



NAVAL POSTGRADUATE SCHOOL

MONTEREY, CALIFORNIA

CAPSTONE APPLIED PROJECT REPORT

PROCURING BULK PETROLEUM FOR THE FEDERAL GOVERNMENT: WHY VENDORS' OFFERS ARE RATED TECHNICALLY UNACCEPTABLE

September 2022

By: Ayodele G. Warburton

Advisor: Rene G. Rendon
Co-Advisor: Angela Jones,
Defense Logistics Agency Energy

Approved for public release. Distribution is unlimited.

THIS PAGE INTENTIONALLY LEFT BLANK

REPORT DOCUMENTATION PAGE			<i>Form Approved OMB No. 0704-0188</i>	
Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instruction, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington, VA 22202-4302, and to the Office of Management and Budget, Paperwork Reduction Project (0704-0188) Washington, DC, 20503.				
1. AGENCY USE ONLY (Leave blank)		2. REPORT DATE September 2022	3. REPORT TYPE AND DATES COVERED Capstone Applied Project Report	
4. TITLE AND SUBTITLE PROCURING BULK PETROLEUM FOR THE FEDERAL GOVERNMENT: WHY VENDORS' OFFERS ARE RATED TECHNICALLY UNACCEPTABLE			5. FUNDING NUMBERS	
6. AUTHOR(S) Ayodele G. Warburton				
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) Naval Postgraduate School Monterey, CA 93943-5000			8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING / MONITORING AGENCY NAME(S) AND ADDRESS(ES) N/A			10. SPONSORING / MONITORING AGENCY REPORT NUMBER	
11. SUPPLEMENTARY NOTES The views expressed in this thesis are those of the author and do not reflect the official policy or position of the Department of Defense or the U.S. Government.				
12a. DISTRIBUTION / AVAILABILITY STATEMENT Approved for public release. Distribution is unlimited.			12b. DISTRIBUTION CODE A	
13. ABSTRACT (maximum 200 words) Every fiscal year, DLA Energy procures global military jet fuel and marine diesel fuel requirements through four major purchase programs: Inland East Gulf Coast; Rocky Mountain West; Atlantic, Europe and Mediterranean; and Western Pacific. DLA Energy's Bulk Petroleum Products Division oversees these procurements and delivers contracting support for all bulk petroleum requirements. Offerors develop proposals and submit proposals, and when proposals are evaluated, some are determined technically unacceptable based on the evaluation factors. When offerors' proposals are deemed technically unacceptable, that reduces the level of competition for that procurement and competition is reduced, resulting in a greater challenge for DLA Energy to award contracts based on fair and reasonable prices. The more proposals that are deemed technically acceptable, the greater the competition in the procurement, which results in DLA Energy being better able to support its mission. The purpose of this research is to provide an analysis of the reasons why offerors' proposals are deemed technically unacceptable during proposal evaluation of the contract source selection. Based on the analysis, this research provides recommendations for how DLA Energy could improve its procurement of bulk petroleum. This also helps inform the industry by making recommendations of how to improve their proposals so that they can be technically acceptable.				
14. SUBJECT TERMS lowest price technically acceptable, LPTA, evaluation factors, technically unacceptable, offers, proposals, DLA, DLA Energy			15. NUMBER OF PAGES 81	
			16. PRICE CODE	
17. SECURITY CLASSIFICATION OF REPORT Unclassified	18. SECURITY CLASSIFICATION OF THIS PAGE Unclassified	19. SECURITY CLASSIFICATION OF ABSTRACT Unclassified	20. LIMITATION OF ABSTRACT UU	

THIS PAGE INTENTIONALLY LEFT BLANK

Approved for public release. Distribution is unlimited.

**PROCURING BULK PETROLEUM FOR THE FEDERAL GOVERNMENT:
WHY VENDORS' OFFERS ARE RATED TECHNICALLY UNACCEPTABLE**

Ayodele G. Warburton, Civilian, Defense Logistics Agency Energy

Submitted in partial fulfillment of the
requirements for the degree of

MASTER OF SCIENCE IN CONTRACT MANAGEMENT

from the

**NAVAL POSTGRADUATE SCHOOL
September 2022**

Approved by: Rene G. Rendon
Advisor

Angela Jones
Co-Advisor

Rene G. Rendon
Academic Associate, Department of Defense Management

THIS PAGE INTENTIONALLY LEFT BLANK

PROCURING BULK PETROLEUM FOR THE FEDERAL GOVERNMENT: WHY VENDORS' OFFERS ARE RATED TECHNICALLY UNACCEPTABLE

ABSTRACT

Every fiscal year, DLA Energy procures global military jet fuel and marine diesel fuel requirements through four major purchase programs: Inland East Gulf Coast; Rocky Mountain West; Atlantic, Europe and Mediterranean; and Western Pacific. DLA Energy's Bulk Petroleum Products Division oversees these procurements and delivers contracting support for all bulk petroleum requirements. Offerors develop proposals and submit proposals, and when proposals are evaluated, some are determined technically unacceptable based on the evaluation factors. When offerors' proposals are deemed technically unacceptable, that reduces the level of competition for that procurement and competition is reduced, resulting in a greater challenge for DLA Energy to award contracts based on fair and reasonable prices. The more proposals that are deemed technically acceptable, the greater the competition in the procurement, which results in DLA Energy being better able to support its mission. The purpose of this research is to provide an analysis of the reasons why offerors' proposals are deemed technically unacceptable during proposal evaluation of the contract source selection. Based on the analysis, this research provides recommendations for how DLA Energy could improve its procurement of bulk petroleum. This also helps inform the industry by making recommendations of how to improve their proposals so that they can be technically acceptable.

THIS PAGE INTENTIONALLY LEFT BLANK

TABLE OF CONTENTS

I.	INTRODUCTION.....	1
A.	BACKGROUND	1
B.	PURPOSE OF RESEARCH	2
C.	RESEARCH QUESTIONS	2
D.	METHODOLOGY	2
E.	BENEFITS AND LIMITATIONS OF THE RESEARCH	3
F.	ORGANIZATION OF RESEARCH PAPER	3
G.	SUMMARY	4
II.	LITERATURE REVIEW	5
A.	INTRODUCTION.....	5
B.	THEORETICAL FOUNDATION	5
	1. Auditability Theory	6
	2. Agency Theory	7
	3. Transaction Cost Economics Theory (TCE)	8
C.	CONTRACT MANAGEMENT PROCESS.....	8
D.	SOURCE SELECTION.....	12
E.	DEPARTMENT OF DEFENSE SOURCE SELECTION PROCEDURES	13
F.	LOWEST PRICE TECHNICALLY ACCEPTABLE (LPTA)	14
G.	DEFENSE LOGISTICS AGENCY ENERGY EVALUATION FACTORS	16
	1. Technical Acceptability	16
	2. Price.....	18
H.	DODIG REPORT	19
I.	GAO CASE.....	20
J.	PREVIOUS RESEARCH.....	22
K.	SUMMARY	23
III.	DEFENSE LOGISTICS AGENCY ENERGY.....	25
A.	INTRODUCTION.....	25
B.	DLA	25
	1. Mission	25
	2. Major Subordinate Commands (MSC)	25
	3. Regional Commands.....	26
	4. DLA By The Numbers FY 20.....	28
C.	DLA-E	29

1.	Mission	30
2.	Programs.....	30
3.	Regional Offices	32
4.	DLA-E Statement of Sales FY 20	34
D.	SUMMARY	35
IV.	METHODOLOGY	37
A.	INTRODUCTION.....	37
B.	SOURCE OF DATA.....	37
C.	DATA COLLECTION	37
D.	DATA ANALYSIS	38
E.	SUMMARY	38
V.	FINDINGS AND ANALYSIS	39
A.	INTRODUCTION.....	39
B.	DESCRIPTIVE STATISTICS.....	39
C.	FINDINGS.....	40
1.	FY 19/FY 20 Rocky Mountain West	40
2.	FY 19/FY 20 Inland East Gulf	42
3.	FY 19/FY 20 Western Pacific.....	44
4.	FY 19/FY 20 Atlantic / Europe and Mediterranean	46
D.	DISCUSSION	48
1.	FY 19/FY 20 Rocky Mountain West	48
2.	FY 19/FY 20 Inland East Gulf	49
3.	FY 19/FY 20 Western Pacific.....	50
4.	FY 19/FY 20 Atlantic / Europe and Mediterranean	51
E.	IMPLICATIONS OF FINDINGS	52
F.	RECOMMENDATIONS.....	53
G.	SUMMARY	56
VI.	SUMMARY, CONCLUSION, AND AREAS FOR FURTHER RESEARCH	57
A.	INTRODUCTION.....	57
B.	SUMMARY	57
C.	CONCLUSION	57
D.	AREAS FOR FURTHER RESEARCH.....	59
	LIST OF REFERENCES.....	61
	INITIAL DISTRIBUTION LIST	63

LIST OF FIGURES

Figure 1.	Auditability Triangle. Adapted from Rendon & Rendon (2015).....	6
Figure 2.	Contract Management Standard. Source: NCMA (2019, p. 315).....	9
Figure 3.	DLA Authority Chart. Adapted from DLA Strategic Plan 2021–2026 (DLA, n.d.1).....	28
Figure 4.	DLA by the numbers FY 20. Source: DLA Strategic Plan 2021–2026 (DLA, n.d.1).....	29
Figure 5.	DLA-E Organizational Chart. Source: DLA-E (2020).	34
Figure 6.	DLA-E Statement of Sales FY 18, 19 and 20. Source: DLA-E (2020).....	35
Figure 7.	RMW FY 19/FY 20 Subfactors Initial Technical Evaluation Rating. Adapted from DLA-E Technical Evaluation Rating (2019 and 2020).	41
Figure 8.	RMW FY 19/FY 20 Subfactors Final Proposal Revision. Adapted from DLA-E Technical Evaluation Rating (2019 and 2020).....	41
Figure 9.	IEG FY 19/FY20 Subfactors Initial Technical Evaluation Rating. Adapted from DLA-E Technical Evaluation Rating (2019 and 2020).	43
Figure 10.	IEG FY 19/FY 20 Subfactors Final Proposal Revision. Adapted from DLA-E Technical Evaluation Rating (2019 and 2020).	44
Figure 11.	WESTPAC FY 19/FY 20 Subfactors Initial Technical Evaluation Rating. Adapted from DLA-E Technical Evaluation Rating (2019 and 2020).	45
Figure 12.	WESTPAC FY 19/FY 20 Subfactors Final Proposal Revision. Adapted from DLA-E Technical Evaluation Rating (2019 and 2020).	46
Figure 13.	AEM FY 19/FY 20 Subfactors Initial Technical Evaluation Rating. Adapted from DLA-E Technical Evaluation Rating (2019 and 2020).	47
Figure 14.	AEM FY 19/FY 20 Subfactors Final Proposal Revision. Adapted from DLA-E Technical Evaluation Rating (2019 and 2020).....	48

THIS PAGE INTENTIONALLY LEFT BLANK

LIST OF TABLES

Table 1.	RMW FY 19 Offerors Rated Unacceptable/Acceptable. Adapted from DLA-E Technical Evaluation Rating (2019).	40
Table 2.	RMW FY 20 Offerors Rated Unacceptable/Acceptable. Adapted from DLA-E Technical Evaluation Rating (2020).	40
Table 3.	IEG FY 19 Offerors Rated Unacceptable/Acceptable. Adapted from DLA-E Technical Evaluation Rating (2019).	42
Table 4.	IEG FY 20 Offerors Rated Unacceptable/Acceptable. Adapted from DLA-E Technical Evaluation Rating (2020).	42
Table 5.	WESTPAC FY 19 Offerors Rated Unacceptable/Acceptable. Adapted from DLA-E Technical Evaluation Rating (2019).	44
Table 6.	WESTPAC FY 20 Offerors Rated Unacceptable/Acceptable. Adapted from DLA-E Technical Evaluation Rating (2020).	45
Table 7.	AEM FY 19 Offerors Rated Unacceptable/Acceptable. Adapted from DLA-E Technical Evaluation Rating (2019).	46
Table 8.	AEM FY 20 Offerors Rated Unacceptable/Acceptable. Adapted from DLA-E Technical Evaluation Rating (2020).	47

THIS PAGE INTENTIONALLY LEFT BLANK

LIST OF ACRONYMS AND ABBREVIATIONS

AEM	Atlantic/Europe/Mediterranean
BPP	Bulk Petroleum Products Division
CMS	Contract Management Standard
DLA	Defense Logistics Agency
DLA-E	Defense Logistics Agency Energy
DODIG	Department of Defense Inspector General
FAR	Federal Acquisition Regulation
FPR	Final Proposal Revision
FY	Fiscal Year
GAO	United States General Accountability Office
IEG	Inland East Gulf
LB	Large Business
LPTA	Lowest Price Technically Acceptable
MSC	Major Subordinate Command
NCMA	National Contract Management Association
OET	Offer Entry Tool
RFP	Request for Proposal
RMW	Rocky Mountain West
SB	Small Business
WESTPAC	Western Pacific

THIS PAGE INTENTIONALLY LEFT BLANK

ACKNOWLEDGMENTS

I would like to thank my eminent supervisor Dr. Rene Rendon for his indispensable supervision, and support during this academic research as my advisor. I am exceptionally grateful to Ms. Angela Jones for her esteemed support, patience, and advice as my co-advisor and supervisor at work. I also cherish the support I received from the DLA Energy Bulk Petroleum Division. My appreciation also goes out to my family and friends for their encouragement and support through this journey.

THIS PAGE INTENTIONALLY LEFT BLANK

I. INTRODUCTION

This chapter provides a background of DLA Energy (DLA-E) Bulk Petroleum Products Division (BPP) procurement of bulk petroleum products and discusses the problems when submitted proposals are deemed technically unacceptable. It identifies the purpose of the research along with research questions, the methodology, the benefits and limitations of this research and organization of the research.

A. BACKGROUND

The Defense Logistics Agency (DLA) is widely regarded as “America’s combat logistics support agency responsible for sourcing and providing nearly every consumable item used by our military forces worldwide. DLA-E is a DLA Major Subordinate Command (MSC) responsible for enabling mission readiness by providing globally resilient energy solutions to the Warfighter and the United States of America (U.S.A.) government” (DLA, n.d).

Every fiscal year (FY), procurement for global military jet fuel and marine diesel fuel requirements is conducted through four major purchase programs: Inland East Gulf Coast (IEG); Rocky Mountain West Coast (RMW); Atlantic, Europe and Mediterranean (AEM); and Western Pacific (WESTPAC). DLA-E’s BPP oversees these procurements and delivers contracting support for all DLA-E bulk petroleum requirements (DLA-E, 2020). Offerors develop proposals, submit proposals and when proposals are evaluated based on the evaluation factors, some proposals are determined technically unacceptable. When offerors proposals are deemed technically unacceptable that reduces the level of competition for that procurement and as competition is reduced, it results in a greater challenge for DLA-E to award contracts based on fair and reasonable prices. The more proposals that are deemed technically acceptable, the greater the competition in the procurement which results in DLA-E to be better able to support its mission.

B. PURPOSE OF RESEARCH

The purpose of this research is to provide an analysis of the reasons why offerors proposals are deemed technically unacceptable during proposal evaluation of the contract source selection. Based on the analysis, this research provides recommendations to how DLA-E could improve its procurement of bulk petroleum. This helps inform industry by making recommendations of how to improve their proposals so that they can be technically acceptable.

C. RESEARCH QUESTIONS

In pursuing this research purpose, this research will answer the following questions:

1. Based on the analysis of past proposal evaluations, what are the reasons why proposals are rated technically unacceptable?
2. Based on the research findings, how can DLA-E BPP improve its procurement process so that more proposals are rated technically acceptable in future procurements for the acquisition of bulk petroleum products.

