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NAVAL POSTGRADUATE SCHOOL

Monterey, California



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APPLYING THE NATIONAL PERFORMANCE
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INITIATIVES AT THE NAVAL
POSTGRADUATE SCHOOL

by

Teri S. Snyder

June, 1994

Principal Advisor:

Reuben T. Harris

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**Applying the National Performance Review Procurement Reform Initiatives at
the Naval Postgraduate School**

by

**Teri S. Snyder
B.S., University of Illinois, 1980**

**Submitted in partial fulfillment
of the requirements for the degree of**

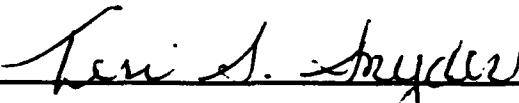
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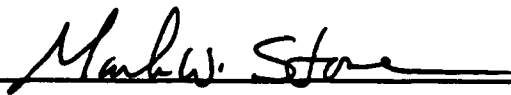
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ABSTRACT

This thesis examines/defines reinvention and develops a process to reinvent procurement at the Naval Postgraduate School (NPS). This study will review National Performance Review (NPR) Initiatives regarding procurement in the Federal Government.

Current Federal initiatives will be presented and used along with reinvention concepts to demonstrate an alternative to the current procurement process.

This thesis will review the NPR, Section 800 panel recommendations for procurement reform. It analyzes the current climate in the Federal Government as it pertains to procurement reinvention initiatives.

Reinvention is a method of looking at existing organizations and processes to evaluate what is required to conduct business and gain customer satisfaction.

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I. INTRODUCTION

A. FOCUS

The focus of this study will be to develop a working definition of reinvention and develop a process to perform reinvention in an organization. This includes discussing elements of the reinvention process. This study will also review current initiatives regarding procurement in the Federal Government. An application of the definition and process will be demonstrated using the Naval Postgraduate School's (NPS) procurement processing system.

B. WHAT DOES REINVENTION MEAN?

There is a movement in state, local and Federal governments to become more efficient and effective in managing public funds. President William Clinton requested his cabinet members to form reinvention teams to redesign their departments early in 1993. [NPR, pp.9] Vice President Albert Gore continued the call for reinvention in the National Performance Review (NPR) dated September 1993. Books and articles have been written on the subject of reinvention. The most noted book written by David Osborne and Ted Gaebler, Reinventing Government. How the Entrepreneurial Spirit is Transforming the Public Sector includes examples of reinvention in government. However, the NPR and literature do

not include a definition of what reinvention is or how to apply it to an organization. Nor does The American Heritage Dictionary of the English Language include a definition of reinvention.

To understand the concept of reinvention, a definition is offered. In defining "invention," the dictionary states "a new device or process developed from study and experimentation." [American Heritage Dictionary, pp.688]. The prefix "re" means "restoration to a previous condition or position" [American Heritage Dictionary, pp. 1084]. A strict dictionary type definition is thus: "to develop new processes that can restore a process to a previous condition." Reinvention is a method of looking at existing organizations and processes to evaluate what is required to conduct business and gain customer satisfaction. This involves "going back to the beginning to invent a better way of doing work" [H&C, pp. 31]. This sometimes means starting with a blank piece of paper and envisioning new processes and outcomes that accomplish intended outputs. The main focus of reinvention must be on "results, not rules" [Osborne & Gaebler, pp. 19]. Focusing on results enables an organization to become more efficient and effective in conducting business and in gaining customer satisfaction. Rules add complexity to a process, where a focus on results allows for employees to establish efficient and effective ways to accomplish the desired results. [MSPB,

pp. 22] The elements of reinvention will be discussed in chapter two.

C. OBJECTIVES

The objective of this study is to define the reinvention concept. This will entail a discussion of what is reinvention and what factors are required for reinventing an organization. The factors will be applied to the procurement process at NPS to demonstrate the concept. Current Federal and NPS initiatives will be presented and used along with reinvention concepts to demonstrate an alternative to the current procurement process.

D. RESEARCH QUESTIONS AND METHODOLOGY

This research will address the following questions:

Primary Research Questions

- What are the factors pertaining to the reinvention concept?
- Should the current procurement process at NPS be reinvented?

Subsidiary Research Questions

- Why is NPS a prime candidate for testing the reinvention concept?
- What are the initiatives for reinventing the procurement process currently being undertaken in the Federal Government and at the Naval Postgraduate School?
- How can the reinvention concept be applied to the procurement process at NPS?

In addressing these questions, this research will review the NPR, Section 800 panel recommendations for procurement reform, and reinvention periodicals and literature. Such a review will facilitate a discussion of the current climate in the Federal Government as it pertains to procurement reinvention initiatives. Additionally, initiatives at NPS relating to procurement will be analyzed.

The NPS procurement process will be evaluated to ascertain its effectiveness in satisfying customer needs. A review of NPS "silly rules" (rules that are seen as an impediment to performing a job in a timely manner) will be conducted, a survey of customers of the NPS procurement system, and a review of minutes of the Quality Management Board (QMB) (the QMB has been established at NPS for the purpose of improving the procurement system) will be conducted to establish the effectiveness of the current procurement processes at NPS.

E. ORGANIZATION OF STUDY

The following provides a brief description of the remaining chapters:

- **II. BACKGROUND** - Chapter II will provide background for this study. It will include a discussion of the climate for reinvention in the Federal Government and within the DoD. This chapter outlines the factors for reinvention with a discussion of why they are needed. A discussion will be included to support the claim that NPS is an ideal command to implement reinvention efforts and creates no significant disruption to the status quo.
- **III. GOVERNMENT INITIATIVES FOR REINVENTING THE PROCUREMENT PROCESS** - Chapter III will present the

initiatives from the procurement section of the NPR. Three initiatives will be detailed and used to apply the reinvention concept for the procurement system at NPS. Also included in this chapter is a description of the current procurement process to lay the ground-work for the reinvention process to take place.

- **IV. A REINVENTED PROCUREMENT PROCESS** - Chapter IV will analyze the current procurement process at NPS and the three initiatives presented in chapter III. This chapter will demonstrate why the procurement process at NPS requires reinvention.
- **V. CONCLUSIONS AND RECOMMENDATIONS** - Chapter V will present a reinvented procurement process at NPS utilizing the concepts presented in chapter II. This chapter will summarize the research and answer the primary and secondary questions. Areas for further research will be addressed in this chapter.
- **APPENDIX A** - Describes Head of Contracting Activity (HCA) responsibilities.

II. BACKGROUND

A. INTRODUCTION

This chapter will look at the current climate in the Federal Government as it relates to the need for reinvention. It will also explain how NPS can be an agent for reinvention of the procurement process. The factors for reinvention will be presented for use in later chapters.

