management Staff Receive?**

The survey indicates that only half of the respondents agree that acquisition and program/project staff members are adequately trained. While Contracting officers are required to have *DAWIA* Phase I/II training before being allowed to gain a warrant, the lack of training comes from the CORs and Contracting Officer's Technical Representatives (COTR). The training of these personnel tends to get overlooked. In many cases, they are trained after they are given the COR/COTR responsibilities, making training an afterthought in the contract surveillance process. Both contracting personnel and Program/Project managers would benefit from cross training to develop their knowledge base on service acquisition techniques.

#### **D. Recommendations**

Based on the summary of the survey results and the conclusions discussed in this chapter, the following are recommendations that will enhance service contract management readiness in the US Navy.

##### **1. Industry Internships**

The US Navy should solicit major companies to participate in an internship program in which military members and government employees work with businesses that are recognized leaders in areas associated with supply chain management. This approach should follow the Air Force's "Education with Industry" program that currently develops its personnel in successful commercial practices. These people will be required to submit a periodic report on lessons learned from the commercial businesses for incorporation into military business practices.

##### **2. Create Billets for Contracting Officers Representatives**

The Navy should allocate permanent assignments of CORs at installations. The CORs will work for the Regional Contracting Officers for surveillance of service contracts at the installation that they are attached too. These personnel will be the point of contact between the Installation Commanders and the Contracting Officers



on matters that concern contractor performance. These assignment billets would be a good fit for enlisted supply personnel that can be trained as professional CORs (as their primary shore duty assignment). All CORs need to be required, at a minimum, to successfully complete Phase I/II and *DAWIA* (that emphasizes COR responsibilities) training before functioning as a COR. Once COR training is completed, these personnel should receive the Navy Enlisted Code (NEC) for the ability to assume COR duties. This will ensure that adequate time is given to determine if an enlisted sailor has demonstrated that he or she has the required aptitude to successfully perform the duties of a COR. The number of COR billets at the installations should be determined by the number of contracts currently and prospectively being awarded at the installations, with careful considerations not to overload the CORs' capabilities to adequately perform their responsibilities. A measurable contractor performance matrix should be created during the acquisition plan phase that accurately articulates the performance goals that need monitoring. These CORs will provide written periodic reports to keep the Contracting Office informed of the progress of the contracts. Having a qualified representative constantly monitoring the job site will positively affect contractor performance and will help to uncover potential problems before they become serious problems.

### **3. Stability of Contract Surveillance at Installations**

The US Navy regional contracting activity should assign at least one qualified civilian to each installation. The duties of this position will be augmented by military CORs. This position will maintain the experience base of the contracts used at the installation and smooth the transitions from CORs transferring in and out in order to ensure that every contract has a monitor. This will stabilize the office functions and would report to the Regional Contracting Officer and maintain the relationship with the base commander.

This position should also be used for training of the incoming CORs and for training the personnel creating the requirements in methods of creating



comprehensive and effective Statement of Works or Statements of Objectives to adequately express the intentions of the work that is being contracted out.

These recommendations should start out as test programs in order to determine if the costs associated with these programs are outweighed by the benefits. If they are successful, then these programs should be put into action on large scale and incorporated in the normal daily business activities of the US Navy contracting activities.

#### E. Areas for Further Research

This section includes recommendations for further research and is based on the findings from the literature review and the survey data. With additional research in these areas, the US Navy, along with other services and government agencies, could gain a better understanding of service contracting. The knowledge gained would provide methods that improve the efficiency of processes used when contracting for installation services.

1. Analyze the benefits and implication of using project teams for service contracts by exploring the best practices and lessons learned from current acquisition planning and strategic planning that use project teams.
2. Compare and contrast acquisition methods between OCONUS to CONUS Navy contracting activities. Then expand the research to include:
  - a. Other US DoD military services
  - b. Other governmental departments (i.e., DHS, DOT, DOE, etc.)
  - c. Federal Government agencies
  - d. Business practices of non-governmental organizations (i.e., USAID, Red Cross, etc.)
3. Investigate the feasibility and effects of using enlisted personnel in the primary duties as CORs at Navy installations. Include the effects on morale, career retention, and opportunity for advancement.



4. Explore the impact of having the regional contracting office separated by distance from the end-user and requirement-generator. What processes, when implemented, enhance or detract from the effectiveness of the procurement process when the contracting activity is:
  - a. In a different part of a state?
  - b. In a different state?
  - c. Across the country?
  - d. Across the world?

What effective processes do worldwide commercial businesses use and how might these processes be adapted to the uniqueness of the different military branches?

5. Examine the impact of location and performance of contract management processes at the installation level, regional level and Navy-wide level. Then, compare with the effectiveness of the other services, government agencies, and overseas installations. Compile the most strategic, suitable methods and implement at regional contracting activities.



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