D. METHODOLOGY

The methodology for this research is to analyze a database that was developed by the BPP contracting and technical team. This database provides the reasons why proposals are rated technically unacceptable in DLA-E's BPP four major purchase programs (IEG; RMW; AEM, and WESTPAC). It consists of the results of proposal evaluations for the procurement of bulk petroleum based on Lowest Price Technically Acceptable (LPTA) source selection strategy. The research analyzes the reasons why proposals are deemed technically unacceptable and then develop recommendations for DLA-E BPP to improve its procurement process and for industry to improve their proposal development process. The database consists of the rating of each proposal submitted (Acceptable or Unacceptable) and, if unacceptable, the specific reasons they are rated unacceptable. After identifying the reasons why proposals are rated technically unacceptable, the reasons are analyzed and categorized by identifying any trends or patterns, if some reasons are specific

to small businesses or large businesses, or whether some reasons are more common in a certain geographical area.

E. BENEFITS AND LIMITATIONS OF THE RESEARCH

This research benefits DLA-E. DLA-E has problems with some proposals that are rated technically unacceptable. With this happening, DLA-E industry is limited and less competitive. If future proposals can be improved to be technically acceptable, then DLA-E will have a more robust, competitive, and larger industry base from which it can procure its mission requirement.

This research also benefits industry. Specifically, those companies that submit proposals to DLA-E to sell bulk petroleum products. In summary, this research benefits not only DLA-E and their procurement process but also the industry because the findings analyze why offeror proposals are not deemed technically acceptable.

The limitations are that this research is only focused on analyzing FY 2019 and 2020 past proposal evaluation data. Also, only the BPP four major purchase programs: IEG; RMW; AEM, and WESTPAC, are researched and analyzed.

F. ORGANIZATION OF RESEARCH PAPER

This project consists of six chapters. Chapter I provides the background, purpose, research questions, and methodology. Chapter II outlines a literature review on the theoretical foundation of Auditability, Agency, and Transaction Cost Economics theories followed by the National Contract Management Association (NCMA) Contract Management Standard (CMS), which defines the procedures involved in all phases of the contract life cycle (pre-award, award, and post-award). It then examines the source selection process and then the Department of Defense (DOD) source selection procedures that regulates the methods DOD uses when selecting sources. Further, the chapter analyzes LPTA and the DLA-E evaluation factors of technical acceptability and price. This chapter further discusses a Department of Defense Office of Inspector General (DODIG) report and reviews a Government Accountability Office (GAO) case that emphasizes the importance of establishing compliance with solicitation requirements. Finally, the chapter

concludes with a discourse on previous research on LPTA, source selection, and its procedures. Chapter III gives an overview of the description of this research's setting by examining DLA, its mission, significant responsibilities, organization structure which includes DLA-E, what they procure and financial numbers for FY 20. It also explores what is DLA-E's mission, where they operate, and programs which include the BPP division and statement of sales. Chapter IV discusses the methodology utilized to gather data and conduct analysis in response to the research questions. Chapter V is the research's findings and analysis, which describes why proposals are rated technically unacceptable and recommendations for improving DLA-E BPP procurement process and industry's proposal development process. Finally, Chapter VI gives a summary of the research, a conclusion of the findings, and areas for further research.

G. SUMMARY

This chapter provides a background of DLA-E BPP procurement of bulk petroleum products and discusses the problems when submitted proposals are deemed technically unacceptable. It also identifies the purpose of the research along with research questions, the methodology, the benefits and limitations of this research and organization of the research. The next chapter provides a literature review that sets the foundation for this research.

II. LITERATURE REVIEW

A. INTRODUCTION

This chapter outlines a literature review. Firstly, it discusses the theoretical foundation of Auditability, Agency, and Transaction Cost Economics theories followed by the NCMA CMS, which defines the procedures required in all phases of the contract life cycle (pre-award, award, and post-award). Next, it examines the source selection process and then the DOD source selection procedures that regulates the methods DOD uses when selecting sources. Further, the chapter analyzes LPTA and the DLA-E evaluation factors of technical acceptability and price. Additionally, this chapter discusses a DODIG report and review a GAO case that emphasizes the importance of establishing compliance with solicitation requirements. Finally, the chapter concludes with a discourse on previous research on LPTA, source selection, and its procedures.

B. THEORETICAL FOUNDATION

This research focuses on the source selection process of DLA-E bulk fuel procurement and why offeror proposals are rated technically unacceptable for not meeting the evaluation factors. Auditability theory asserts that for institutions to succeed they must have “competent personnel, capable processes, and effective internal controls” (Rendon and Rendon, 2015, p. 715). Therefore, auditability theory is discussed. Agency theory informs this research because when an organization contracts with another organization, the first organization must monitor the second to ensure they do not seek opportunistic behavior. To achieve this task, the contract must not only be planned and structured appropriately, but also awarded, administered, and closed out appropriately. This research focuses on the award phase specifically using an LPTA source selection method. Transaction Cost Economics theory (TCE) informs this research because when the government negotiate a contract, the contract is awarded at a fair and reasonable price. The fair and reasonable price refers to the transaction cost of the organization. Transaction cost is part of TCE and that’s why we discuss TCE.

1. Auditability Theory

The government can apply auditability theory to DOD contract management because the government needs “a competent procurement workforce, capable procurement processes, and effective internal controls to achieve its procurement goals and objectives” (Rendon and Rendon, 2015, p. 712). To better discern DLA-E’s actions with regards to auditability theory, one has first to appreciate the parts of the auditability theory. As seen in Figure 1, the Auditability theory shows the connection between the parts of the triangle.

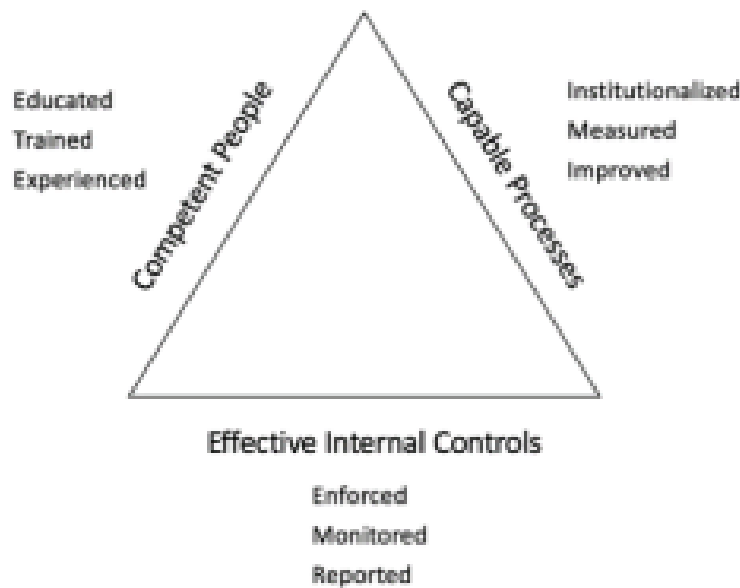


Figure 1. Auditability Triangle. Adapted from Rendon & Rendon (2015).

An organization institutionalizes, measures, and improves its capable process through continuous assessment, measurements, and improvement. These measurements are used to continually improve these activities (Rendon, 2008). All phases of the contracting life cycle (pre-award, award, and post-award) are covered by DOD. These processes encompass procurement planning, solicitation, source selection, contract administration, and closing out contracts (Rendon and Rendon, 2015). This research

focuses on the capable process component. The contract management process, specifically the source selection process is discussed later.

2. Agency Theory

According to agency theory, a firm outsourcing a function is the principal, and the contractor is the agent (Shook et al., 2009). The government wants to procure a product or service at a fair and reasonable price. However, the contractor wants to sell and get a high profit, so there is a conflicting objective. As a result of principal-agent relationships, especially those involving complex contracts with high levels of uncertainty, there is an asymmetrical distribution of information between the government and the contractor (Rendon, 2015). Government representatives may be better acquainted with the agency's specific needs, whereas contractors may be familiar with market trends and the costs (Rendon, 2015). Asymmetric information and conflicting objectives increase the complexity of contract negotiations (Rendon, 2015). As a result of this conflicting objective and asymmetrical information, we have an adverse selection and moral hazard problems. There is an agency problem when the agent does not act in the best interest of the principal (Wagner, 2019). The problem of adverse selection, where the offeror is hiding information and the problem of moral hazard where the contractor is hiding behavior are the two problems that the principal must address in agency theory. The government mitigates the adverse selection by conducting market research and developing a good solicitation that will request the required information. The government will then determine whether the offeror is technically acceptable or not or whether fair and reasonable price is being offered. The government mitigates the moral hazard by ensuring monitoring and surveillance of the contractor through e.g., Contracting Officer Representatives, inspection, Defense Contract Management Agency, and quality assurance surveillance plan.

The conflicting objectives, asymmetrical information, problem of adverse selection and moral hazard is how agency theory applies to how government contracts are planned, structured, awarded, administered, and closed out.

3. Transaction Cost Economics Theory (TCE)

According to Shook et al. (2009), as a basis for sourcing decisions, TCE tenets suggest that a comparison is undertaken between the transaction costs involved with buying a process/product internally from an external source (market) and the production cost.

When the government decides to buy a product or make it in-house, we should look at the production cost, the cost of performing the work in-house, or the transaction cost (cost of contracting out for that work. Whichever is lower (production cost or transaction cost) should determine the make or buy decision. If it costs less to do the work in-house, the government should do it in-house. If it costs less to contract out, the government should contract out for it. The government does not e.g., manufacture petroleum, and so we contract out for it. As a result, the government wants to reduce the cost of petroleum that they are buying. If some proposals are deemed technically unacceptable, they are not considered, and our competition pool becomes smaller. As competition reduces, it is challenging to get to a fair and reasonable price. To get a fair and reasonable price, the government should ensure good proposals. To ensure good proposals, the government needs to issue good Request for Proposal (RFP).

Having completed the theoretical foundation, we now examine the contract management process which include the pre-award, award, and post-award phases.

C. CONTRACT MANAGEMENT PROCESS

According to the Contract Management Body of Knowledge (NCMA, 2019), its purpose is to provide procedures, a customary perception of the terminology, practices, and policies in managing contracts. The NCMA CMS states that a contract is handled as a cyclical process (i.e., before award, during award, and after award) (NCMA, 2019).

Figure 2 illustrates how NCMA (2019), identified competencies relevant to buyer and seller during every phase of contract management life cycle.

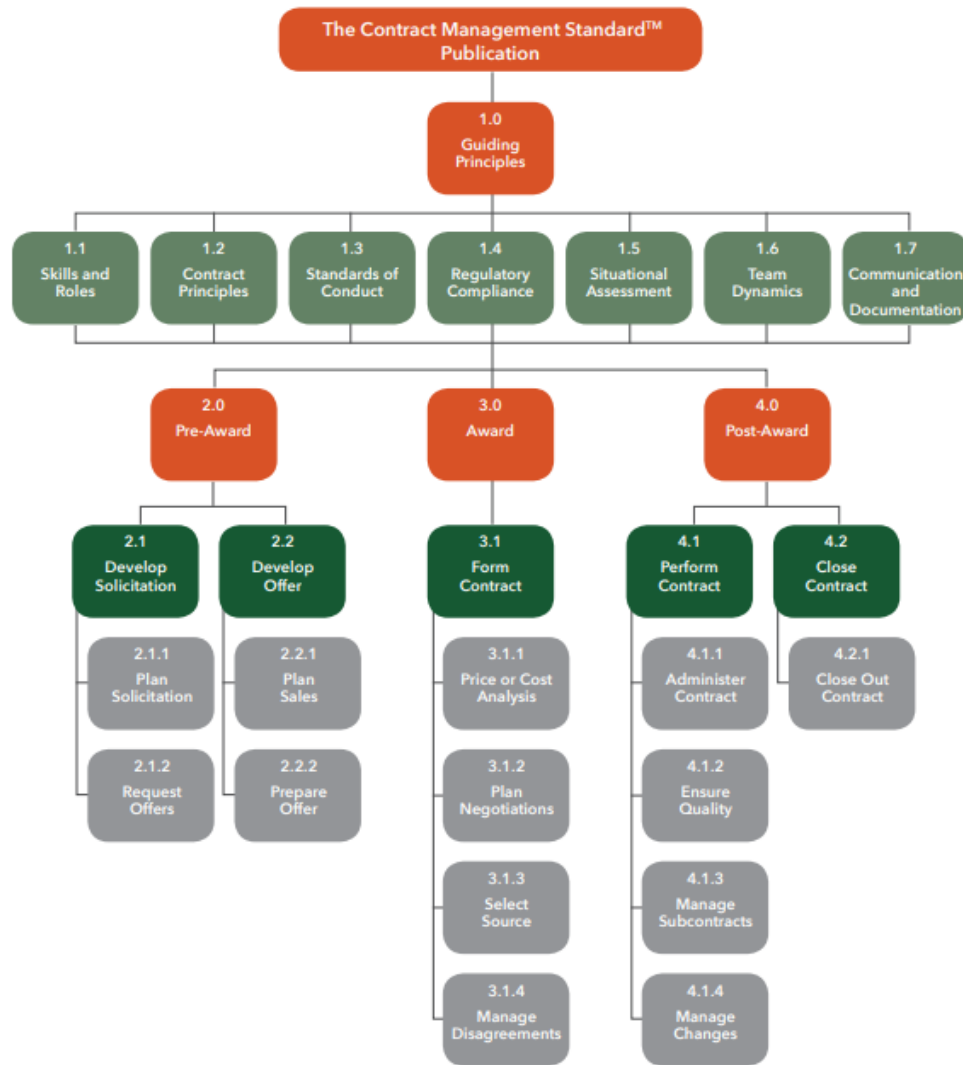


Figure 2. Contract Management Standard. Source: NCMA (2019, p. 315).

Rendon and Snider (2008) state that contract management includes the pre-award, award, and post-award phases. The pre-award phase consists of the procurement planning, solicitation planning, and solicitation processes discussed in the following sections.

a. Pre-Award

The contract life cycle starts with this phase (NCMA, 2019). NCMA (2019) notes that pre-award phase for the government is to help customers define requirements. NCMA (2019) further states that the phase involves the creation of a comprehensive plan for

meeting the requirement in a timely manner at a reasonable cost. As a result, a purchase strategy must be developed and executed, market research conducted, contracting strategies developed, solicitations prepared, and offers requested (NCMA, 2019). The offeror in this phase develops and implements techniques to acquire contract award, activities for pre-sale, planning, and solicitation response (NCMA, 2019). According to NCMA (2019), the pre-award life cycle phase can be divided into two parts. The first part is to develop a solicitation where the government plans the solicitation and requests offers. The second part is to develop an offer where the offeror plans sales and prepares an offer.

(1) Develop Solicitation

The government solicits proposals from the sellers on how to complete the project (Rendon, 2008). The solicitation process comprises preparing and publicizing the solicitation, amending the solicitation if it is required, having communication with the offeror, and receiving the offers.

- Plan Solicitation

Solicitation planning includes critical schemes like choosing the acquisition method and type of contract, drafting the solicitation, determining the contract award strategy, and finalizing the solicitation (Rendon and Rendon, 2015). According to the NCMA (2019), a solicitation plan is an organized, integrated strategy for fulfilling a customer's need efficiently and in a reasonable manner through all the personnel involved in acquiring goods and services. The acquisition process is augmented through a solicitation plan that integrates such elements as determining the requirements, organizing pertinent market research, examining risk, and developing the contracts (NCMA, 2019).

- Request Offers

NCMA (2019) describes this as obtaining responses from offerors to meet the government's needs through the solicitation plan. With requesting offers, the government can communicate all its requirements distinctly and succinctly, providing offerors with the information they need to approach the government with a thorough responsive proposal (NCMA, 2019).