B. THE NATIONAL PERFORMANCE REVIEW PROCESS: A RESPONSE TO THE NEED FOR REINVENTION

The National Performance Review (NPR) began in March of 1993, when President Clinton asked Vice President Gore to review the Federal Government to move from "red tape to results to create a government that works better and costs less" [NPR, pp. i]. The NPR report describes 100 actions and recommendations for reinventing Federal Government. The focus of the NPR was primarily on "how government should work, not on what it should do" [NPR, pp. ii]. The NPR presents ways to improve Government's performance. Teams consisting of experienced Federal employees were organized to examine agencies and systems for the need to become more efficient and effective. This examination included budgeting, procurement and personnel systems. To facilitate the move toward becoming a government that works better and cost less, reinvention

laboratories were established to "begin experimenting with new ways of doing business" [NPR, pp. i]. Reinvention efforts propose to reduce the Federal civilian workforce by twelve percent over the next five years, reform the Federal procurement process, and simplify paperwork which will cause a reduction in administrative costs. [NPR, pp. iii]

"The NPR recommendations, if enacted, would produce savings of \$108.0 billion over 5 years" [NPR, pp. iii]. Projected savings are shown in figure 1 below:

NATIONAL PERFORMANCE REVIEW SAVING Fiscal year 1995-1999 \$ in billions	
AGENCIES	36.4
STREAMLINING THE BUREAUCRACY	40.4
PROCUREMENT	22.5
5% annual savings in total procurement spending	
INFORMATION TECHNOLOGY	5.4
INTERGOVERNMENTAL	3.3
Offer fee-for-service option in lieu of existing administrative costs	
TOTAL	108.0

Figure 1
[NPR, pp. iii]

C. CURRENT CLIMATE - THE NEED FOR REINVENTING GOVERNMENT

1. General

One can hardly pick up a newspaper or watch the evening news without learning more about the current climate in the Federal Government. A need to change the way Government operates, to become more efficient and effective, is a driving force in most areas of public debate. There is also a need to regain lost public confidence in Government. The National Performance review states in its first few lines that

...public confidence in the federal government has never been lower. The average American believes we waste 48 cents of every tax dollar. Five of every six want fundamental change in Washington. Only 20 percent of Americans trust the federal government to do the right thing most of the time-down from 76 percent 30 years ago [NPR, pp.1].¹

President Clinton has taken this lack of public confidence as a call for streamlining the Government bureaucracy as well as changing Government policies and procedures.

The current bureaucracy was "developed in a slower-paced society, when change proceeded at a leisurely gait" [Osborne & Gaebler, pp. 15]. Technology in the communication area was primitive, and the flow of communication between locations was slow, information had to flow from the top down. Today, information is no longer generated from the top down.

¹Data derived from the Congressional record volume 138 o. 51, April 7, 1992, an unpublished CBS News Poll of May 27-30, 1992, released June 1 1992, and an ABC News Washington Post poll taken April 23-26, 1993.

Most agencies have computer networks that link entire offices and remote locations together so all employees receive the information at the same time. Individual homes have computers in them allowing access to information at any hour of the day or night. [Osborne & Gaebler, pp. 15] Workers gain information without waiting for it to flow down from the top of the pyramid.

The Government bureaucracy creates control on processes, inputs, and outputs. Agencies are established to deal with specific public needs. For example, Department of Transportation, Department of Energy, and the Department of Defense, all have a specific mission for dealing with unique and clearly defined problems and circumstances. "Traditional bureaucratic governments focus on supplying services to combat problems" [Osborne & Gaebler, pp. 219]. The bureaucracy is full of regulations dictating how to perform work. Regulations can complicate and burden processes and overshadow goals or desired outcomes. Regulations can and have created a generation of workers that have no reason to think or be flexible when conducting business. [MSPB, PP. 37] For example, the Federal Acquisition Regulation (FAR) dictates how the procurement process should work. The FAR defines terms and conditions that should be included in a solicitation and contract. The FAR details procedures for conducting the procurement of goods and services regardless of the situation. Specifically, Part 13 of the FAR has 26 sections of procedures

on how to handle a purchase under the small purchase threshold of \$25,000.00. It is hard to understand why 26 sections are required to detail purchases under \$25,000. The problem is not with the workers but with the amount of regulation with which each worker must contend. Put another way, "Red tape and regulation [are] so suffocating that they stifle every ounce of creativity" [NPR, pp.2]. Bureaucracy too often places blame on workers when there are problems with the system. Government "assumes that we can't trust employees to make decisions, so we spell out in precise detail how they must do virtually everything, then audit them to ensure that they have obeyed every rule. The slightest deviation prompts new regulations and even more audits" [NPR, pp.3-4]. Compliance audits intimidate workers from deviating from any standard operating procedure for fear of more controls and audits. [NPR, pp.2-3] Politicians place emphasis on policy creation and fail to worry about how new policies will be performed when placed into practice. [NPR, pp.2] On May 24, 1993, Vice President Gore signaled a change in philosophy of Government operation by stating, "we are determined to move from an industrial age Government to information age Government, from a Government pre-occupied with sustaining itself to a Government clearly focused on serving the people" [NPR, pp. 112]. Government intends to change from its old ways to creating an environment that fosters a desire to serve taxpayer's needs. To accomplish this intention the Federal Government must change

to reestablish taxpayer confidence. Vice President Gore used the term "reinvent" to describe the change process required.

2. Procurement Process

The Federal procurement system is one area in which there is a definite need for reinvention. During the 1980s, headlines were full of stories of "scandalously overpriced hammers and toilet seats" and a perception that fraud, waste and abuse were rampant in the procurement process. [Lundquist, HBR, Nov-Dec 1992] The procurement system was designed to prevent profiteering and fraud by applying restrictive rules and regulations.

According to Vice President Al Gore in Creating a Government That Works Better and Costs Less, the Federal procurement system spends approximately \$200 billion per year buying goods and services. [NPR, pp. 26]. The procurement system is saddled with regulations that instruct what the law is, how to implement the law, and what the final outcome should be. The FAR and agency supplements, consist of 4,500 pages of governing rules, regulations and procedures pertaining to Federal procurement. [NPR, pp.26] All rules and regulations place a heavy burden on obtaining the best value of goods and services at fair and reasonable prices.

These burdens limit the Government's buying power, limit the pool of potential suppliers, including small business suppliers, by deterring thousands of firms from doing business with the Government; and jeopardize the financial health of those firms willing to contract with the United

States. The time is ripe to overhaul the system, and greatly simplify and streamline it [AIA, 1994, pp.1].

In order to maintain our industrial base, efficiently obtain goods and services for the Government, and promote Government credibility, reinvention of the procurement process has been identified as a priority.

The goal of Government reinvention is to move away from a Government that is overly centralized and distrustful of its workforce, a government that struggles under the crippling burden of overregulation and hierarchical, bureaucratic second-guessing; to create instead a government that empowers its workforce, fosters innovation, and truly focuses on delivering the best quality service to its customers" [NPR Newsletter, 18 Feb 94]

3. The Department of Defense Climate For Reinvention

The end of the Cold War, collapse of the Warsaw Pact, democratization of Eastern Europe and demise of communism have caused major changes in the way the United States provides for its national defense. The DoD budget for Fiscal Year (FY) 93 was \$259.1 billion or 18% of the total Federal budget. This is down from the average Cold War era budget by approximately 30%. [DoD NPR, pp.1]

DoD must maintain full national security capability despite reduced funding. In order to be responsive and effective, DoD must change the way it does business. Several reinvention efforts have begun within DoD; based on the following two premises:

1. The administration and the nation as a whole will place top priority on revitalizing the American economy.

2. The United States will pursue a strategy marked by engagement, partnership, and prevention to secure and advance U.S. interests in the post-Cold War world [DoD NPR, pp.1].

One area where DoD will be emphasizing reinvention is in the area of procurement.

The current procurement system is a network of laws and regulations adopted with the best of intentions.

The aim of the laws and regulations is to ensure that competition is fair and the taxpayer is protected from waste, fraud and abuse. But the rules have led to an overloaded system that is often paralyzed and ineffectual" [DoD NPR, Executive Summary, no page #].

Rules and regulations on procurement mandate the handling of every contingency. When new rules, regulations, or procedures are ready for implementation, a DoD directive is published stating proper handling, interpretation, and implementation. It is estimated that \$100 billion a year is wasted on DoD overregulation. [Osborne & Gaebler, pp. 23] The DoD NPR provides one illustration of overregulation wasting money.