(2) Develop Offer

When the offeror receives a solicitation from the government, they must develop a plan and make an offer (NCMA, 2019). The offeror must respond to show that the government's request is understood and provide an offer that will be rated technically acceptable, and then receive a contract award (NCMA, 2019). This process is important because by offering a complete solution to the government's requirements, the offeror will boost its competitive position (NCMA, 2019).

- Plan Sales

This process is to develop customer relations and market strategies, understanding the market, and competitive analysis before the sale occurs (NCMA, 2019). As part of sales planning, the offeror must determine his or her ability to respond to the customer's needs in the near and long term (NCMA, 2019).

- Prepare Offer

In order to win business, an organization must be able to execute its sales plan (NCMA, 2019). An organization's ability to optimize its organizational strengths and effectiveness improves its market position as a result of preparing an offer (NCMA, 2019).

b. Award

Awarding the contract is the second phase of the contract life cycle and requires both the government and the offeror to perform their respective tasks, resulting in an award, which can be simple or complicated, depending on the case (NCMA, 2019). This phase consists of form contract, and this produces the contract (NCMA, 2019).

NCMA (2019) maintains that for the award phase, it is the buyer's responsibility to evaluate offers, administer negotiations (as necessary) on their behalf, select the source and, award contract, debrief offerors, and review errors in offers and offeror challenges to the selection process. Offerors develop final offers, engage in negotiations and explicate offers (NCMA, 2019).

(1) Form Contract

In this process, reasonable cost and pricing are decided, negotiations coordinated, the source determined, and differences resolved (NCMA, 2019). During this process, contract performance risk is reduced or completely removed by choosing the best source and negotiating prices and terms (NCMA, 2019).

c. Post-Award

After the award phase, the post-award contract life cycle begins, and this phase involves the contract administration and contract closeout (NCMA, 2019). The government and offeror are engaged in administering the contract to confirm performance and a successful conclusion of the contract, depending on how complex the contract is (NCMA, 2019). The post-award life cycle comprises the processes for starting and sustaining communications, documenting and following up on the performance of contracts and the processes for verifying the contract requirements are met, rectifying unresolved disputes, and reconciling the contract to make the final payment (NCMA, 2019).

The previous section focused on the pre-award, award and post-award contract life cycle phases. This research specifically focuses on the source selection process that occurs within the award phase. The next section discusses specifically the source selection process.

D. SOURCE SELECTION

This research is focused on the source selection process within the award phase. This process includes evaluating proposals and determining if they are technically acceptable. If they are not technically acceptable, they are set aside, and no further analysis is conducted on those proposals. For the other proposals that are technically acceptable, there are further negotiations to determine the price and then if justified, award of the contract.

For source selection, the government evaluates the received proposals to choose the offer that represents best value. According to the best value continuum, best value can be obtained from an award to the LPTA, Highest Technically Rated Offer (HTRO) or tradeoff

between price and other price related factors (FAR 15.1, 2021). This research focuses on LPTA and is discussed later.

The source selection process includes implementing evaluation criteria to the market price, administration, and bids, negotiations, and performing the strategy for contract award (Garrett, 2013; Rendon, 2008).

According to Garrett (2015), “the process used to accomplish this varies dramatically depending on the company, the products or services involved, the complexity of the procurement, and many other factors” (p. 138). Vendors must follow exactly the evaluation factors outlined in Section M of the RFP to evaluate government acquisition proposals successfully. The government typically evaluates price, cost, technical approach or previous performance when it comes to government requirements. To select the best contract, the government can use contract negotiation, weighing and relaying methodologies, and independent estimates for analysis of these requirements in order to achieve the best contract outcome (Garrett, 2015).

The above discussion provides the Federal Acquisition Regulation (FAR) policy on source selection. DOD has established its own specific source selection procedures which is discussed next.

E. DEPARTMENT OF DEFENSE SOURCE SELECTION PROCEDURES

The then Under Secretary of Defense John J. Young Jr created the Source Selection Joint Analysis Team (JAT) in 2008 as a standard methodology and approach that will be implemented for DOD’s competition-based source selection process (OUSD[AT&L], 2011). Additionally, the DOD source selection procedures were created to produce a consistent source selection instruction in the DOD as well as a simplified process to select sources (OUSD[AT&L], 2011).

As part of a standard set of principles and procedures for acquiring goods and services, these procedures manage competitively negotiated source selections. Using this procedure guarantee’s that DOD and the country receive quality, timely, and cost-effective products and services (OUSD[AT&L]), 2011).

The Best-Value Continuum describes three of the source selection techniques (LPTA, HTRO and Tradeoff) that may be utilized to plan competitive acquisition procedures appropriate for the acquisition source selection process (FAR 15.1, 2021). DLA-E utilizes LPTA, and this is discussed in detail later. Federal Acquisition Regulation (FAR) 15.101 explains that Tradeoff, HTRO or LPTA can be used to obtain the best value in negotiated acquisitions. Regardless of which process is used, agencies are mandated to use the DOD procedures.

After examining the DOD source selection procedures, the next section specifically focuses on the LPTA source selection method.

F. LOWEST PRICE TECHNICALLY ACCEPTABLE (LPTA)

According to (FAR 15.101-2 (a)), “The lowest price technically acceptable source selection process is appropriate when best value is expected to result from selection of the technically acceptable proposal with the lowest evaluated price.”

All proposals that meet DOD’s minimum performance requirements and are technically acceptable are awarded a contract based on price, without considering any other factor (Peters, 2021).

As a result of LPTA, DOD may be able to produce costs savings, accelerate acquisition timeframes, and reduce proposal protests, according to some analysts (Peters, 2021). With LPTA, all factors apart from price are evaluated on an acceptable or unacceptable basis without any thought given to higher levels of quality, writes Peters. It has been noted that, in situations where there is no considerable benefit to DOD for overreaching its stated minimum technical requirements, the use of LPTA can potentially result in savings (Peters, 2021). Amidst the ongoing fiscal and budgetary condition, the acquisition and procurement workforce have been looking for strategies to cut costs, resulting in an increased use of LPTA (Gansler and Lucyshyn, 2013). The government can save money by selecting LPTA sources while achieving the best value for its money (Gansler and Lucyshyn, 2013).

Peters (2019) emphasizes that in certain circumstances, the LPTA may contribute to a more offer a more structured and simplified process. Peters further maintains that occasionally, vendors submitting proposals for a contract can submit them more quickly since they are aware of the particular thresholds. There is a small subjective analysis involved in award decisions, which could speed up the decision-making process (Peters, 2021). Due to fewer subjective selection criteria for selecting sources, LPTA awards tend to be harder to challenge (Gansler and Lucyshyn, 2013).

It is difficult to argue successfully against objective source selection criteria according to former Under Secretary of Defense for Acquisition, Technology, and Logistics, Frank Kendall. Nonetheless, he cautioned that a source selection criteria and acquisition strategy should not be planned around restricting the possibility of bid protest (Peters, 2021). According to Kendall, LPTA should only be considered when procurements meet four specific conditions, i.e., the requirements are clearly stated, there is minimal risk of contract failure, price is important when selecting sources, and higher performance is not required or desired (Lohfeld, 2015).

It is recommended that LPTA be used when contract requirements are distinctly defined, uncomplicated, or recurrences; there is a low risk of substandard performance; only short development work needs to be accomplished; and the DOD has no appreciable benefit from exceeding the technical requirements (Peters, 2021). Contract requirements must be distinctly and extensively defined (Peters, 2021).

The perfect time to use the LPTA source selection method is for requirements that are clearly defined, and “the solicitation provides the evaluation factors and significant subfactors that establish the requirements of acceptability” (Rendon and Snider, 2008, p. 174).

Some criticisms levied against LPTA are that, firstly, agencies are using LPTA for acquisitions for complex sets of requirements even though LPTA are utilized when the government distinctly defines the requirement, and the contract is not likely to fail (Duncombe and Prentice, 2013). Secondly, Duncombe and Prentice stated that a significant flaw of the LPTA approach is that it does not require offerors to go into detail about how

they will achieve the government's objectives, since the purpose is only to be technically acceptable at the lowest price. Vendors are not inspired to innovate or provide a higher quality solution to the government in order to exceed the government's requirements (Duncombe and Prentice, 2013). Long term performance and quality are not necessarily ensured by LPTA contracts as it may sacrifice long term for short term savings (Peters, 2021).

Having completed the discourse on the LPTA source selection method on how and why it is used, the next section discusses how DLA-E BPP specifically implements the LPTA source selection method by discussing technical acceptability and price as reflected in Section M of solicitations.

G. DEFENSE LOGISTICS AGENCY ENERGY EVALUATION FACTORS

Defense Logistics Agency Energy (DLA-E) Bulk Petroleum Products division (BPP) implements the LPTA source selection method by using specific sub factors for technical acceptability and price in Section M of solicitations which are discussed below.

1. Technical Acceptability

Technical acceptability is the first evaluation factor used by DLA-E BPP. In support of technical acceptability, DLA-E BPP uses four sub factors.

a. Supplies or services and prices/cost, Section B

This section contains the description of the schedule of supplies as the requirement is for bulk petroleum products. It includes the Contract Line Items (CLINs) and quantities. The offered line items should meet the delivery requirements of the schedule for additives required and the required minimum and maximum quantity of the schedule.

b. Description/specifications/statement of work, Section C

This section comprises the description or specifications required in addition to Section B as it describes what the government wants the offeror to do or supply.

c. Inspection and Acceptance, Section E

This section identifies the offeror's inspection responsibilities and explains the procedures DLA-E will use to accept the products. It further requires the offeror to certify that there is a Quality Control Plan (QCP) available on file with DLA-E that is no more than twenty-four months old or provides an outline, not to exceed two pages in length, of a proposed QCP describing the offeror's current inspection system and quality assurance procedures.

d. Deliveries or performance, Section F

This section describes how the government will control the work that will be performed by the offeror and how the offeror will provide the required products. Section F in a nutshell states the deliverables anticipated by the government within a specific time frame, place of delivery or performance, methods of delivery or performance and schedules.

As stated in Section M of the solicitations, the offeror's proposal will be rated unacceptable if it does not conform to any of the requirements of the sub factors. Proposals may be comprised of individual, independent offers, differentiated by product grade, shipping mode and Free on Board (FOB) point. An individual offer within a proposal may be rated unacceptable, while remaining offers within the same proposal may be rated acceptable. A rating will be made for each offer within each proposal. Each offer within a proposal must receive an acceptable rating for every sub factor to be rated technically acceptable. If an individual offer within a proposal receives a rating of unacceptable for one sub factor, it will be rated technically unacceptable. Therefore, some individual offers within a proposal may be considered technically acceptable, while other individual offers within the same proposal may be considered technically unacceptable.

Section M of the solicitations further states that an offer that includes an exception to any solicitation requirement in Section B, C, E, or F will be rated technically unacceptable under the appropriate technical evaluation subfactor unless the government accepts the exception, or the offer is subsequently revised to remove the exception. Offerors shall provide written details during negotiations to address any technical issues

and/or exceptions that the government has identified as unacceptable prior to submitting Final Proposal Revisions (FPRs). FPRs are the final opportunity to revise proposals to address any technical acceptability issues. If an FPR includes an unresolved technical issue or an exception that is not acceptable to the government, the offer will be found technically unacceptable and ineligible for award.

The DLA-E Contract and Cost/Price Team is responsible for addressing unacceptable ratings, questions, clarifications, and comments posted by technical team members and relative to each offeror's proposal during negotiations. Offerors must provide additional written details to address all areas rated unacceptable prior to receiving FPRs, which the government will review for acceptance.

2. Price

Price is the second evaluation factor utilized by DLA-E BPP. For DLA-E BPP acquisitions, the contract type used is Fixed Price with Economic Price Adjustment.

The lowest price is defined in Section M of solicitations as the lowest laid-down price, including transportation costs as determined by the Bid Evaluation Model (BEM), which will provide the basis to make awards. The BEM is a computer evaluation model which analyzes numerous variables. As stated in Section M of solicitations, in addition to prices, fuel types, minimum and maximum award quantities, shipping locations, modes of transport, cargo size limits, and customer receipt locations, these variables also include receipt mode capabilities. Transportation rates are also included for tanker, barge, pipeline, and tank truck transportation modes. Government additive costs are used to evaluate, where applicable, proposals of product that is not fully additized at the loading facility but that instead is additized/injected on route to a facility or customer location. The BEM will calculate the overall pattern of delivery of fuel from contractor facilities to specific customer locations that represents the lowest total combination of price for the product, transportation, and other costs.

Section M of the solicitations expounds that offers will be submitted through the Offer Entry Tool (OET). There are two types of OET rounds available for use during the solicitation process. The standard round and the OET price reduction round. The standard

round is used for all offer inputs from initial offers on the solicitation through Final Proposal Revisions (FPR). In a standard OET round, the vendor can change most data fields in their offer, including adding and removing shipping locations, adding, or removing origin and destination bid lines, quantities, prices, and offer conditions. However, when submitting an FPR during a standard OET round, offerors will not be able to change the base market price(s), shipping points, products, and delivery data fields. Section M further states that only those offerors who have submitted an initial offer by the date and time specified will be eligible to submit data in later OET rounds.

In Section M of the solicitations, DLA-E requests offeror submission of Interim Proposal Revisions (IPRs) before the conclusion of negotiations. DLA-E BPP uses a two-part close of negotiations process. Part one will occur at IPR and will be an offeror's last chance to finalize shipping points, products, FOB, base market price exception requests, and modes of delivery. In part two, shipping points, products, and delivery modes cannot later be changed when submitting a FPR. IPRs are submitted through the OET and considered a standard round.

In order to evaluate offers for award purposes, DLA-E BPP adds the price for all options to the price for the requisite requirement. Section M further adds that an unacceptable offer may be determined if the option prices are significantly uneven, and DLA-E is not obligated to exercise the option(s).

This section discussed the specific evaluation factors of technical acceptability (and its four sub factors) and price as utilized by DLA-E BPP. In the next section examines the DODIG audit report which aimed to determine whether DLA-E procurement team awarded bulk fuel contracts and was in compliance with bulk fuel requirements as specified by the federal and DOD guidance.

H. DODIG REPORT

In 2001, the DODIG conducted an audit in which one of the objectives was to determine whether DLA-E bulk fuel contracting team awarded contracts and complied with prerequisites, in emergency missions, as prescribed by federal and DOD instructions (DODIG, 2021).

Among its findings was that although DLA-E contracting team generally met bulk fuel requirements and permitted to utilize different types of source selection methods to acquire fuel in contingency missions (DODIG, 2021). LPTA, HTRO and tradeoff are suitable when best value is anticipated. Rather than just lowest price and technical acceptability, the best value in contingency missions must evaluate other factors (DODIG, 2021).

DLA-E officials provided customers with fuel required to fulfill operational needs (DODIG, 2021). DLA-E officials used one-time buys resulting in late deliveries and at an extra cost to satisfy the bulk fuel requirement (DODIG, 2021).

DODIG recommended that the head of DLA-E request the contracting team to not only consider cost or price for bulk fuel acquisitions in foreign contingency missions but also tradeoff source selection and past performance evaluation factors (DODIG, 2021).

In response to the DODIG recommendations, DLA Acquisition Director Matthew Beebe, on behalf of the Commander of DLA-E, concurred with the proposal and agreed that when deciding whether to use LPTA, DLA-E would make sure contracting teams contemplate the circumstances of each procurement, even if it is for contingency missions (DODIG, 2021). In September 2021 DLA-E instructed the procurement workforce to utilize tradeoff and past performance evaluation factors for contingency missions (DODIG, 2021).

In addition to the DODIG report there had been GAO cases based on LPTA source selection method and one such case is discussed next.

I. GAO CASE

DLA-E BPP renounced Biomass Energy Service (BioMass) proposal under RFP No. SPE600-15-R-0719 as technically unacceptable. Biomass disputed this decision and protested. Following are the facts and result of the case:

The protest was denied because DLA-E's evaluation was reasonable and consistent with solicitation requirements. The RFP required an award on an LPTA source selection approach, as required by the technical evaluation subfactors of supplies and services, description, specifications and statement of work, inspection and acceptance, deliveries and performance, and biofuel conformance. For a proposal to be deemed technically acceptable for an award, an evaluation rating of acceptable was required under each technical evaluation subfactor, states the GAO decision. In addition, offerors were directed to provide proposal information in sufficient detail to evaluate compliance with solicitation requirements. The inspection/acceptance subfactor provided that offerors demonstrate their comprehension of the RFP's contractor inspection responsibilities and quality assurance requirements in RFP Section E. Section E required offerors to have a written quality control plan with steps for blending additives, sampling, testing, calibration, storage and handling, loading and shipping, records and reports, and corrective action of product deficiencies. Section E required that the offeror's quality control plan also convey certain minimum elements and planned procedures for full-spectrum testing and injecting additives, compliance with specifications, and records retention. To show these quality assurance requirements are understood, offerors were obliged to incorporate in their initial proposals a dated cover sheet and table of contents of an existing quality control plan no fewer than 24 months old or an outline of a proposed quality control plan narrating the offeror's current inspection system and quality assurance procedures, concerning the requirements of Section E. According to the GAO decision, BioMass failed to include the required quality assurance information in its initial proposal, and DLA-E requested this information from BioMass many times during negotiations. Prior to the date when final revised proposals are to be closed, BioMass provided a brief outline of its proposed quality assurance procedures and apprised DLA-E that its proposed fuel terminal's quality control plan is to be used for the contract and stated that the plan was acceptable since DLA-E had utilized that same facility for other fuel requirements. The GAO decision points out that BioMass did not provide DLA-E with any written documentation of the terms of that facility's quality control plan. Instead, they delivered only a fact sheet about its proposed fuel terminal's overall capabilities and recognition of its suggested fuel additives and testing lab without information on required quality assurance procedures. DLA-E reviewed BioMass' short outline and concluded that it included only general statements that were insufficient to demonstrate an understanding of the RFP's inspection and quality assurance requirements. DLA-E considered information submitted by BioMass regarding its suggested fuel terminal, additives, and testing lab, however, it concluded that the information did not provide enough details related to, or express an understanding of, all the inspection and quality assurance requirements outlined in RFP Section E. The GAO decision added that based on these

findings, DLA-E concluded that BioMass' proposal was technically unacceptable under the inspection/acceptance technical subfactor. In addition, BioMass failed to provide the required documentation to exhibit an understanding of the inspection and quality assurance requirements of the RFP. As a result, DLA-E rejected the proposal as technically unacceptable overall, and BioMass protested (GAO, 2016).

GAO concluded that protests will be denied if offerors present blanket statements of compliance rather than adequate details to demonstrate conformity with the solicitation requirements (GAO, 2016).

In addition to the above GAO case there had been additional research on the use of LPTA source selection method and this is discussed next.

J. PREVIOUS RESEARCH

Gansler and Lucyshyn (2013) affirmed that the use of LPTA contracts were rising in fuel supply and management. According to Gansler and Lucyshyn, a 2010 GAO report stated that DLA for most of its procurement of fuel in dependable markets had stirred away from tradeoff to LPTA but there were few exceptions, e.g., when there is the need for technical capabilities in vulnerable circumstances, such as combat areas or state of emergency or when DLA has minimal understanding about the past performance of vendors. The use of LPTA by DLA has expanded in other spheres, too (Gansler and Lucyshyn, 2013). Between 2009 and 2013, DLA awarded nearly \$5.6 billion for an unprecedented nine LPTA contracts, in addition to a \$2.2 million contract for warehousing and logistics services for a defense distribution center, \$22.5 million for the Navy's forklifts, and \$4.8 billion for industrial hygiene services for a health clinic (Gansler and Lucyshyn, 2013). This was done so that DLA can continue using LPTA (Gansler and Lucyshyn, 2013).

Landale et al. (2017) wrote that the LPTA method mirrors competition and ensures requirements effectively defined meets the demands of the internal customer, meaning the LPTA method is designed to more definite and substantial requirements of moderate or risk-free. Lansdale et al., declared that LPTA is very applicable where the goal is to meet the need while carrying out business in the most methodical method, when the government

is procuring noncrucial goods and services. Procurement teams faced a difficult task as the most significant factor in selecting LPTA contractor is objective and less likely to be protested, especially as the LPTA method moves through the contracting process quicker, establishes the criteria to be technically acceptable and assess price (Landale et al., 2017). According to Peloquin (2013):

Distinct studies have addressed how the DOD conducts source selections, and each of these studies centered on different aspects of the process, from RFP development to debriefings and other related procedures. The DOD source selection procedures tried to standardize procedures for selecting contractors, but the improvements are based on procedures that have proven complex in the past. The problem is the lack of understanding and experience among acquisition personnel on what steps are needed to select a contractor due to the ambiguity of the procedures and discretion of various reviews in deciding recommendations. Previous DOD research recognized lack of experience as a problem and devised standardized procedures to address inefficiencies. Maser and Thompson stated that discretion by acquisition professionals interpreting DOD source selection procedures created a variety of negative interactions between the government and offerors. When offerors are not successful in winning a contract, source selection procedures afford them a debriefing, if requested. These debriefings differ in-depth and detail from a single presentation slide with minimal information delivered from a government contracting officer to a detailed two-day briefing provided by a multifunctional government team consisting of contracting officers, program managers, engineers, and attorneys. This type of discretion demands that acquisition personnel be experienced in source selection procedures and knowing how much information to provide to offerors comes with experience. Maser and Thompson's recommendations focused on enhancing communication and transparency and having well-trained government acquisition members and enacting these steps will alleviate the probability of bid protests, thereby allowing contracts to be awarded on time. However, these recommendations do not reveal the actual reason for the need for transparency between the government and industry. Most government agencies work in fear of protest, but the process can be improved with increased communication, as Maser and Thompson offer. The resolution to hold information back remains in DOD source selection procedures, which is part of the problem (p. 54-55).

K. SUMMARY

This chapter first discussed the theoretical foundation of Auditability, Agency, and Transaction Cost Economics theories followed by the National Contract Management

Association (NCMA) Contract Management Standard (CMS), which defines the procedures required in all phases of the contract life cycle. Next, it examined the source selection process and then the DOD source selection procedures that regulates the methods DOD uses when selecting sources. Further, the chapter analyzed LPTA and the DLA-E evaluation factors of technical acceptability and price. This chapter also discussed a DODIG report and reviewed a GAO case that emphasized the importance of establishing compliance with solicitation requirements. Finally, the chapter concluded with a discussion of previous research on LPTA, source selection, and its procedures. The next chapter lays out the description of this research's setting by examining DLA, its mission, significant responsibilities, organization structure which includes DLA-E, what they procure and spending. It also explores what is DLA-E's mission, where they operate and programs which include the BPP division and their spending.

III. DEFENSE LOGISTICS AGENCY ENERGY

A. INTRODUCTION

The chapter gives an overview of the description of this research's setting by examining DLA, its mission, significant responsibilities, organization structure which includes DLA-E, what they procure and financial numbers for FY 20. It also explores what is DLA-E's mission, where they operate, and programs which include the BPP division and statement of sales.

B. DLA

DLA is the U.S. agency responsible for wide ranging logistics support and oversees the practical and methodical worldwide defense supply chain for the Air Force, Navy, Marine Corps, Space Force, Coast Guard, Army, eleven combatant commands, other civilian agencies, and allied nations (DLA, n.d.). The next section covers its mission.

1. Mission

DLA's mission is to provide preparedness and ability of the U.S. military to apply critical force consistently and support the U.S. through quality, dynamic worldwide logistics (DLA, n.d.). To attain this mission, DLA has personnel that are responsible for material, equipment, food, water, clothing, textiles, bulk petroleum (which this research covers) and other energy products, construction material and equipment, personal demand items, and repair parts for land, sea and air systems contracting (DLA, n.d.).

This section outlined DLA's mission. The following section examines DLA's major subordinate commands.

2. Major Subordinate Commands (MSC)

DLA's title for commands under DLA's Director's administrative and operational control are referred to as subordinate commands. Below are the subordinate commands, their headquarters, and available services.

With its headquarters in Fort Belvoir, VA DLA Energy is the worldwide logistics agent responsible for petroleum, oil, lubricants substances, alternative fuels, technical support, renewable energy, utility services to installations, aerospace propellants and gases, and programs for fuel cards (DLA, n.d.).

With its headquarters in Philadelphia, PA, DLA Troop Support controls the worldwide distribution for construction materials, industrial hardware, and medical supplies and equipment, as well as pharmaceuticals, food, clothing and textiles (DLA, n.d.).

DLA Disposition Services is headquartered in Battle Creek, MI and conducts environmental disposal and reuse as well as disposing of surplus property by reutilization, removal, and demilitarization (DLA, n.d.).

DLA Aviation is headquartered in Richmond, VA and is the worldwide logistics agent for industrial plant equipment, flight safety accessories, maps, environmental materials, aviation weapons systems repair parts and materials (DLA, n.d.).

DLA Distribution is headquartered in New Cumberland, PA and delivers repository, dispensation solution, administration and provides planning decisions for logistics and transportation, utilizing worldwide chains of distribution centers (DLA, n.d.).

With its headquarters in Columbus, OH, DLA Land and Maritime, controls worldwide network for motors and fluid-handling systems, small arms parts, ground-based and maritime armaments systems repair parts and materials (DLA, n.d.).

This section examined DLA's MSC. The next section reviews DLA's regional commands.

3. Regional Commands

DLA's regional commands are responsible for DLA's cooperation with soldiers in specified areas of responsibility.

DLA Europe and Africa (Kaiserslautern, Germany) is the agency's primary liaison to the U.S. European Command, U.S. Africa Command, and NATO. This command leverages strong partnerships with joint logistics enterprises, other agencies, industry, and U.S. allies to serve the armed forces and the U.S. (DLA, n.d.).

DLA Central Command (CENTCOM) and Special Operations Command (SOCOM) (MacDill Air Force Base, FL) is the DLA's main contact to U.S. Central Command and U.S. Special Operations Command. It is readily prepared to meet all sustainment requirements across the full range of military operations throughout its area of responsibility (AOR) (DLA, n.d.).

DLA Indo-Pacific (Joint Base Pearl Harbor-Hickam, HI) is DLA's primary liaison to U.S. Pacific Command, U.S. Forces Korea, U.S. Forces Japan, and U.S. Alaskan Command. It provides a unified DLA interface for soldiers throughout its AOR, integrating support within the region and coordinating with DLA in the U.S. for logistic solutions (DLA, n.d.).

Figure 3 shows DLA's authority chart. DLA is under the authority of the Under Secretary of Defense, Technology and Logistics, through the Assistant Secretary of Defense for Logistics and Materiel Readiness. The MSCs and regional commands are under the authority of DLA.

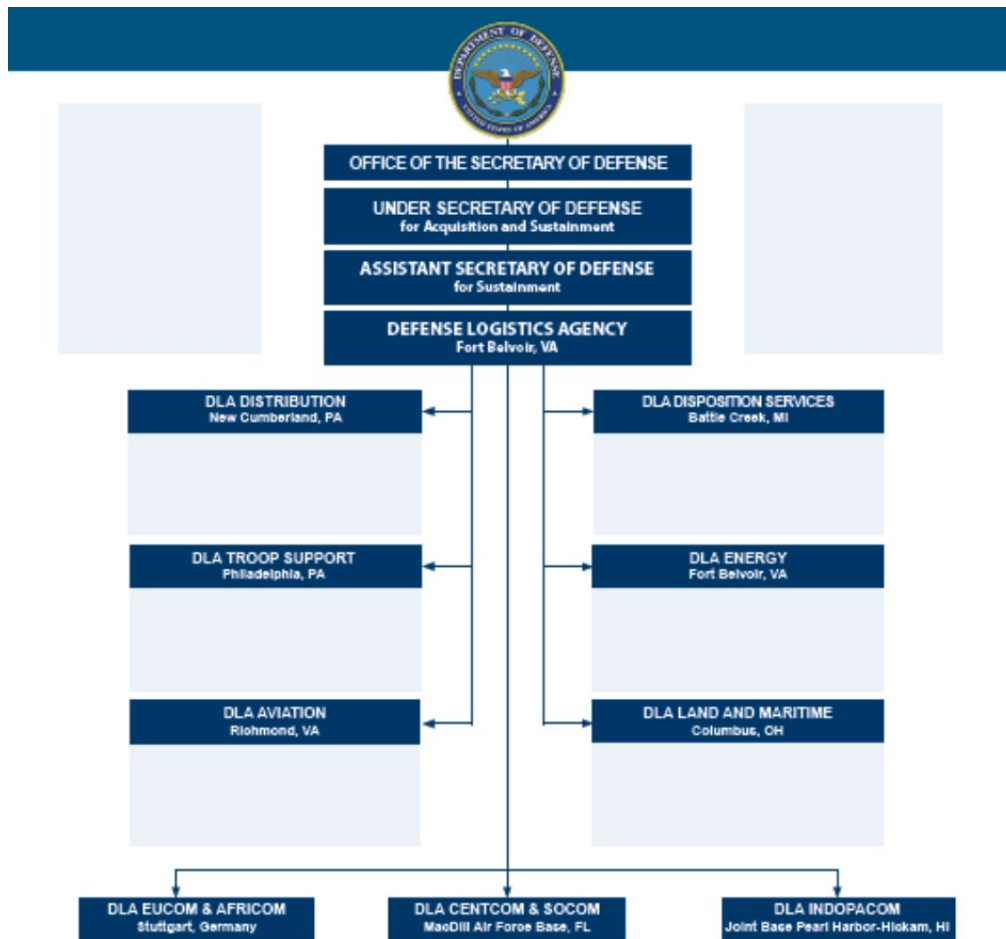


Figure 3. DLA Authority Chart. Adapted from DLA Strategic Plan 2021–2026 (DLA, n.d.1).

This section gave a review of DLA’s regional commands. The following section will give an overview of DLA financial numbers for FY 20.

4. DLA By The Numbers FY 20

DLA headquarters is in Fort Belvoir, VA and provides more than \$37 billion in goods and services to DOD, other authorized organizations, and alliances. DLA conducts business in U.S. states and its territories and twenty-eight countries overseas (DLA, n.d.1).

Figure 4 shows DLA financial numbers for FY 20 (e.g., its revenue, foreign military sales, and active contracts managed). It also identifies how the national defense strategy was supported, and the average support DLA provides in a day).