A military hospital supply officer requested a re-supply of aspirin for his pharmacy. Several offers were received. Supplier A's (a well-known brand name producer) unit price was \$3.98, the low offer. DoD asked for the required small business subcontracting plan. Supplier A refused to prepare it even though it had many small business subcontractors because it did not want to disturb established long-term relationships with its many suppliers and would never be asked for this in a commercial transaction. Supplier A withdrew its offer; the contract was awarded to the next low offeror (\$4.40 unit price), costing DoD approximately 10.3 percent more--an additional \$107,000 over the life of the contract.

This is but one example of the enumerable ways that procurement processes could be improved. What is needed is an

activity that can test various theories for improving the process without disturbing established business relationships.

D. THE NAVAL POSTGRADUATE SCHOOL AS A REINVENTION LABORATORY

Under the auspices of the NPR, NPS was designated as a Navy reinvention laboratory in September 1993 (the only designated Navy laboratory at that time). [Loftus, Sept. 1993] This placed NPS in a very unique position. According to Vice Admiral Stephen F. Loftus, Deputy Chief of Naval Operations for Logistics, (N4), this designation would "facilitate their (NPS) efforts to identify changes in the business processes and practices it must follow which will lead to improvements in efficiency and effectiveness of its operation in support of the NPS mission" [Loftus, 7 Sept 93]. The mission statement, excerpted from Secretary of the Navy Instruction (SECNAVINST) 1524, May 23, 1986, supports why NPS should be a reinvention laboratory. The mission statement reads:

The Naval Postgraduate School exists for the sole purpose of increasing the combat effectiveness of the Navy and Marine Corps. It accomplishes this by providing post-baccalaureate degree and nondegree programs in a variety of subspecialty areas not available through other educational institutions. NPS also supports the Department of Navy through the continuing programs of naval and maritime research and through the maintenance of expert faculty capable of working in, or as advisors to, operational command, laboratories, systems command, and headquarters activities of the Navy and Marine Corps. [NPS, 1993, pp.7].

NPS, as an academic institution, is particularly well-suited to examine Federal processes since NPS emphasizes the research

and study of current issues of interest to the Navy and other defense components.

NPS is also in a unique position because it interacts with the operational Navy. [NPS, 1992, pp.7] The academic studies performed at NPS examine and provide effective solutions to problems facing the operational forces. Students, with operational experience, can assist in generating new and innovative ideas that can be applied in operational settings. NPS can analyze and test new processes and ideas without major disruptions or risks to operational units. Procurements generated by NPS faculty and staff can be used as a test-bed for reinvention initiatives. Results of such tests can be studied and refined prior to implementation beyond NPS. First hand knowledge that NPS faculty and students have about operational areas of the Navy and Marine Corps, combined with NPS's mission of education and research, make a strong case that NPS is the optimum organization to reinvent and test new Government procurement processes.

E. DEFINING A REINVENTION LABORATORY

1. Definition

The dictionary definition for laboratory is "any observation point or testing ground" [dict. pp.731.].

Combining the definition of "reinvention" presented in Chapter I with the definition of "laboratory," provides the definition of a reinvention laboratory. A reinvention

laboratory is where new processes can be tested (via study and experimentation) to restore a process to a previous condition that met the needs of the organization. This definition forms the basis for a reinvention laboratory.

2. Definition of a Federal Reinvention Laboratory

Taking the definition of reinvention laboratory stated above, a definition of what a reinvention laboratory is for the Federal Government can be derived. Reinvention laboratories can be used to test new and innovative ways to streamline processes to restore confidence in the Government.

Reinvention laboratories are the physical place in which the Government can take a radical look at current processes, outcomes, rules and regulations and evaluate if they are still valid and serve their intended purposes. Reinvention laboratories will be "involved in going back to the beginning and inventing a better way of doing work" [H&C, pp.31.]. This sometimes means starting with a blank piece of paper and envisioning new processes and outcomes that accomplish intended outputs. The vision should always focus on "results, not rules" [Osborne & Gaebler, pp. 19]. Each laboratory can focus on processes, methods of conducting business, rules and regulations. Finding areas to concentrate on is difficult since over-regulation and over-processing are not readily identifiable. [Osborne & Gaebler, pp. 23] New approaches to rules, regulations and processes can be tested,

and alternatives can be introduced. New processes can be tested to evaluate the best approach and methods to achieve optimum results.

F. WHAT ARE THE FACTORS FOR REINVENTION?

If the laboratory is the physical place for reinvention to take place, how should a laboratory go about the process of reinvention? The factors below comprise the reinvention process. They are based on a review of the NPR, Reinvention, and other literature on change in organizations.

Mission Clarity

1. Ask the question - What business are we in? What is our mission?

Organizational Customers

2. Who are the customers that deal with the organization?
3. What do customers want and expect from the organization?

Understand Current Process

4. Understand current processes and how they are managed.
5. Review rules and regulations to see if they add value.

Barriers to Change

6. Identify barriers that will inhibit change and address them within the organization.

Measurements

7. Develop measurements to evaluate success/failure of changes.

Change Agents

8. Identify change agents that will direct reinvention effort.

Successes

9. Celebrate the successes.

This list does not plan to be conclusive since organizations are different and the factors may have to be tailored to accomplish the desired reinvention efforts. A discussion of each factor for reinvention will be presented. The discussion provides for each factor in the reinvention process.

1. Mission Clarity

Understanding what business or mission the organization is in provides direction for the reinvention process. "Clarity of purpose provides a valuable basis for guiding conflict productivity and for understanding which rules help that task and which need to be changed" [Bryson, pp. 97]. Knowing the organizational mission highlights areas of productivity that add no value to the desired outcome. Understanding the business the organization conducts helps to accomplishing the second and third factors.

2. Organizational Customers

The second factor is to determine who utilizes the services of the organization and the third element looks at what customers expect? In an article "Reinventing the Business of Government: An Interview with Change Catalyst David Osborne," published in the May-June issue of the Harvard Business Review, a method of finding out who the customers

are is to "draw on the experience of people from all organization levels" [Posner & Rothstein, HBR, pp 133]. The employees deal with the customers on a day-to-day basis. They receive firsthand feedback from customers. Two questions that can be asked are: "How does it feel to be a customer of your company?" and "what do the services you provide look to employees in the field" [Posner & Rothstein, HBR, pp 134]. Additionally, knowing what customers expect from the organization is important in determining whether their expectations are being met. Understanding what the customer expects "means considering the customer's underlying goals and problems, not just the mechanics of the process that links the two organizations together" [Hammer & Champy, pp. 130]. This means not just asking customers what they need to do their job, but gaining a real understanding of their business. Recognize that customer satisfaction should be the motivation for reinvention.

3. Understand Current Processes

Information gained from factors one through three demonstrate what the organization does and what the customers want. Factor four is looking at the current processes and management structure to evaluate if the organization meets customer needs. Rules and regulations should be reviewed by a working group (comprised of buyers, customers, and a comptroller representative). The working group's charter

should be the examination of customer needs and how the process can support those needs. Any rule, regulation or process that fails to add value should be eliminated. An in-depth review of processes highlights problems or bottlenecks that hinder customer satisfaction.

Factors four and five deal with management of the organization's processes. Management of the organization and processes should be reviewed for excessive layers of management. Is management of processes centralized or decentralized? Centralized management creates an environment where "the routine tendency is to protect turf, to resist change, to build empires, to enlarge one's own sphere of control, to protect projects and programs regardless of whether or not they are no longer needed" [Osborne & Gaebler, pp. 18]. Decentralized control over processes creates a more entrepreneurial way to manage. Decentralization moves away from a traditional bureaucratic approach to one that manages outcomes and strives to maintain customer satisfaction.

Entrepreneurial governments promote competition between service providers. They empower citizens by pushing control out of the bureaucracy, into the community. They measure the performance of their agencies, focusing not on inputs but on outcomes. They are driven by their goals-their mission-not by their rules and regulations. They redefine their clients as customers and offer them choices.... They prevent problems before they emerge, rather than simply offering services afterward.... They decentralize authority, embracing participatory management. [Osborne & Gaebler, pp. 19-20].

Decentralization pushes the responsibility down to levels where the work actually gets performed. [Shoop, GE, July 1993]

Workers have direct control over outcomes. Workers have insights and experience to see where change needs to happen. Decentralization creates the need to empower workers to manage the process and to institute changes that will increase customer satisfaction. Pushing the management down to the lowest levels will "optimize innovation, creativity and responsibility" [Proceedings, 1993, pp. 331]. Empowering employees to make changes within their own areas such that "the change cycle can be set into continuous motion with occasional steering and guidance from management" [Purello, et.al, Proceedings, pp. 401].

4. Barriers to Change

Factor six, to identify barriers to change, is important because organizational change causes insecurity, uncertainty, and inconvenience. The insecurity comes from a perception that change can diminish job security. Will there be a job after the changes are implemented? Without a job the worker's economic future is uncertain. Change is perceived as an inconvenience because new skills, procedures, rules and regulations must be learned. Many workers have been in their positions for a long time and therefore change will be difficult. [Purello, et.al., Proceedings, pp.401] If the barriers are not addressed change is prone to failure, and the employees will be unwilling to try any reinvention efforts. [Bryson, pp. 215]

Overcoming the resistance to change will be achieved by management and employees working together to reinvent. Involving workers at an early stage in the reinvention process will increase the chances for reinvention to be successful. Reinforcing the reasons why the organization needs to reinvent itself and showing the benefits reinvention can have for the organization will also lessen resistance. If people affected by reinvention are part of the process there will be no resistance. [Purello, Proceedings, pp.404]

5. Measurements

An important part of reinvention is measuring success or failure of change, factor seven. Does change meet the goal of increased customer satisfaction? Measurement can be in the form of formal surveys that are done every 60 to 90 days. Informal surveys can be done more often, monthly, biweekly, or even weekly. Surveys can produce quantifiable data, written comments, or a combination of both. Quantifiable data can be tracked from survey period to survey period to see if continuous improvement in customer satisfaction is being accomplished. [Peters, pp.100-101]

6. Change Agents

Organizations don't reinvent processes, people do the reinvention. Factor eight identified who will be a change agent to lead and direct the reinvention effort. Agents make reinvention happen. From the agent's "convictions and

enthusiasm, the organization derives the spiritual energy that it needs to embark on a voyage into the unknown" [Hammer & Champy, pp. 103]. Agents assist in overcoming barriers to change by creating an environment that is conducive to change.

7. Successes

Lastly, factor nine, share the successes. Tell the story of what the organization has accomplished through their reinvention efforts. Success stories have a way of fueling the enthusiasm and keep reinvention from stagnating.

G. SUMMARY

This chapter presented the idea of reinvention through the NPR process. The idea is to create a Government that is more efficient and effective in meeting taxpayer needs. A general look at the current climate for change was presented along with the climate with DoD. Generally there is a lack of confidence in the Federal Government. In DoD, the declining budget, collapse of the Warsaw Pact, democratization of Eastern Europe, and demise of communism has created a need to change the way the Government works.

The call for reinvention was answered by NPS in September 1993, by its designation as a reinvention laboratory. The NPS, as a lab, is an ideal place to test various theories of reinvention because of its mission and interactions with operational forces. Theories can be tested and refined prior to implementation without disruption to military operations.

The factors for reinvention were presented as a tool in looking at organizations. The factors centered on clarifying the organization's mission, knowing who are the customers of the organization, understanding current processes, overcoming barriers to change, measuring successes or failures of change, identifying an agent to lead the change, and lastly celebrating the successes to spread the news to other organizations. Subsequent chapters will apply the factors presented.

III. REINVENTING PROCUREMENT: NATIONAL PERFORMANCE REVIEW INITIATIVES

A. INTRODUCTION

The NPR has made the reform of Federal procurement a key concern in reinventing government. Procurement initiatives are detailed in the accompanying report of the NPR, Reinventing Federal Procurement. This chapter outlines the initiatives intended to reform procurement within Federal agencies. Three initiatives that apply to the NPS procurement system will be detailed. The NPS procurement process will be described here and used later to demonstrate application of the reinvention concept and initiatives.

Government reform has been around for a long time. Numerous commissions have been convened to reform Government. From 1910 to 1914 was the President's Commission on Economy and Efficiency. This commission "recommended comprehensive changes in the areas of human resources, financial management, and business" [Posner & Rothstein, pp.136]. The NPR is the latest to recommend changes that will facilitate effectiveness and efficiency in meeting taxpayer needs. "Vendors, government managers, procurement professionals, oversight agencies, the press, and the public are frustrated with the [procurement] system" [Procurement NPR, pp. 1]. The costs to

administer the Federal procurement system are "over \$7 billion in salaries and benefits alone - and the time needed to acquire goods and services is excessive" [Procurement NPR, pp. 1]. Annual expenditures are over \$200 billion, about 15 percent of the Federal budget. [Procurement NPR, pp. 1] The increase in complex and bureaucratic rules and regulations has created a larger workforce to handle the workload, while lowering productivity. The workforce has grown from "42,000 in 1980 to 67,000 in 1992, while average productivity per contract specialist fell from \$9.4 million in 1980 (in 1992 dollars) to only \$6.3 million in contract costs in 1992" [Procurement NPR, pp. 3]. The NPR initiatives are designed to produce a system of "more customer service and less bureaucracy, and be based primarily on getting value for the money" [Procurement NPR, pp.4]. The NPR focus on procurement is to establish a system that is more responsive, efficient, and innovative. The NPR reports "estimates in total procurement savings could reach \$22.5 billion over five years and as much as \$5 billion in the first year of reform" [NCMA, Dec. 1993, pp. 24]. The next section will discuss the initiatives.

B. PROCUREMENT INITIATIVES

The accompanying report to the NPR, Reinventing Federal Procurement, has taken a Government-wide approach to procurement reform and looked at "all levels of Government to

see what kinds of things might be done to bring change and make the system work better" [Welsh, NCMA, pp. 20]. The report details twenty initiatives intended to reform Federal Procurement. Each includes several actions required for implementation. Sixty-three actions are proposed in the report. Fifteen actions require President, Executive Office of the President, or Office of Management and Budget action prior to implementation. Twenty-six actions require legislative action by Congress and twenty-two can be implemented at the Agency level. This thesis will briefly review each of the twenty initiatives. However, only three initiatives will be detailed and applied to the NPS procurement system.

The initiatives and related actions are as follows:

Initiative one: Reframe Acquisition Policy.

Convert 1,600 pages of the FAR from rigid rules to guiding principles.

Initiative two: Build an innovative procurement workforce.

Establish interagency programs to improve the workforce.

- Provide civilian agencies with authority similar to DoD's for improving the acquisition workforce.

Initiative three: Encourage more procurement innovation.

Provide new legislative authority to test innovative procurement methods. Establish a mechanism to disseminate information on innovative ideas throughout the Government.