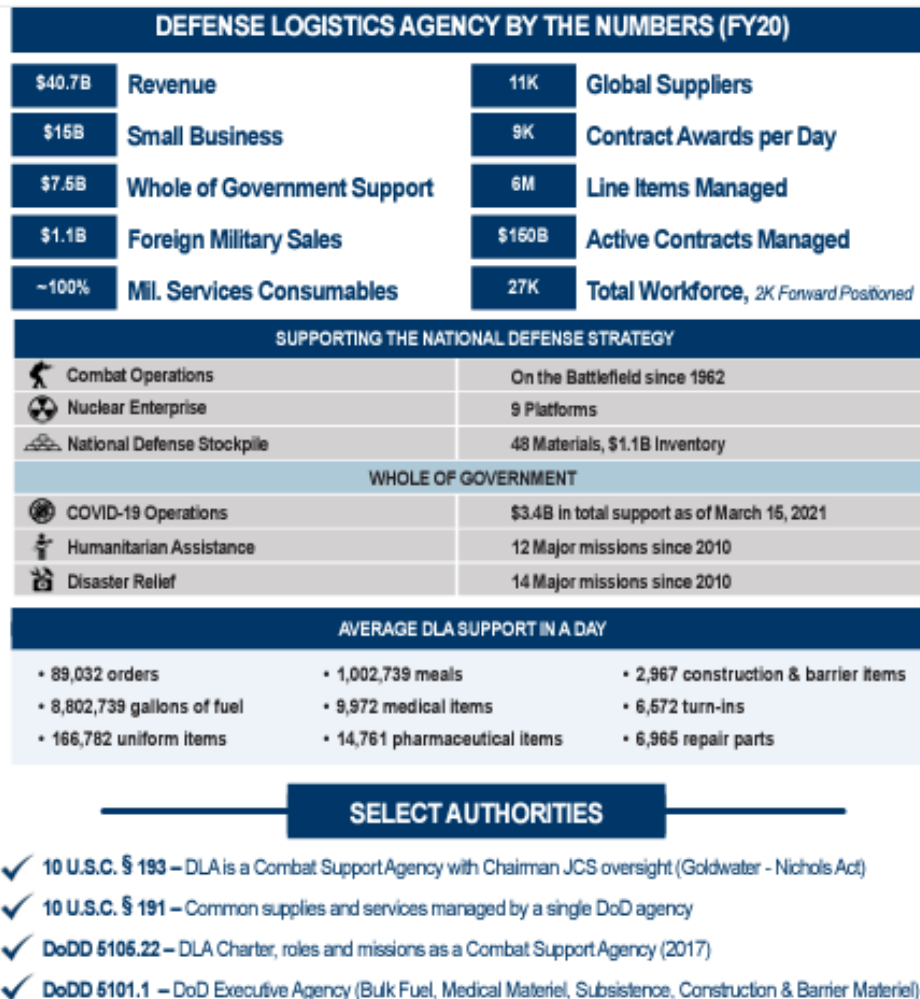


Figure 4. DLA by the numbers FY 20. Source: DLA Strategic Plan 2021–2026 (DLA, n.d.1).

This section gave an overview of DLA financial numbers for FY 20. The following section reviews DLA-E.

C. DLA-E

DLA-E is a DLA central subordinate command responsible for the bulk petroleum supply chain.

1. Mission

DLA-E aims to effectively supply global energy solutions, streamline the process and be the preferred choice for all energy solutions (DLA-E, 2020). The following section analyzes the various DLA-E programs.

2. Programs

DLA-E programs are under the supervision of the supplier operations directorate. DLA-E programs include selling petroleum and aerospace products, arranging for petroleum support services, acquiring electricity, natural gas, and renewable energy for the DOD and privatizing DOD utility systems (DLA-E, 2020). Below are the DLA-E programs and the available service they provide.

a. DLA Energy Bulk Petroleum Products Division (BPP)

This division is responsible for providing DOD, other federal agencies, and authorized customers with global comprehensive bulk petroleum acquisition support (DLA-E, 2020). The jet and marine diesel fuels are procured through the four major purchase programs IEG; RMW; AEM, and WESTPAC (DLA-E, 2020). BPP also acquires bulk additives, bulk lubricants, thermally stable aviation turbine fuel, and other services (DLA-E, 2020). This research focuses on this division, the four major purchase programs and examines why offers for bulk petroleum are rated technically unacceptable.

b. DLA Energy Bulk Petroleum Supply Chain Services Division

This business unit provides contracting assistance for bulk services which includes lab testing, environmental compliance, assessment, and remediation, alongside aircraft fuel contracted delivery, government-owned, contractor-operated defense fuel support points, contractor-owned and operated defense fuel support points (DLA-E, 2020). Furthermore, this program is also responsible for formulating, negotiating, closing, and modifying international fuel agreements with oversea governments aiding DOD global missions (DLA-E, 2020).

c. DLA Energy Aerospace Energy Supplier Division

This division provides global procurement of other bulk industrial gases, aviator's breathing oxygen missile and rocket fuels, propellants for systems as well as satellites and aerostats (DLA-E, 2020). This division also delivers streamlined, beginning to end contracting support through accumulation and contract awards for supplies and services supporting customers globally (DLA-E, 2020). The aerospace division also acquires hydrazine for fighter aircrafts emergency power systems, helium for aerostats, and aviator breathing oxygen for combat aircrafts (DLA-E, 2020). In addition, they support space launches, cruise missiles, federal government funded research and development at universities, the Navy's atomic power initiative, DOD and other federal organizations (DLA-E, 2020).

d. DLA Energy Direct Delivery Fuels Division

This business unit controls global procurement and management of specific aviation fuel at commercialized airports, commercial vessel propulsion fuels at commercialized seaports and commercial ground fuels at posts, camps, and stations worldwide as well as commercialized fuels provided directly to the armed forces and other federal agencies (DLA-E, 2020). Additionally, this program supports humanitarian relief efforts, provides contract administration support, and provides fuel card acquisition services (DLA-E, 2020).

e. DLA Energy Installation Energy Division

This division manages the procurement for installation energy products and services as well as developing durable renewable energy project, energy savings performance contracts, natural gas, coal, renewable energy, and electricity (DLA-E, 2020). The division also facilitates and coordinates DOD's involvement in electricity request response projects and manages DOD's natural gas program (DLA-E, 2020).

f. DLA Energy Utility Services Division

Title 10 U.S.C. §2688 authorizes, this division to deliver technical and acquisition competence in support of utility units owned by the government before and after the award (DLA-E, 2020). The Utility Service Division is also responsible for the utility's privatization initiatives of service associates (DLA-E, 2020).

g. DLA Energy Supply Chain Management Division

This division manages the defense fuel support missions and the DLA-E owned bulk petroleum inventory and supports the acquisition and logistics of global petroleum products and performs supply chain integration for the directorate of supplier operations (DLA-E, 2020). It also analyzes supply activities to identify potential shortfalls and develops recommendations to mitigate or resolve shortfalls. (DLA-E, 2020). The next section gives an overview of DLA-E's regional offices.

3. Regional Offices

DLA-E has eight regional offices located worldwide that provide energy solutions operations that empower warfighters to accomplish their missions (DLA-E, 2020). Additionally, the offices project and sustain joint bulk petroleum resources from receipt and storage to quality surveillance and dispensation of different types of energy commodities to buyers (DLA-E, 2020).

a. DLA Energy Americas

This office is in Houston, Texas, and its AOR includes North, Central, and South Americas, the Caribbean Island states, and territories and provides energy assistance to the federal government, and international allies (DLA-E, 2020). DLA-E Americas is comprised of three offices: DLA-E Americas East in Houston, Texas; DLA-E Americas West in San Pedro, California; and DLA-E Americas North in Anchorage, Alaska (DLA-E, 2020). DLA-E Americas also collaborates with the Federal Emergency Management Agency and emergency contractors for bulk fuel assistance for U.S. disasters (DLA-E, 2020).

b. DLA Energy Europe and Africa

Based in Kaiserslautern, Germany, the region includes Europe, Africa, and parts of Asia and North America. This office manages bulk fuel distribution and storage in the U.S. European Command and U.S. Africa Command AOR (DLA-E, 2020).

c. DLA Energy Middle East

Located in Manama, Bahrain, the region encompasses the Middle East and Central Asia. The office provides extensive energy solutions to U.S. Central Command (CENTCOM) and other government activities operating in the CENTCOM (AOR) (DLA-E, 2020).

d. DLA Energy Korea

Situated at Camp Walker, Daegu, South Korea, this team provides a broad range of energy solutions for U.S. Forces in the Republic of Korea as they continually monitor and oversee millions of gallons of fuel while directing a large network of accounts and hundreds of thousands of transactions annually (DLA-E, 2020).

e. DLA Energy Okinawa

Based at Camp Shields in Okinawa, the office is responsible to provide practical energy solutions and assistance for soldiers (DLA-E, 2020).

f. DLA Energy South-West Pacific

Located in Guam, Singapore, and Australia, the team delivers fuel operations, and quality management (DLA-E, 2020).

g. DLA Energy Indo-Pacific

Situated in Pearl Harbor, Hawaii, the team's responsibility is to sustain joint bulk petroleum operations in the AOR (DLA-E, 2020).

h. DLA Energy Japan

Based in Yokota Air Base in Fussa, Japan, the office manages inventory, quality surveillance, and theater transportation support of fuel to defense fuel support points, and various locations throughout Japan on behalf of U.S. forces in Japan (DLA-E, 2020).

Figure 5 shows DLA-E's organizational chart. DLA-E is under the leadership of a Commander (Military) and a Deputy Commander who is a civilian.

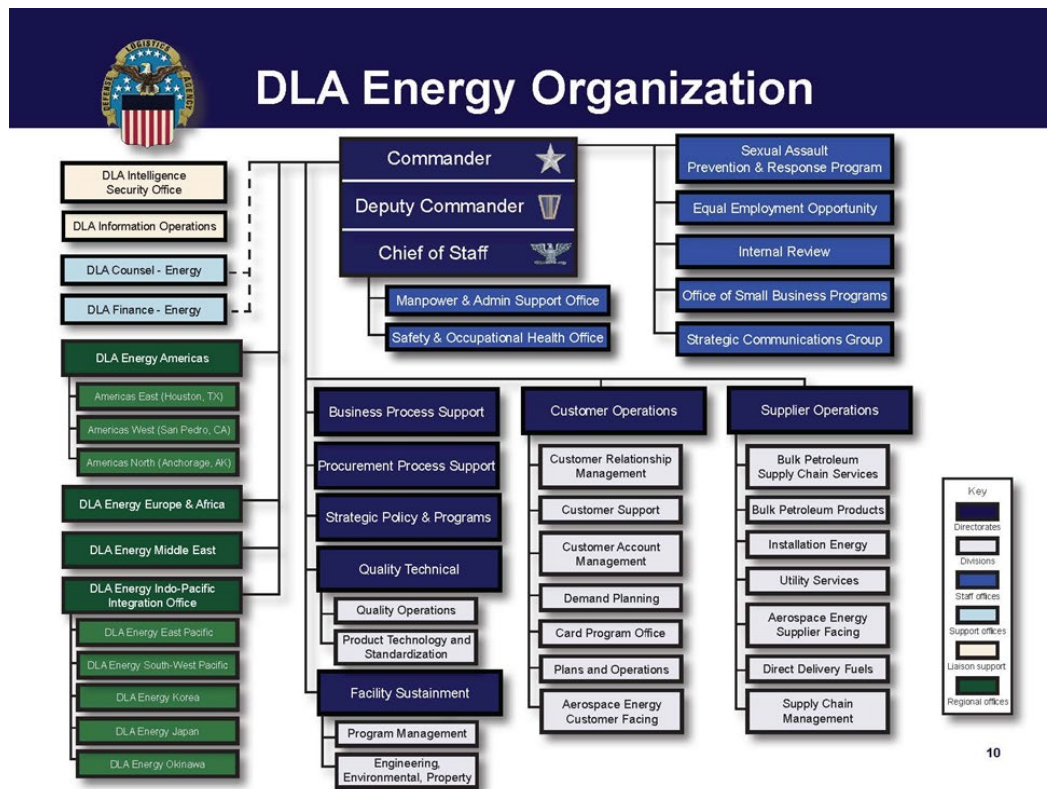


Figure 5. DLA-E Organizational Chart. Source: DLA-E (2020).

This section gave an overview of DLA-E's regional offices. The following section analyzes DLA-E statement of sales for FY 20.

4. DLA-E Statement of Sales FY 20

Figure 6 shows DLA-E Statement of Sales for FY 18, 19 and 20. In FY 20, DLA-E procured more than 87 million barrels of fuels for customers valued at more than \$9.9

billion. Broken down, that's about \$1 billion for the Army, \$3.3 billion for the Navy, \$5 billion for the Air Force, \$42.6 million for the Marine Corps, and \$467.6 million for other defense and government agencies (DLA-E, 2020).

Statement of Sales				
Petroleum and Aerospace Energy (U.S. dollars in millions)	Customer	Fiscal 2018	Fiscal 2019	Fiscal 2020
	U.S. Army	\$1,118.6	\$1,287.3	\$1,029.6
	U.S. Navy	\$2,988.0	\$3,548.2	\$3,333.7
	U.S. Air Force	\$5,157.4	\$5,807.2	\$5,078.5
	U.S. Marine Corps	\$44.5	\$46.7	\$42.6
	Other DOD	\$155.7	\$95.3	\$52.4
	Total DOD	\$9,464.1	\$10,784.8	\$9,536.9
	Other government agencies	\$619.7	\$464.2	\$415.2
	Subtotal	\$10,083.8	\$11,249.0	\$9,952.1
	Foreign government	\$407.7	\$438.6	\$300.6
	State government	\$0.2	\$0.2	\$0.2
	Local government	\$0.03	\$0.01	\$0.003
	Commercial	\$356.7	\$463.3	\$373.9
	Morale, Welfare and Recreation	\$6.1	\$6.2	\$4.7
	Total gross sales	\$10,854.5	\$12,157.3	\$10,631.5
	Less:			
	Price reduction of sales	\$0.0	\$0.0	\$0.0
	Material returns credits applied	\$253.7	\$288.7	\$256.5
	Allowance for retail stock loss	\$0.0	\$0.0	\$0.0
	Total net sales	\$10,600.8	\$11,868.6	\$10,375.0

Note:
Defense Department Reporting System
Journal Vouchers are excluded from the
data presented

Figure 6. DLA-E Statement of Sales FY 18, 19 and 20. Source: DLA-E (2020).

D. SUMMARY

The chapter gave an overview of the description of this research's setting by examining DLA, its mission, significant responsibilities, organization structure which includes DLA-E, what they procure, and financial numbers for FY 20. It also explored DLA-E's mission, where they operate and programs that include the BPP division and statement of sales. The next chapter analyzes the methodology used for this research.

THIS PAGE INTENTIONALLY LEFT BLANK

IV. METHODOLOGY

A. INTRODUCTION

This chapter discusses the methodology utilized to gather the data and conduct analysis in response to the research questions. This comprises an account of the source of the data, the data collection process, and the analysis used to respond to the research questions.

B. SOURCE OF DATA

For this research, I selected the database created by the BPP contracting team and the technical team for each of the four major purchase programs, IEG; RMW; AEM, and WESTPAC.

This database rates each proposal against the evaluation criteria for each factor to determine an overall rating for each proposal. In addition, this database includes a narrative summary containing a technical analysis that justifies the rating for each evaluation criteria, and the justification for the overall rating given to each proposal.

C. DATA COLLECTION

The data collection involved accessing the database stored in a repository and only accessible to authorized employees. The information on the database includes:

- The offeror's name
- The evaluation subfactors
- The evaluation ratings (acceptable or unacceptable)
- The justification for each evaluation rating

The information collected is for the initial and final offers for FY 19 and FY 20.

D. DATA ANALYSIS

This research aims to determine what are the reasons why proposals are rated technically unacceptable based on the analysis and how DLA-E BPP can improve its procurement process so that more proposals are rated technically acceptable in future procurements for the acquisition of bulk petroleum products.

The four major purchase programs (IEG; RMW; AEM, and WESTPAC) are analyzed by examining the number of offerors by programs for FY 19 and 20 and reviewing how many offers were rated technically unacceptable. The subfactor which they fail to comply with are reviewed and categorized by identifying any trends or patterns, if some reasons are specific to small businesses or large businesses, or whether some reasons are more common in a certain geographical area. For the final offer analysis, there are offerors that withdraw their offers before the final proposal request. Descriptive analysis is used to summarize and organize the features of the data collected.

E. SUMMARY

This chapter discussed the methodology utilized to gather the data and conduct analysis in response to the research questions, comprising an account of the data source, the data collection process, and the analysis used to answer the research questions. The following chapter discusses the data analysis results using descriptive statistics, which describes what the data shows.

V. FINDINGS AND ANALYSIS

A. INTRODUCTION

This chapter describes the results of the data analysis and descriptive statistics to determine why offers are rated technically unacceptable. The findings of the data are analyzed and then discussed, followed by the implications of the findings. The recommendations for both DLA-E and industry are then provided.