- Provide new legislative authority to test innovative procurement methods.
- Provide resources to the Federal Acquisition Institute (FAI) to support innovative, new ideas and procurement techniques.
- Identify a steering group for the Federal Acquisition Institute's research.

Initiative four: Establish new simplified acquisition threshold and procedures.

- Enact legislation simplifying procurement.
- Enact legislation simplifying Department of Defense- (DoD) unique procurement requirements.
- Amend executive orders to simplify procurement.
- Update the threshold of the affirmative action laws and Executive Order 11246, Equal Employment Opportunity.
- Establish a single electronic bulletin board capability to provide access to information on contracting opportunities.
- Revise agency acquisition-related regulations to eliminate internal barriers.
- Develop a pamphlet on statutory acquisition requirements for distribution to small businesses.

Initiative five: Reform labor laws and transform the Labor Department into an efficient partner for meeting public policy goals.

Enact legislation to simplify acquisition labor laws such as the Davis-Bacon Act, the Copeland Act, and the Service Contract Act. The three Acts stated above deal with the labor laws that are implemented through the Federal procurement system.

- Legislation should be enacted to simplify acquisition labor laws.
- Amend the executive order on convict labor.
- Provide on-line access to Davis-Bacon Act wage schedules through an electronic system.
- Revise labor regulations to improve service.

Initiative six: Amend protest rules.

Change General Services Board of Contract Appeals (GSBCA) protest reviews to conform with reviews used by relevant courts. Allow penalties for frivolous protests. Lastly, allow contract negotiation to continue to point of award, even though a protest has been filed with the GSBCA.

- Establish a uniform standard of review for all protest forums by changing the standard of review at the GSBCA to conform to that used in the courts.
- Allow penalties for frivolous protests.
- Establish a single forum within the judicial branch to consider protests.
- Allow continued performance of contracting functions up to the point of contract award as part of any pre-award suspension of the delegation of procurement authority when a protest is filed with the GSBCA.
- Identify costs to the Government and contractors of responding to protests.
- Identify and eliminate causes of protests and improve agency processes.

Initiative seven: Enhance programs for small business and small disadvantaged business concerns.

- Repeal statutory limitations on subcontracting and substitute regulatory limitations to provide greater flexibility.

- Authorize civilian agencies to conduct small disadvantage business set-asides.
- Permit state and local governments to substitute descriptions of their own programs for subcontracting and exempt monopolies regulations by governmental bodies.

Initiative eight: Reform information technology procurement.

Increase delegation of procurement authority to agencies for purchases of information technology.

- Establish an interagency team to develop a plan for improving Federal IT acquisitions.
- Increase information technology (IT) delegation of authority to agencies.
- Eliminate requirements and alternatives analyses for commodity IT acquisitions.
- Pilot test alternatives for commodity IT acquisitions.
- Identify and test innovative procurement strategies that reduce the costs for IT items.

Initiative nine: Lower costs and reduce bureaucracy in small purchase through the use of purchase cards.

Authorize managers to use purchase cards for small dollar value items.

- Provide managers with the ability to authorize employees who have a bona fide need to buy small dollar items directly using a purchase card.
- Require all Government supply sources to accept the purchase card.
- Amend the Federal Acquisition Regulation (FAR) to promote use of the purchase card.
- Amend Department of the Treasury regulations to authorize the use of the purchase card for cash advances.

Initiative ten: Ensure Customer Focus in Procurement.

Revise Procurement Management Reviews (PMR) to incorporate NPR principles such as "focusing on results" for line managers.

- Revise Executive Order 12352 (Federal Procurement Reforms, March 1982) to conform to the new vision for Federal procurement.

Initiative eleven: Improve procurement ethics laws.

Create consistency across Government in application of procurement ethics laws.

- Strengthen and simplify procurement ethics laws.

Initiative twelve: Allow for expanded choice and cooperation in the use of supply schedules.

Allow state and local governments access to Federal Supply Schedules. Eliminate the exclusion of using commercial specification for supply schedules items.

- Allow state and local governments, grantees, and certain nonprofit agencies to use Federal supply schedules.
- Allow Federal agencies to enter into agreements to share state and local government supply sources.

Initiative thirteen: Foster reliance on the commercial marketplace.

- Change laws to facilitate buying commercially available items.
- Make it easier to buy commercial items.

Initiative fourteen: Expand electronic commerce for Federal acquisition.

Establish a Government-wide program to use electronic commerce for Federal procurement.

- Establish a Government-wide acquisition program for engaging in electronic commerce.
- Amend the FAR to facilitate electronic commerce.

Initiative fifteen: Encourage best value procurement.

Implement a program for buying on a best value basis.

- Define "best value" and provide regulatory guidance to implement a program for buying on a best value basis.
- Issue a guide on the use of "best practices" source selection techniques.
- Train procurement officials on source selection techniques.

Initiative sixteen: Promote excellence in vendor performance.

Establish an interagency Excellence in Vendor Performance forum to develop policies and techniques for measuring contractor performance for use in contract decisions.

- Establish an interagency Excellence in Vendor Performance Forum.
- Establish an award for contractor and Government acquisition excellence.

Initiative seventeen: Authorize a two-phase competitive source selection process.

Authorize the use of two-phase selection processes for certain types of contracts so that an offeror does not incur substantial expenses preparing contract proposals.

- Authorize use of a two-phase selection process for certain types of contracts.

Initiative eighteen: Authorize multiyear contracts.

Authorize multiyear contracts and allow contracts for severable services to cross fiscal years.

- Authorize multiyear contracts.
- Allow contracts for severable services to cross fiscal years.

Initiative nineteen: Conform certain statutory requirements for civilian agencies to those of defense agencies.

Repeal requirements for commercial pricing certificates and authorize contract awards without discussions, where appropriate. Maintain the \$500,000 threshold for cost and pricing data requirements for the Defense Department and establish the same threshold for civilian agencies.

- Repeal the requirement for commercial pricing certificates and authorize contract awards without discussions.
- Maintain the \$500,000 threshold for cost and pricing data requirements for DoD.
- Establish a \$500,000 threshold for cost and pricing data requirements for civilian agencies.
- Authorize civilian agencies to use cooperative agreements for advanced research projects.

Initiative twenty: Streamline buying for the environment.

Develop "best practice" guides on buying for the environment.

Encourage multiple award schedule contractors to identify environmentally preferable products. Provide energy efficiency information in Government catalogs and automated systems.

- Amend the Resource Conservation and Recovery Act (RCRA) to

clarify procurement issues that impede achievement of procurement objectives.

- Develop "best practices" guides on buying for the environment.
- Encourage multiple award schedule contractors to identify environmentally preferable products.
- Provide energy efficiency information in GSA and DLA catalogs and automated systems.
- Encourage multiple award schedules contractors to identify equipment that meets the EPA Energy Star requirements.
- Encourage Federal agency use of area-wide utility contracts for energy audits.
- Establish indefinite delivery contracts for energy retrofit services.

The initiatives are classified by five themes. The themes are: (1) moving from rigid rules to guiding principles (initiatives 1-3), (2) Getting bureaucracy out of the way (initiatives 4-8), (3) Center authority and accountability with line managers (initiatives 9-11), (4) create competitive enterprises (initiative 12), and; (5) fostering competitiveness, commercial practices and excellence in vendor performances (initiatives 13-20). Three initiatives are pertinent to NPS and will be detailed in this thesis. They are: initiative eight: reform information technology procurements; initiative nine: lower cost and reduce bureaucracy in small purchase through the use of purchase cards, and initiative ten: ensure customer focus in Procurement.

C. INITIATIVES PERTINENT TO THE NAVAL POSTGRADUATE SCHOOL

This section will detail three initiatives pertinent to NPS. They are: initiative eight, reform information technology procurements; initiative nine, lower costs and reduce bureaucracy in small purchases through the use of purchase cards, and initiative ten, ensure customer focus in procurement.

1. Reform Information Technology Procurements.

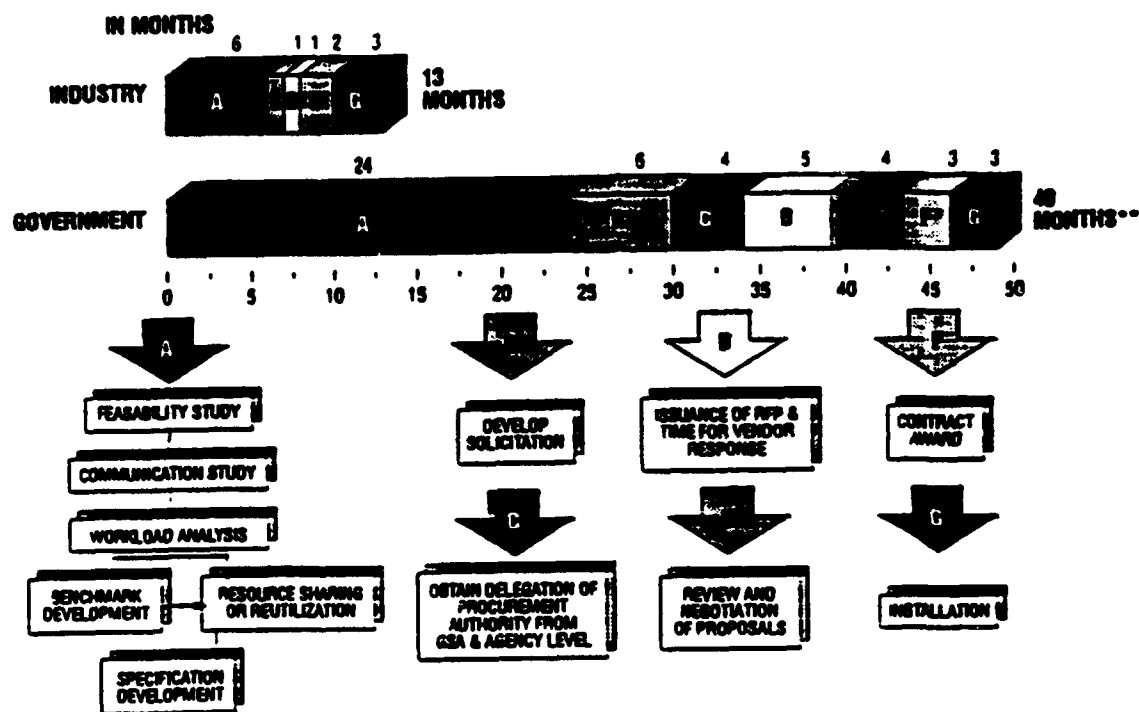
The Brooks Act of 1965 governs the procurement of information technology (IT) resources in the Federal Government. The Act was signed into law during a time when IT meant mainframe computers instead of the workstations and desktop computers of today. [Procurement NPR, pp. 51] Originally the Act covered only hardware. Subsequent amendments included software, support services, and components. The Act gives General Services Administration (GSA) authority over IT procurement for the entire Federal Government. General Service Administration's (GSA) authority is to "coordinate and provide for the economic and efficient purchase, lease, and maintenance of information technology (IT) by Federal agencies" [Procurement NPR, pp. 51]. Additionally, the Act allows GSA to grant delegations of procurement authority for IT to other Federal agencies. General Services Administration (GSA) reviews approximately 700 agency requests for procurement authority each year. The

primary delegations are in the amount of \$2.5 million per agency for acquisition of equipment and services. [Procurement NPR, pp. 51] Lastly, GSA has the authority to establish Government-wide policy for acquisition, management, and use of IT via the Federal Information Resources Management Regulation (FIRMR). [Procurement NPR, pp. 51]

According to a U.S. Department of Treasury, Internal Revenue Service, Management Review of the Contracts and Acquisition Division, the average lead time for acquisition of IT was forty-nine months compared to 13 months in the private sector. [Procurement NPR, pp. 52, see Figure 2 below.] Long procurement lead-times result in the purchase of outdated equipment. The use of IT is a "strategic tool to integrate activities and remove duplication of effort among government agencies" [Procurement NPR, pp. 52] Using IT intelligently, redundancy in systems acquisition, manual inputting of data, and inherent errors in data input can be reduced if not eliminated. Another barrier in buying IT is that laws and Federal Information Resources Management Regulation (FIRMR) fail to recognize that most IT resources are "commodities." [Procurement NPR, pp. 53] The NPR defines commodities as "commercial products and services produced and offered for sale, lease, or license on the open market" [Procurement NPR, pp. 53]

One of the NPR actions regarding this initiative is to perform a pilot test of alternatives for commodity IT acquisitions. Another action is to identify and test

The ADP Acquisition Process in Government and Industry*



* SOURCE: DEPT. OF TREASURY STUDY—TIME PERIODS ARE ESTIMATED AND MEANT TO BE ILLUSTRATIVE OF NORMAL PRACTICE ON A COMPLEX, LARGE-DOLLAR ADP PROCUREMENT.

** PROTESTS COULD ADD ADDITIONAL TIME

Figure 2.

Source: Reinventing Federal Procurement, p. 52.

innovative procurement strategies that reduce the cost for IT items. The goal is to buy IT at less cost. [Procurement NPR, pp. 56] Neither action requires new legislative action prior to implementation. Under current law, Agency heads can implement either of these actions. The NPS, as a reinvention laboratory, can perform the pilot test for the Navy and develop innovative procurement strategies.

The NPS receives its IT procurement authority via the Naval Information Systems Management Center, Washington, DC. Delegated procurement authority for IT in fiscal year (FY) 1993 is \$4.1 in million hardware, \$2.3 million in software, \$2.8 in million maintenance and \$400,000 in supplies. [Memorandum, NISMC, 12 Mar 1993] In Fiscal Year (FY) 1993, the Supply Department at NPS processed 1,776 IT procurement actions under the simplified acquisition threshold of \$25,000. This accounts for \$4,361,961 in procurement. [DD Form 1057 reports] Additionally, Naval Regional Contracting Center - San Diego, Long Beach Detachment processed 60 IT actions, accounting for \$4,724,450. [Supply Department Procurement Log Book] The above amounts do not include large mainframe acquisitions. They represent procurements for hardware (workstations and peripherals), software and maintenance requirements to support the IT functions at NPS.

**2. Lower Costs and Reduce Bureaucracy in Small Purchases
Through the Use of Purchase Cards.**

The purchase card is a Visa credit card. The card is available through GSA Schedule Number IG 615, Government-wide Commercial Credit Card Service, July 28, 1991. Purchase cards can be used to "authorize employees to purchase small-dollar value items directly using a government purchase card" [Welsh, NCMA, Jan 1994]. Line managers can use the card to procure an item without encountering the burdensome paper process of the traditional Government procurement system. [Procurement NPR, pp. 61] The purchase card program allows for purchases up to the \$25,000 simplified small purchase threshold. However, agencies can further limit the amount authorized to purchase. The Head of Contracting Agency (HCA) for the Navy Field Contracting System (NFCS) which governs procurement at NPS, has limited the use of purchase cards to purchases under \$2,500. [COMNAVSUPSYSCOM Washington, DC messages 162230Z Aug 89 and 081411Z Sept 89]

According to the NPR for Procurement, the purchase card program Government-wide averages \$1.7 million per day in total purchases; with an average per purchase price of \$271. [Procurement NPR, pp, 61] Using purchase cards reduces the cost of processing small dollar value purchases. "The General Accounting Office (GAO) has found that purchase cards save from \$30 to \$200 per transaction" [Welsh, NCMA, Jan. 1994].