B. DESCRIPTIVE STATISTICS

The basic descriptive statistics are depicted in the tables and bar charts. For the bar charts, the axis of the bar (horizontal) presents the categories being contrasted (e.g., evaluation factors and business size), while the other axis shows the value of each (i.e., number of times rated). The length of each bar is proportionate to the numerical value that it illustrates. This helps to commensurate the numerical value and visually display the result of the data.

Tables 1–8 and Figures 7–14 show the results of the findings during the initial technical evaluation ratings and the final proposal revisions.

C. FINDINGS

1. FY 19/FY 20 Rocky Mountain West

Table 1. RMW FY 19 Offerors Rated Unacceptable/Acceptable. Adapted from DLA-E Technical Evaluation Rating (2019).

FY 19 Initial Offers						
	Number Acceptable		Number Unacceptable		Withdrawal	
Total Number of Offerors	Small	Large	Small	Large	Small	Large
21	3	2	10	6	0	0
FY 19 Final Offers						
	Number Acceptable		Number Unacceptable		Withdrawal	
Total Number of Offerors	Small	Large	Small	Large	Small	Large
16	6	9	1	0	5	0

Table 2. RMW FY 20 Offerors Rated Unacceptable/Acceptable. Adapted from DLA-E Technical Evaluation Rating (2020).

FY 20 Initial Offers						
	Number Acceptable		Number Unacceptable		Withdrawal	
Total Number of Offerors	Small	Large	Small	Large	Small	Large
22	2	2	9	9	0	0
FY 20 Final Offers						
	Number Acceptable		Number Unacceptable		Withdrawal	
Total Number of Offerors	Small	Large	Small	Large	Small	Large
14	4	7	1	2	6	2

Technical Evaluation Sub Factors

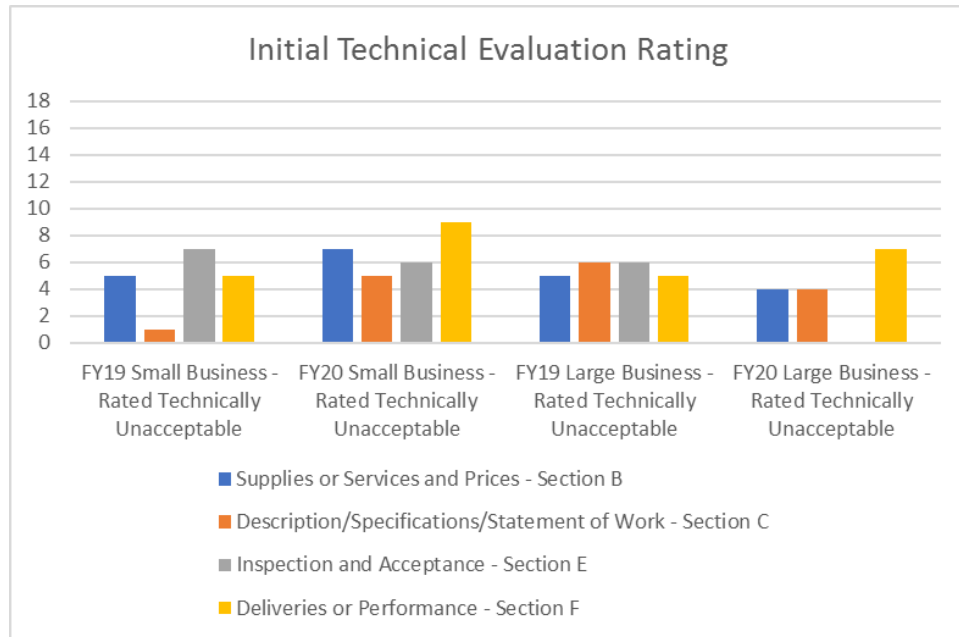


Figure 7. RMW FY 19/FY 20 Subfactors Initial Technical Evaluation Rating. Adapted from DLA-E Technical Evaluation Rating (2019 and 2020).

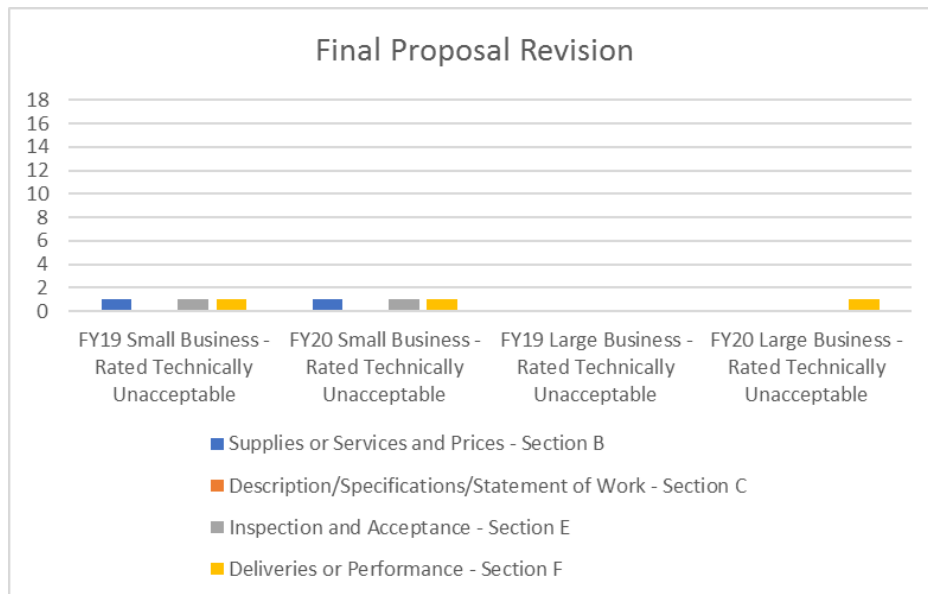


Figure 8. RMW FY 19/FY 20 Subfactors Final Proposal Revision. Adapted from DLA-E Technical Evaluation Rating (2019 and 2020).

2. FY 19/FY 20 Inland East Gulf

Table 3. IEG FY 19 Offerors Rated Unacceptable/Acceptable. Adapted from DLA-E Technical Evaluation Rating (2019).

FY 19 Initial Offers						
	Number Acceptable		Number Unacceptable		Withdrawal	
Total Number of Offerors	Small	Large	Small	Large	Small	Large
32	2	1	12	14	3	0
FY 19 Final Offers						
	Number Acceptable		Number Unacceptable		Withdrawal	
Total Number of Offerors	Small	Large	Small	Large	Small	Large
29	11	12	3	3	0	0

Table 4. IEG FY 20 Offerors Rated Unacceptable/Acceptable. Adapted from DLA-E Technical Evaluation Rating (2020).

FY 20 Initial Offers						
	Number Acceptable		Number Unacceptable		Withdrawal	
Total Number of Offerors	Small	Large	Small	Large	Small	Large
32	0	1	17	14	0	0
FY 20 Final Offers						
	Number Acceptable		Number Unacceptable		Withdrawal	
Total Number of Offerors	Small	Large	Small	Large	Small	Large
23	5	14	3	1	9	0

Technical Evaluation Sub Factors

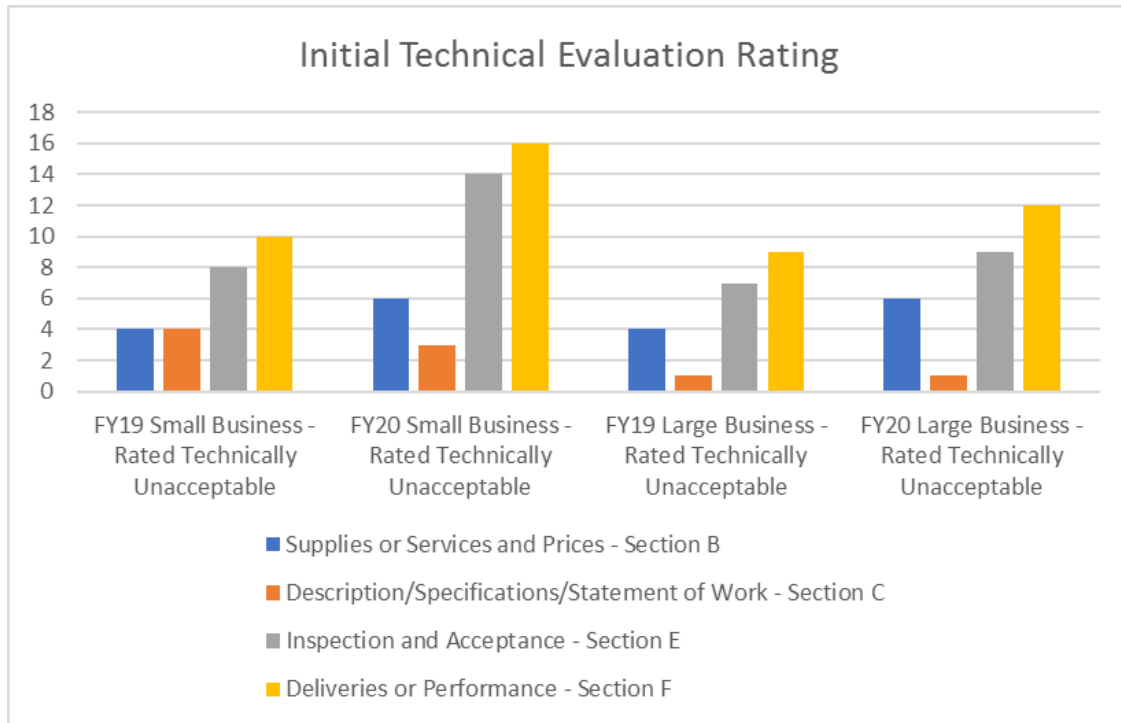


Figure 9. IEG FY 19/FY20 Subfactors Initial Technical Evaluation Rating.
Adapted from DLA-E Technical Evaluation Rating (2019 and 2020).

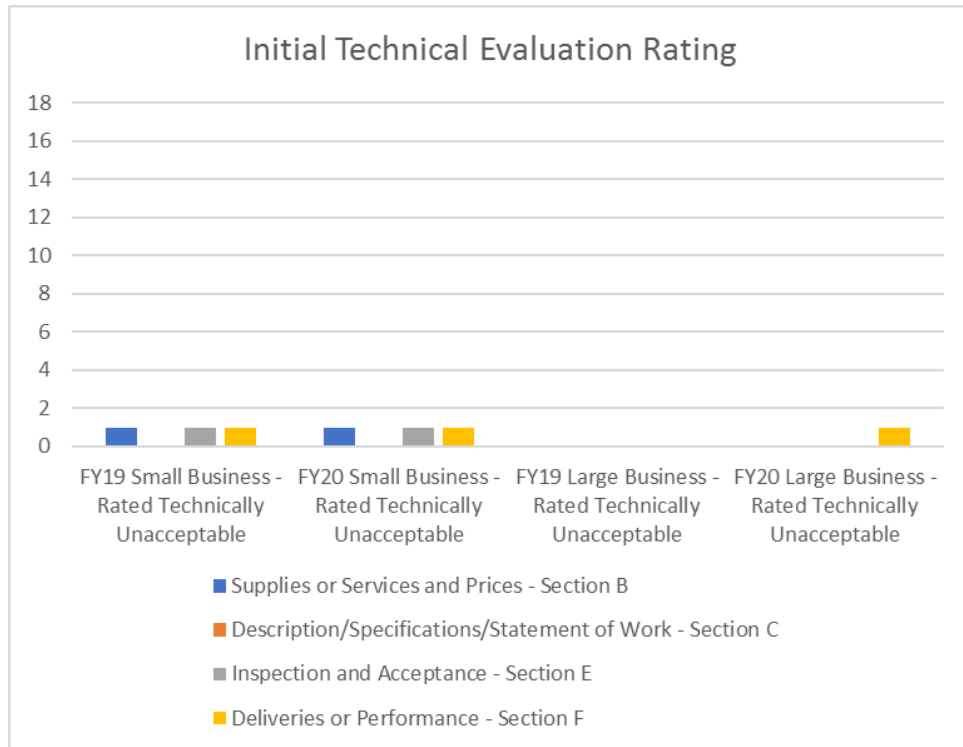


Figure 10. IEG FY 19/FY 20 Subfactors Final Proposal Revision. Adapted from DLA-E Technical Evaluation Rating (2019 and 2020).

3. FY 19/FY 20 Western Pacific

Table 5. WESTPAC FY 19 Offerors Rated Unacceptable/Acceptable. Adapted from DLA-E Technical Evaluation Rating (2019).

FY 19 Initial Offers						
	Number Acceptable		Number Unacceptable		Withdrawal	
Total Number of Offerors	Small	Large	Small	Large	Small	Large
16	0	1	3	12	0	0
FY 19 Final Offers						
	Number Acceptable		Number Unacceptable		Withdrawal	
Total Number of Offerors	Small	Large	Small	Large	Small	Large
13	2	10	1	0	0	2

Table 6. WESTPAC FY 20 Offerors Rated Unacceptable/Acceptable.
Adapted from DLA-E Technical Evaluation Rating (2020).

FY 20 Initial Offers						
	Number Acceptable		Number Unacceptable		Withdrawal	
Total Number of Offerors	Small	Large	Small	Large	Small	Large
19	0	0	4	15	0	0
FY 20 Final Offers						
	Number Acceptable		Number Unacceptable		Withdrawal	
Total Number of Offerors	Small	Large	Small	Large	Small	Large
19	2	9	1	3	1	3

Technical Evaluation Sub Factors

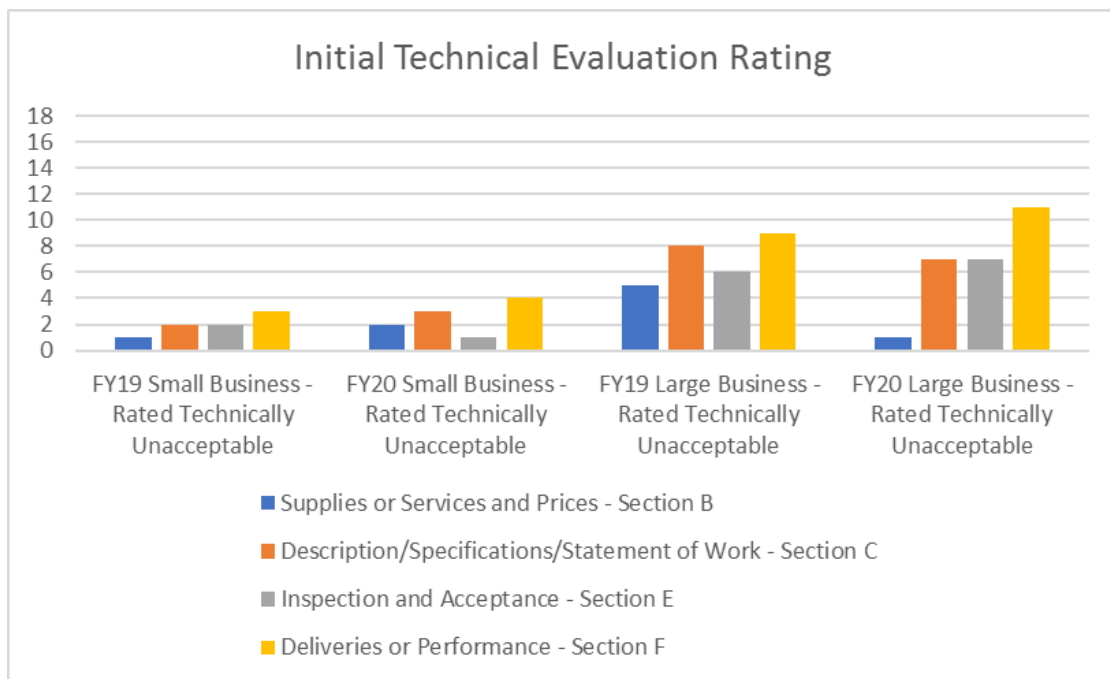


Figure 11. WESTPAC FY 19/FY 20 Subfactors Initial Technical Evaluation Rating. Adapted from DLA-E Technical Evaluation Rating (2019 and 2020).