The purchase card program at NPS has been in existence since fiscal year (FY) 1992. In the beginning of the program all purchase cards were held in the Supply Department. The

purchase limit was set at \$2,500. Eight small purchase buyers within the supply department held cards. During FY 1992 NPS conducted 1,477 procurements using the purchase card. [NPS Comptroller Credit Card memo]. The total expended was \$612,709, for an average per purchase value of \$415. [NPS Comptroller Credit Card memo]

In the first half of FY 1993 the Supply Department was the only department at NPS to hold purchase cards. From 01 October 1992 through 21 April 1993, the Supply Department conducted 650 transactions for a total of \$251,437, with an average purchase value of \$387. [NPS Comptroller Credit Card memo] In late FY 1993 the purchase card program was decentralized on a test basis. Fourteen cards were issued to academic departments to procure their requirements directly from suppliers. When the purchase cards were decentralized the Supply Department gave up their purchase cards. From 22 April 1993 through 21 September 1993 the decentralized purchase card holders handled 1,376 purchases for a total value of \$642,901 and an average value of \$467 per purchase. [NPS Comptroller Credit Card memo] In FY 1994, the program expanded to 65 decentralized purchase card holders. From 1 October 1993 through 21 April 1994 they conducted 2,683 purchase transactions for a total value of \$1,460,585 with an average value of \$544 per purchase. [NPS Comptroller Credit Card memo] The next section will describe the flow of requirements through the purchase card cycle.

Purchase Card Processing at NPS

Purchase card requirements at NPS are processed in accordance with Naval Postgraduate School Instruction 4410.1, Credit Card Program. Supplies and services can be purchased with the card in an amount not to exceed \$2,500 per order. Requirements that are processed via the purchase card flow through the procurement system in a decentralized manner. The end user determines what is needed to fill his/her requirements. Departmental requests for procurement are submitted to the department's supply technician for processing. The supply technician performs a screening process to see if there are mandatory sources of supply for the item and verifies that the requested source of supply is a small business (all requirements under \$25,000 are required to be set-aside for small businesses). If the source of supply is not a small business, the technician forwards a request to the Small and Disadvantage Business Utilization (SADBU) Specialist to have the small business set-aside requirement review and/or waiver. (See figure 3 for diagram of purchase card process at NPS.)

After the initial documentation is complete, the supply technician can place an order with a company for the supplies or services. The transaction is recorded in a bankcard purchase log that tracks expenditures for the department. Four copies of each transaction are created. One copy is for the bankcard log. The second copy is bundled each

week with other card transactions and forwarded to the Comptroller each Friday. Copy three is retained, matched with charge slips and used to reconcile the monthly bankcard statement. Copy four is forwarded weekly to the Property Management Branch for updating of the property management inventory.

Items are shipped from the vendor directly to the ordering departments vice to the receiving warehouse. Deliveries are required to be made within thirty days of ordering. Orders can be picked-up at a vendor's facility if preferred.

The purchase card holder will receive a monthly "statement of account" to reconcile. The vendor is paid by the credit card company in lieu of being paid by the Defense Finance and Accounting Center, Washington, DC.

The Comptroller at NPS obligates a lump sum amount at the beginning of each month to cover estimated credit card buys. This prevents Anti-Deficiency Act violations for making purchases without having obligated funds to pay the bills. Additionally, prior approval is granted for purchases of IT related items. [07 Memorandum 24 March 93] If the requirements are for specified types of IT equipment, approval must be received from the Dean of Information before the purchase can be made.

All accountability and authority rests with the approving officials.