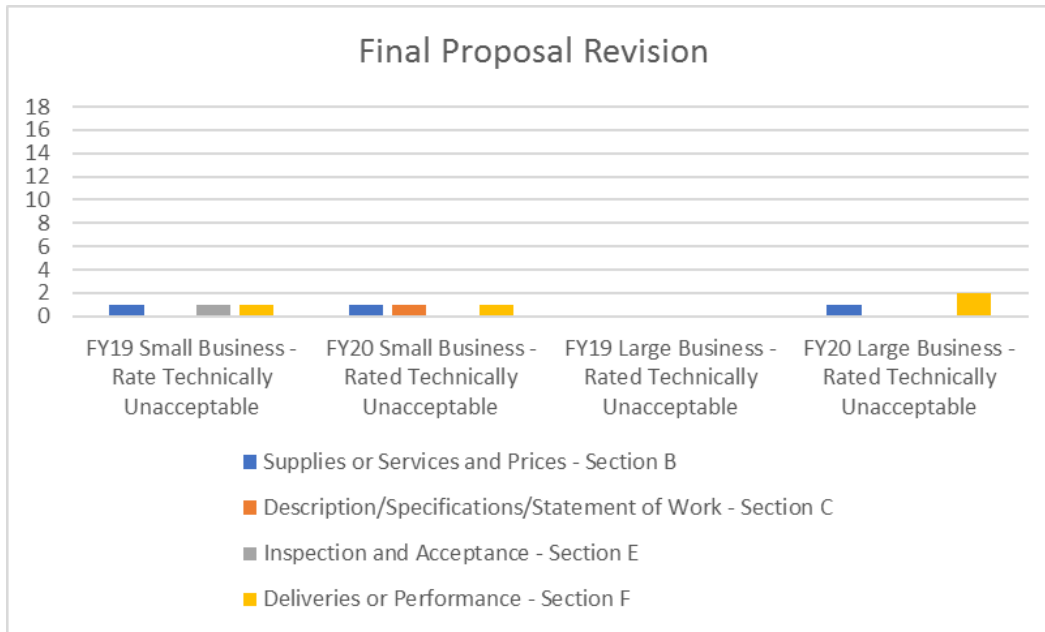


Figure 12. WESTPAC FY 19/FY 20 Subfactors Final Proposal Revision.
Adapted from DLA-E Technical Evaluation Rating (2019 and 2020).

4. FY 19/FY 20 Atlantic / Europe and Mediterranean

Table 7. AEM FY 19 Offerors Rated Unacceptable/Acceptable. Adapted from DLA-E Technical Evaluation Rating (2019).

FY 19 Initial Offers						
	Number Acceptable		Number Unacceptable		Withdrawal	
Total Number of Offerors	Small	Large	Small	Large	Small	Large
18	0	1	7	10	0	0
FY 19 Final Offers						
	Number Acceptable		Number Unacceptable		Withdrawal	
Total Number of Offerors	Small	Large	Small	Large	Small	Large
14	2	6	4	2	1	3

Table 8. AEM FY 20 Offerors Rated Unacceptable/Acceptable. Adapted from DLA-E Technical Evaluation Rating (2020).

FY 20 Initial Offers						
	Number Acceptable		Number Unacceptable		Withdrawal	
Total Number of Offerors	Small	Large	Small	Large	Small	Large
14	0	1	5	8	0	0
FY 20 Final Offers						
	Number Acceptable		Number Unacceptable		Withdrawal	
Total Number of Offerors	Small	Large	Small	Large	Small	Large
12	3	7	1	1	1	1

Technical Evaluation Sub Factors

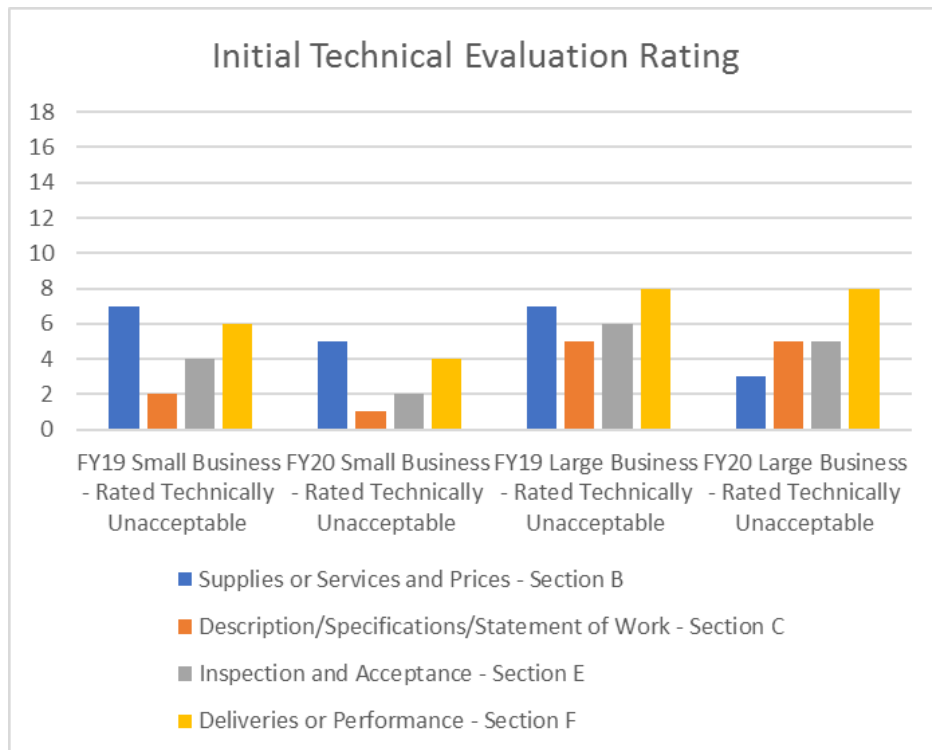


Figure 13. AEM FY 19/FY 20 Subfactors Initial Technical Evaluation Rating. Adapted from DLA-E Technical Evaluation Rating (2019 and 2020).

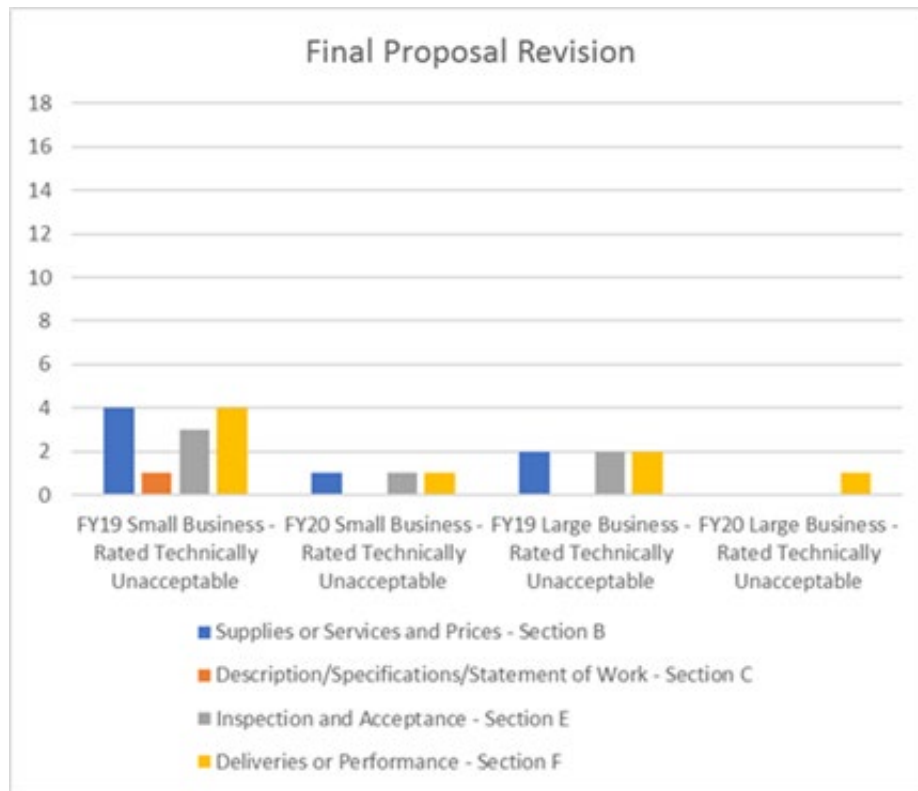


Figure 14. AEM FY 19/FY 20 Subfactors Final Proposal Revision. Adapted from DLA-E Technical Evaluation Rating (2019 and 2020).

This section provided the findings of the data. The following section discusses the findings.

D. DISCUSSION

1. FY 19/FY 20 Rocky Mountain West

As reflected in Table 1, for FY 19, 21 offerors submitted offers for initial technical evaluation. Five were rated acceptable (3 Small Businesses (SB) and 2 Large Businesses (LB)), and 16 were unacceptable (10 SB and 6 LB). At the final proposal revision, 16 offerors' offers were evaluated. Fifteen offerors were rated acceptable (6 SB and 9 LB), and 1 SB was rated unacceptable. As a result, 5 SB withdrew their offers. Therefore, based

on the findings, SB were rated more unacceptable at the initial technical evaluation and the final proposal revision. Also, 5 SB withdrew their proposals.

In Table 2, for FY 20, 22 offerors submitted offers for initial technical evaluation. Four were rated acceptable (2 SB and 2 LB), and 18 were unacceptable (9 SB and 9 LB). At the final proposal revision, 14 offerors' offers were evaluated. Eleven were rated acceptable (4 SB and 7 LB), while 3 offerors (1 SB and 2 LB) were rated unacceptable. As a result, 6 SB and 2 LB withdrew their offers. Therefore, based on the findings, LB were rated more unacceptable at the final proposal revision, but the same number of offerors were unacceptable at the initial technical evaluation. However, more SB withdrew their proposals than LB.

In Figure 7, for SB in FY 19, the predominant subfactors (these subfactors occurred at least once) for noncompliance at the initial technical evaluation were Section B, E, and F, and they were the same at the final proposal revision in Figure 8. In Figure 7 for SB in FY 20, the predominant subfactors for noncompliance were Section B, C, E, and F at the initial technical evaluation. However, the predominant subfactors for noncompliance were Section B, E, and F at the final proposal revision in Figure 8.

In Figure 7, for LB in FY 19, the predominant subfactors for noncompliance at the initial technical evaluation were Section B, C, E, and F. However, there were no noncompliant subfactors at the final proposal revision in Figure 8. In Figure 7 for LB in FY 20, the predominant subfactors for noncompliance were Section B, C, and F at the initial technical evaluation. However, in the final proposal revision, only Section F was noncompliant in Figure 8.

2. FY 19/FY 20 Inland East Gulf

As displayed in Table 3, for FY 19, 32 offerors submitted offers for initial technical evaluation. Three were rated acceptable (2 SB and 1 LB), and 26 were unacceptable (12 SB and 14 LB). Three SB withdrew their initial offer. At the final proposal revision, 29 offerors' offers were evaluated. Twenty-three offerors were rated acceptable (11 SB and 12 LB), while 6 offerors (3 SB and 3 LB) were rated unacceptable. Therefore, based on the findings, LB were rated more unacceptable at the initial technical evaluation but both SB

and LB were equally unacceptable at the final proposal revision. Three SB withdrew their proposals at the initial stage.

In Table 4, for FY 20, 32 offerors submitted offers for initial technical evaluation. One LB was rated acceptable, and 31 were unacceptable (17 SB and 14 LB). At the final proposal revision, 23 offerors' offers were evaluated. Nineteen were rated acceptable (5 SB and 14 LB), while 4 offerors (3 SB and 1 LB) were rated unacceptable. As a result, 9 SB withdrew their offers. Therefore, based on the findings, SB were rated more unacceptable at the initial technical evaluation and the final proposal revision. Nine SB also withdrew their proposals.

In Figure 9, for SB in FY 19, the predominant subfactors for noncompliance at the initial technical evaluation were Section B, C, E and F, but at the final proposal revision in Figure 10 Section B, E and F are the predominant subfactors. In Figure 9 for SB in FY 20, the predominant subfactors for noncompliance were Section B, C, E, and F at the initial technical evaluation. However, the predominant subfactors for noncompliance were Section B, E, and F at the final proposal revision in Figure 10.

In Figure 9, for LB in FY 19, the predominant subfactors for noncompliance at the initial technical evaluation were Section B, E, and F. However, there were no noncompliant subfactors at the final proposal revision in Figure 10. In Figure 9 for LB in FY 20, the predominant subfactors for noncompliance were Section B, E, and F at the initial technical evaluation. However, in the final proposal revision, only Section F was noncompliant in Figure 10.

3. FY 19/FY 20 Western Pacific

As shown in Table 5, for FY 19, 16 offerors submitted offers for initial technical evaluation. Only 1 LB was rated acceptable, and 15 were unacceptable (3 SB and 12 LB). At the final proposal revision, 13 offerors' offers were evaluated. Twelve offerors were rated acceptable (2 SB and 10 LB), while 1 SB was rated unacceptable. Two LB withdrew their offers. Therefore, based on the findings, LB were rated more unacceptable at the initial technical evaluation but there were more SB rated unacceptable at the final proposal revision. Two LB withdrew their proposals at the initial stage.

In Table 6, for FY 20, 19 offerors submitted offers for initial technical evaluation. None were rated acceptable, and 19 were unacceptable (4 SB and 15 LB). At the final proposal revision, 19 offerors' offers were evaluated. Eleven were rated acceptable (2 SB and 9 LB), while 4 offerors (1 SB and 3 LB) were rated unacceptable. As a result, 1 SB and 3 LB withdrew their offers. Therefore, based on the findings, LB were rated more unacceptable at the initial technical evaluation and the final proposal revision. One SB and 3 LB withdrew their proposals. There were more offers from LB than SB in this region.

In Figure 11, for SB in FY 19, the predominant subfactors for noncompliance at the initial technical evaluation were Section B, C, E, and F, but at the final proposal revision in Figure 12 Section B, E and F are the predominant subfactors. In Figure 11 for SB in FY 20, the predominant subfactors for noncompliance were Section B, C, and F at the initial technical evaluation. The same subfactors are predominant for noncompliance at the final proposal revision in Figure 12.

In Figure 11, for LB in FY 19, the predominant subfactors for noncompliance at the initial technical evaluation were Section B, C, E, and F. However, there were no noncompliant subfactors at the final proposal revision in Figure 12. In Figure 11 for LB in FY 20, the predominant subfactors for noncompliance were Section C, E, and F at the initial technical evaluation. However, in the final proposal revision, Section B and F are the predominant subfactors for noncompliance in Figure 12.

4. FY 19/FY 20 Atlantic / Europe and Mediterranean

As indicated in Table 7, for FY 19, 18 offerors submitted offers for initial technical evaluation. Only 1 LB was rated acceptable, and 17 were unacceptable (7 SB and 10 LB). At the final proposal revision, 14 offerors' offers were evaluated. Eight offerors were rated acceptable (2 SB and 6 LB), while 6 offerors were rated unacceptable (4 SB and 2 LB). One SB and 3 LB withdrew their offers. Therefore, based on the findings, SB were rated more unacceptable at the final proposal revision even though 3 LB and 1 SB withdrew their proposals.

In Table 8, for FY 20, 14 offerors submitted offers for initial technical evaluation. One LB was rated acceptable, and 13 were unacceptable (5 SB and 8 LB). At the final

proposal revision, 12 offerors' offers were evaluated. Ten were rated acceptable (3 SB and 7 LB), while 2 offerors (1 SB and 1 LB) were rated unacceptable. As a result, 1 SB and 1 LB withdrew their offers. Therefore, based on the findings, LB were rated more unacceptable at the initial technical evaluation but both SB and LB were equally unacceptable at the final proposal revision. Both SB and LB equally also withdrew their proposals. There were more offers from LB than SB.

In Figure 13, for SB in FY 19, the predominant subfactors for noncompliance at the initial technical evaluation and final proposal revision in Figure 14 were Section B, C, E, and F. In Figure 13 for SB in FY 20, the predominant subfactors for noncompliance were Section B, C, E and F at the initial technical evaluation. The subfactors that are predominant for noncompliance at the final proposal revision in Figure 14 are Section B, E and F.

In Figure 13, for LB in FY 19, the predominant subfactors for noncompliance at the initial technical evaluation were Section B, C, E, and F. The predominant subfactors for noncompliance subfactors at the final proposal revision in Figure 14 were Section B, E and F. In Figure 13 for LB in FY 20, the predominant subfactors for noncompliance were Section B, C, E, and F at the initial technical evaluation. However, in the final proposal revision, only Section F is the predominant subfactor for noncompliance in Figure 14.

This section discussed the findings of the data. The following section will discuss the implications of the findings.

E. IMPLICATIONS OF FINDINGS

Based on the findings as discussed above, the following implications were identified from this research.

As we can see across all regions Section B (Supplies or services and prices/cost), C (Description/specifications/statement of work), E (Inspection and Acceptance) and F (Deliveries or Performance) are predominant reasons why offers are rated technically unacceptable.

Additionally, SB are mostly noncompliant across the regions. When more LB were noncompliant, the reason was because more LB submitted proposals than SB. In addition,

SB are also most likely to withdraw their offers at the initial technical review and the final proposal revision.

Furthermore, more LB made offers in the overseas regions (WESTPAC and AEM) than SB. SB submit more offers in the domestic regions (RMW and IEG).

Finally, the majority of the offerors made changes to their offers after the initial offer and became technically acceptable at the final proposal revision.

The next section provides recommendations for both DLA-E and industry.

F. RECOMMENDATIONS

Based on the implications of the findings discussed above, the following three recommendations are provided.

Recommendation # 1: DLA-E improve its solicitation process to help more offerors be rated technically acceptable at the initial evaluation.

DLA-E should provide a pre-solicitation conference (conference with industry prior to issuing the solicitation) to present the plans for that particular future bulk petroleum procurement to potential offerors and provide pertinent information about the solicitation and seek feedback on the specific procurement. Industry will have the opportunity to sit down with the DLA-E bulk petroleum division contracting and technical team in a private face-to-face session to ask questions and give feedback. Industry will get a good understanding of what DLA-E needs for that specific procurement. Inputs from industry should be incorporated into the development of the solicitation.

DLA-E should also provide a pre-proposal conference (conference with industry after the solicitation has been posted but before the proposals come in). This is also an opportunity for industry to provide feedback before submitting their proposals. During this conference the technical evaluation criteria (Sections B, C, E, and F) should be discussed in depth. Section B (Supplies or services and prices/cost) contains the description of the schedule of supplies as the requirement is for bulk petroleum products. It includes the Contract Line Items (CLINs) and quantities. The offered line items should meet the delivery requirements of the schedule for additives required and the required minimum and

maximum quantity of the schedule. Section C (Description/specifications/statement of work) comprises the description or specifications required in addition to Section B as it describes what DLA-E wants the offeror to do or supply. Section E (Inspection and Acceptance) identifies the offeror's inspection responsibilities and explains the procedures DLA-E will use to accept the products. It further requires the offeror to certify that there is a Quality Control Plan (QCP) available on file with DLA-E that is no more than twenty-four months old or provides an outline, not to exceed two pages in length, of a proposed QCP describing the offeror's current inspection system and quality assurance procedures. Section F (Deliveries or performance) describes how DLA-E will control the work that will be performed by the offeror and how the offeror will provide the required products. Section F in a nutshell states the deliverables anticipated by the government within a specific time frame, place of delivery or performance, methods of delivery or performance and schedules.

Having this type of meetings to discuss DLA-E bulk procurement process should also be conducted during DLA-E's biennial three days Worldwide Energy conferences and trade shows. This event comprises a wide range of energy networking between DLA-E, military services, and industry to discuss trends and initiatives in the petroleum and other energy fields.

Recommendation #2: Industry to improve its proposal preparation process.

With DLA-E incorporating pre-solicitation and pre-proposal conferences in its procurement, industry can better understand how to prepare its proposals by proving to DLA-E that they understand its request and providing an offer that will be rated technically acceptable. Industry can improve its proposal preparation process by effectively planning how it is going to sell petroleum to DLA-E thereby preparing better offers. Industry can benefit from the NCMA CMS as it discusses the seller side of the contracting process. The petroleum industry can improve its proposal preparation process by using the best practices found in the NCMA CMS. Industry can plan its sale effectively by setting up activities for pre-sales to enhance relationship with the federal government and market strategy, understand the marketplace, and assess the competition (NCMA, 2019). This helps in

understanding the DLA-E's near and long-term requirements and determining the offeror's ability to respond to the solicitation (NCMA, 2019).

Recommendation #3: Industry to have a clear understanding of the negotiation process prior to award.

As discussed in Chapter II on the negotiation process, industry should have a clear understanding of the significance of the Offer Entry Tool (OET) and its process. The standard round is used for all offer inputs from initial offers on the solicitation through Final Proposal Revisions (FPR). In a standard OET round, the vendor can change most data fields in their offer, including adding and removing shipping locations, adding, or removing origin and destination bid lines, quantities, prices, and offer conditions. During a standard OET round when submitting a FPR, offerors will not be able to change the base market price(s), shipping points, products, and delivery data fields. Only offerors who have submitted an initial offer by the date and time specified will be eligible to submit data in later OET rounds.

DLA-E requests offeror submission of Interim Proposal Revisions (IPRs) before the conclusion of negotiations. DLA-E BPP uses a two-part close of negotiations process. Part one will occur at IPR and will be an offeror's last chance to finalize shipping points, products, FOB, base market price exception requests, and modes of delivery. In part two, shipping points, products, and delivery modes cannot later be changed when submitting a FPR. IPRs are submitted through the OET and considered a standard round.

This solicitation procedure is not only for DLA-E to make the offer procedures less complicated, but also the evaluation and the source selection decision. All this is done, while preserving a process that was set up to advance a fair and extensive procedure to evaluate proposals by offerors that will result in selecting proposals that will be of best value to DLA-E. Some offerors only have basic knowledge of the fundamentals of the negotiation process prior to award. For their proposals to be successful, these offerors should have a comprehensive discernment of the process. This makes it possible for them to prepare better proposals that meets DLA-E's best value.

G. SUMMARY

This chapter described the results of the data analysis and descriptive statistics to determine why offers are rated technically unacceptable. The findings of the data were analyzed and then discussed, followed by the implications of the findings. The recommendations for both DLA-E and industry were also provided. The next chapter provides the summary, conclusion and areas for further research.

VI. SUMMARY, CONCLUSION, AND AREAS FOR FURTHER RESEARCH

A. INTRODUCTION

This chapter summarizes the purpose, analysis, and findings of this research. It also answers the research questions asked in Chapter I and concludes with areas for further research.

B. SUMMARY

Every fiscal year, procurement for global military jet fuel and marine diesel fuel requirements is conducted through four major purchase programs: Inland/East/Gulf Coast; Rocky Mountain/West Coast; Atlantic/Europe/Mediterranean; and Western Pacific. DLA-E BPP oversees these procurements and delivers contracting support for all DLA-E bulk petroleum requirements. Offerors develop proposals, submit proposals and when proposals are evaluated based on the evaluation factors, some proposals are determined technically unacceptable. When offerors proposals are deemed technically unacceptable that reduces the level of competition for that procurement and as competition is reduced, it results in a greater challenge for DLA-E to award contracts based on fair and reasonable prices. The more proposals that are deemed technically acceptable, the greater the competition in the procurement which will result in DLA-E to be better able to support its mission.

The purpose of this research was to provide an analysis of the reasons why offerors proposals are deemed technically unacceptable during proposal evaluation of the contract source selection. Based on the analysis, this research provided recommendations to how DLA-E could improve its procurement of bulk petroleum. This will help inform industry by making recommendations of how to improve their proposals so that they can be technically acceptable.

C. CONCLUSION

Based on the results of the findings, the research questions that were presented in Chapter I can be answered.

Based on the analysis of past proposal evaluations, what are the reasons why proposals are rated technically unacceptable?

For this first question, the analysis revealed that across all regions Section B (Supplies or services and prices/cost), C (Description/specifications/statement of work), E (Inspection and Acceptance) and F (Deliveries or Performance) are predominant reasons why offers are rated technically unacceptable.

Based on the research findings, how can DLA-E BPP improve its procurement process so that more proposals are rated technically acceptable in future procurements for the acquisition of bulk petroleum products?

For the second question, three recommendations were provided, and they are as follows. The first recommendation is DLA-E should provide a pre-solicitation conference to present the plans for that particular future bulk petroleum procurement to potential offerors and provide pertinent information about the solicitation and seek feedback on the specific procurement. Industry will get a good understanding of what DLA-E needs for that specific procurement and inputs from industry should be incorporated into the development of the solicitation. DLA-E should also provide a pre-proposal conference, where industry can provide feedback before submitting their proposals. During this conference the technical evaluation criteria (Sections B, C, E, and F) should be discussed in depth.

The second recommendation is that industry could improve its proposal preparation process by using the best practices found in the NCMA CMS. The NCMA CMS discusses the seller side of the contracting process. Also, with DLA-E incorporating pre-solicitation and pre-proposal conferences in its procurement, industry can better understand how to prepare its proposals by proving to DLA-E that they understand its request and providing an offer that will be rated technically acceptable.

The third recommendation is that industry should have a clear understanding of the negotiation process prior to award. Some offerors only have basic knowledge of the fundamentals of the negotiation process prior to award. For their proposals to be successful, these offerors should have a comprehensive discernment of the process. This makes it possible for them to prepare better proposals that meets DLA-E's best value.

D. AREAS FOR FURTHER RESEARCH

This research only covered FY 19 and 20. The first area for further research is for DLA-E to continue doing this analysis for future years of DLA-E bulk petroleum procurement.

Secondly, this research is about bulk petroleum procurement. DLA-E should complete the same type of analysis for other DLA-E buying division (e.g., Bulk Petroleum Supply Chain Services Division, Aerospace Energy Supplier Division, Direct Delivery Fuels Division, Installation Energy Division, and Utility Services Division).

Thirdly, since this research is about DLA-E (bulk service petroleum), this analysis should be conducted for all products or services procured by DLA's other major subordinate commands (e.g., DLA Troop Support, DLA Disposition Services, DLA Aviation, DLA Distribution, and DLA Land and Maritime).

Finally, the research disclosed that SB are mostly noncompliant across the regions. DLA-E should investigate why SB typically have more frequencies of technically unacceptable proposals.

THIS PAGE INTENTIONALLY LEFT BLANK

LIST OF REFERENCES

- Defense Logistics Agency. (n.d.). *About the Defense Logistics Agency. The Nation's Combat Logistics Support Agency*. <https://www.dla.mil/AboutDLA/>
- Defense Logistics Agency. (n.d.1). *DLA Strategic Plan 2021 - 2026*. <https://www.dla.mil/Info/strategicplan/>
- Defense Logistics Agency Energy. (2020). *Fiscal Year 2020 Fact Book* (43rd ed.) [Handbook]. https://www.dla.mil/Portals/104/Documents/Energy/Publications/DLAEnergyFactBookFY20_lowres2.pdf?ver=VE-mCUImzFiKKnGluajkxg%3D%3D
- Department of Defense Office of Inspector General. (2021). *Audit of Defense Logistics Agency Award and Management of Bulk Fuel Contracts in Areas of Contingency Operations* (DODIG-2021-129). <https://www.DODig.mil/reports.html/article/2789344/audit-of-defense-logistics-agency-award-and-management-of-bulk-fuel-contracts-i/>
- Duncombe, B. A., & Prentice, J. D. (2013, October 9). Lowest Price Technically Acceptable Procurements: The Good, the Bad, and the Reality. *Dayton Business Journal*. <https://www.bizjournals.com/dayton/news/2013/10/09/lowest-price-technically-acceptable.html>
- Gansler, J. S., & Lucyshyn, W. (2013). *The DOD's Use of Lowest Price Technically Acceptable (LPTA) Price Selection*. (Report No. UMD-CM-13-098). The Center for Public Policy and Private Enterprise at the University of Maryland's School of Public Policy. <https://apps.dtic.mil/sti/pdfs/ADA590274.pdf>
- FAR 15.1, Source Selection Processes and Techniques (2021). https://acquisition.gov/far/part-15#FAR_Subpart_15_1
- FAR (FAR 15.101-2 (a)), Lowest price technically acceptable source selection process (2021). <https://acquisition.gov/far/15.101-2>
- Garrett, G. A. (2013). How to evaluate a purchasing system: Tools, techniques and best practices. *Contract Management*, 53(1), 41–51.
- Garrett, G. A. (2015). *World class contracting* (6th ed.). Chicago, IL: Wolters Kluwer.
- Landale, Rendon, R. G., & Hawkins, T. G. (2017). *Examining the effects of source selection method on procurement outcomes*. Emerald Publishing Limited.
- Lohfeld, B. (2015, April 7). Is DOD moving away from LPTA? *Washington Technology*. <https://washingtontechnology.com/opinion/2015/04/is-dod-moving-away-from-lpta/341283/>

- National Contract Management Association. (2019). *Contract Management Body of Knowledge* (6th ed). NCMA.
- Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics (OUSD[AT&L]). (2011, March 4). *Source selection procedures* [Memorandum]. Department of Defense. <https://acq.osd.mil/dpap/policy/policyvault/usa007183-10-dpap.pdf>
- Peloquin, J. (2013). *Department of Defense Source selection procedural ambiguities*. [Doctoral dissertation, College of Professional Studies, Northeastern University] Repository Library Northeastern University <https://repository.library.northeastern.edu/files/neu:1040/fulltext.pdf>
- Peters, H. M. (2021). Defense primer: Lowest Price Technically Acceptable Contracts (CRS Report No. IF10968). Congressional Research Service. <https://crsreports.congress.gov/product/pdf/IF/IF10968>
- Rendon, R. G., & Snider, K. F. (Eds.). (2008). *Management of defense acquisition projects*. Reston, VA: American Institute of Aeronautics and Astronautics.
- Rendon, R. G. (2008). Procurement process maturity: Key to performance measurement. *Journal of Public Procurement*, 8(2), 200–214.
- Rendon, R. (2015). Benchmarking contract management process maturity: A case study of the U.S. Navy. *Benchmarking: An International Journal*, 22(7), 1481–1508. <http://hdl.handle.net/10945/57703>
- Rendon, R.G. and Rendon, J. M. (2015). Auditability in public procurement: an analysis of internal controls and fraud vulnerability. *International Journal of Procurement Management*, 8(6), 710–730. <https://doi.org/10.1504/IJPM.2015.072388>
- Shook, C. L., Adams, G. L., Ketchen, D. J., & Craighead, C. W. (2009). Towards a “Theoretical toolbox” for Strategic Sourcing. *Supply Chain Management: An International Journal*, 14(1), 3–10. <https://doi.org/10.1108/13598540910927250>
- United States Government Accountability Office. (2016). *Biomass Energy Service*. <https://www.gao.gov/products/b-412898>
- Wagner, D. N. (2019, August 6). The opportunistic Principal. *Wiley Online Library*, 70(4), 637–657. <https://onlinelibrary.wiley.com/doi/full/10.1111/kykl.12213>

INITIAL DISTRIBUTION LIST

1. Defense Technical Information Center
Ft. Belvoir, Virginia
2. Dudley Knox Library
Naval Postgraduate School
Monterey, California