FLOW DIAGRAM **NPS PILOT PROGRAM FOR CREDIT CARD PURCHASING**

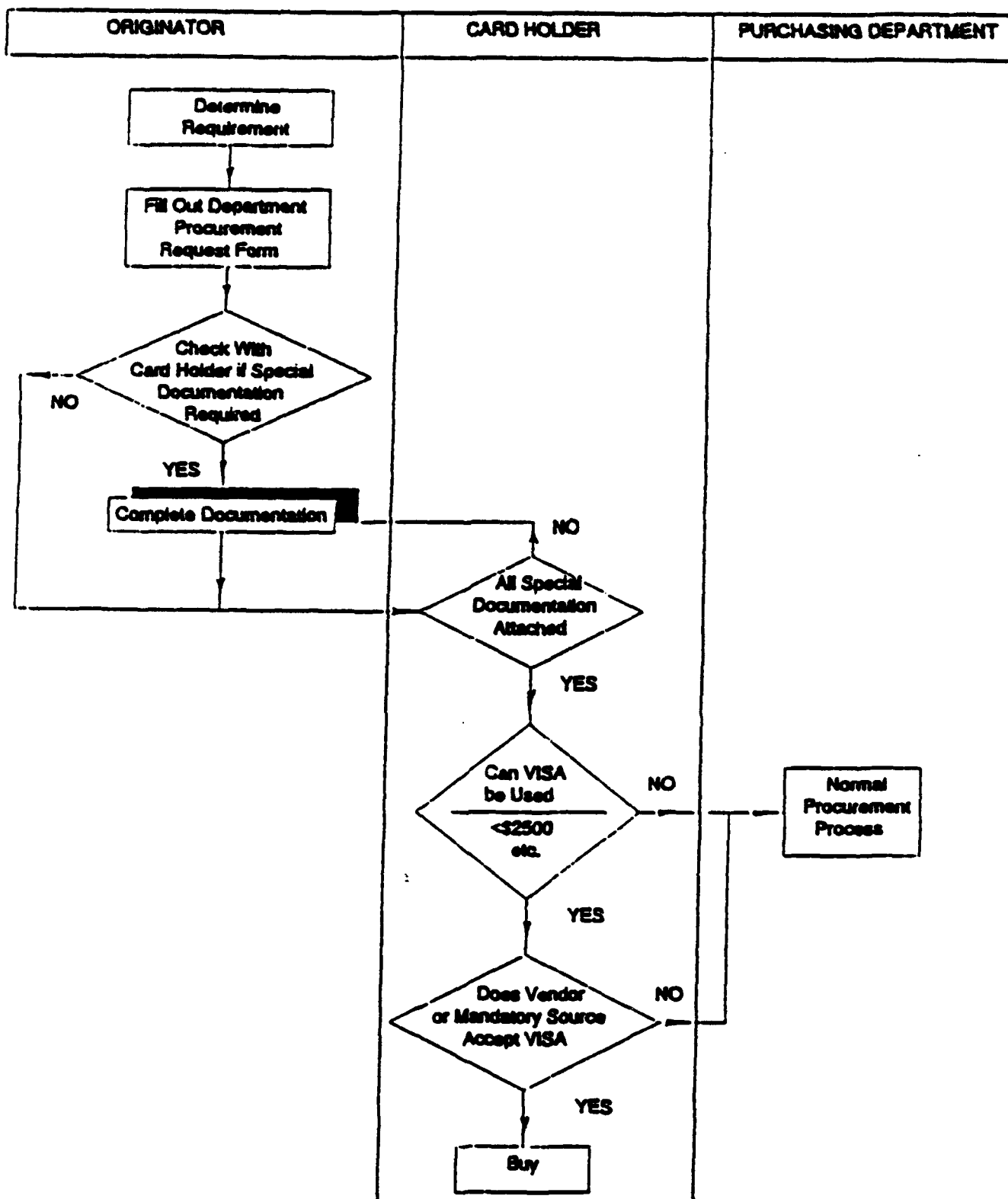


Figure 3.
 Source: Minutes to QMB Meeting 21 March 1994

3. Ensure Customer Focus in Procurement

Executive Order 12352, Federal Procurement Reforms, March 17, 1982 directs agency heads and procurement executives to evaluate performance of the agency's procurement system against specific criteria and to certify that such criteria have been met. [Procurement NPR, pp. 65] The criteria established by OFPP in 1984 addresses effectiveness and efficiency of the procurement system by focusing on the process as opposed to outcomes. [Procurement NPR, pp. 65] Agencies have procurement management review (PMR) organizations that inspect procurement organizations to ensure all rules, regulations, and laws are being strictly followed. The Navy Field Contracting System (NFCS) has the NAVSUP PMR team, which inspects the NPS procurement system.

A 1992 U.S. Merit Systems Protection Board study entitled Workforce Quality and Federal Procurement: An Assessment included an assessment of Federal procurement system customers. Surveys were sent to 2,790 randomly selected Senior Executive Service (SES) employees, or forty percent of the 7,000 members of the SES. The survey responses indicate that SES employees "thought that too many contract specialists were 'rule bound' and prone to attempt to apply rules blindly to a variety of contracting situations without adequately understanding the objectives, goals, or mission of

the organization" [MSPB, pp. 37] The survey also states that they

...saw contract specialists as myopic defenders of contract regulations rather than as team players whose purpose is to get the job done effectively. As such, contract specialists were seen to be more inclined to follow a procurement cookbook than to look for innovative and legal solutions to organizational needs [MSPB, pp. 37]

To avoid receiving an unsatisfactory rating on a PMR, an agency procurement process must focus on adherence to rules and regulations, not on how well organizational objectives are met. Contract specialists must follow agency rules to receive a satisfactory rating on a PMR. An unsatisfactory rating results in loss of the agency's procurement authority. Since PMRs focus on how well agencies follow the rules, procurement processes will not be designed with a customer focus. [Procurement NPR, pp. 65]

The next section will describe the procurement process at NPS and the process that a requisition follows prior to award of a purchase order (PO). The NPS procurement process will be utilized in Chapter IV to demonstrate how a process can become customer focused.

D. PROCUREMENT AT THE NAVAL POSTGRADUATE SCHOOL

Procurement at NPS is centralized in the Supply Department. All requirements, with the exception of credit card purchase under \$2,500, must flow through several departments prior to entering the purchase branch for

processing. Requirements below the small purchase threshold of \$25,000 are processed by NPS. Those over \$25,000 are processed at the Naval Regional Contracting Center, San Diego, Long Beach Detachment (NRCC). NPS is granted procurement authority by the Naval Supply Systems Command (NAVSUP). They maintain Head of Contracting Activity (HCA) authority for the NFCS. The NFCS authority is granted to NAVSUP via the Navy Acquisition Procedures Supplement (NAPS) 5201.601-90 (c). Contracting responsibilities include providing Department of the Navy (DoN)-wide policy and procedures for small purchases as defined in FAR Part 13 for NFCS activities, of which NPS is one. The NAVSUP granted NPS contracting authority in the amount of \$25,000. Appendix A details Head of Contracting Activity (HCA) responsibilities, contracting for supplies and services throughout the DoN for which no other contracting activity, office or command is otherwise delegated contracting authority; and management of the NFCS. This authority allows NAVSUP to grant procurement authority and conduct PMRs.

The NPS Supply Department purchasing branch processed 9,385 requisitions in FY 1992 and 7,064 requisitions in FY 1993. The funding used for these requisitions dropped from \$14,925,322.00 in FY 1992 to \$11,849,655.00 in FY 1993. This shows a 25.9% decrease in the number of purchase actions performed by the Supply Department. Credit card usage accounts for the totality of the decrease. In FY 1992 there were 108 high value (over \$25,000) requisitions totalling

\$5,290,635. In FY 1993, 102 high value requisitions were processed totalling \$6,930,450.

Requisition Processing at the Naval Postgraduate School

Requisitions are processed as directed by the Supply Department Customer Service Manual, NPS Instruction 4400.2, dated 24 November 1989. Processing of requisitions begins in individual departments. A departmental Supply Technician fills out a hardcopy requisition form and ensures that all internal department requirements are completed.

Requisitions are forwarded to either the Comptroller or the Dean of Research for review. Requisitions requiring Other Procurement, Navy (OPN) funds or reimbursable research funding over \$5,000.00 must be approved by the Dean of Research. Requisitions for Automatic Data Processing Equipment (ADPE) are forwarded for approval by the Dean of Computer and Information Services and then forwarded to the Comptroller for commitment of funds.

Requisitions requiring Operations and Maintenance (O&M) funding go directly to the Comptroller for commitment of funds (if other than ADPE).

After the Comptroller reviews the requisitions and commits funds, requisitions are forwarded to the Supply Department for processing.

In the Supply Department a technical screener reviews all requisitions for classification by Federal Supply Class (FSC) and ensures all required paperwork is attached (e.g. ADPE

approvals, sole source certificates, specifications, hazardous material documentation, etc.). The screener also ascertains if the item is on a General Service Administration (GSA) mandatory or non-mandatory schedule, an item for which a source is directed (such as, Federal Prison System (UNICOR)), or falls under other special small purchase procedures. Reviews by the technical screener are done with the aid of a computer that maintains a database of required screening information.

All requisitions are forwarded to one of two team leaders for review and assignment to a buyer. Sole source requisitions are forwarded to the Small Business Specialist for sole source processing before team leader review and assignment to a buyer.

Next, requisitions are given to a procurement clerk to be entered into the Standard Automated Contracting System for Federal Agencies (SACONS). Finally, requisitions are passed to the assigned buyer for review and processing.

The buyer ensures that necessary documentation is in place and processes the requirement according to rules and regulations. Any problems, questions, or anomalies in processing are handled by a team leader or branch supervisor.

The final output is a computer generated purchase order ready for signature by the Contracting Officer. The Contracting Officer reviews the hardcopy file to ensure the rules and regulations are adhered to, signs the purchase

order, and passes it back to the buyer to make the requisite number of copies. The file is then handed to a procurement clerk to make the distribution manually as follows: (1) Comptroller to obligate the money in their computer; (2) warehouse for receiving the items; (3) contractor; and (4) contract file. When the ordered material is received the warehouse copy is annotated and forwarded to the Receipt Control branch of the Supply Department.

Receipt Control branch ensures that deliveries are made in a timely manner and that invoices are certified for payment.

Items are delivered to the warehouse where they are compared with the hardcopy purchase order (p.o.). Any discrepancies are noted on the hardcopy p.o. in red ink. The marked p.o. is forwarded to the Receipt Control branch to begin the payment process. Receipt information is entered into the computer. The file is held in suspense pending contractor submission of an invoice. Once documentation is received and processed, the information is certified and forwarded to the Defense Finance and Accounting Service (DFAS) Washington, DC for payment. This completes the procurement process for requirements under the small purchase threshold. Figures 4 and 5 illustrate the requisition flow from department to award.

Requirements that are over the small purchase threshold of \$25,000 go through the same internal NPS processing on their way to the Supply Department. The only difference is that they

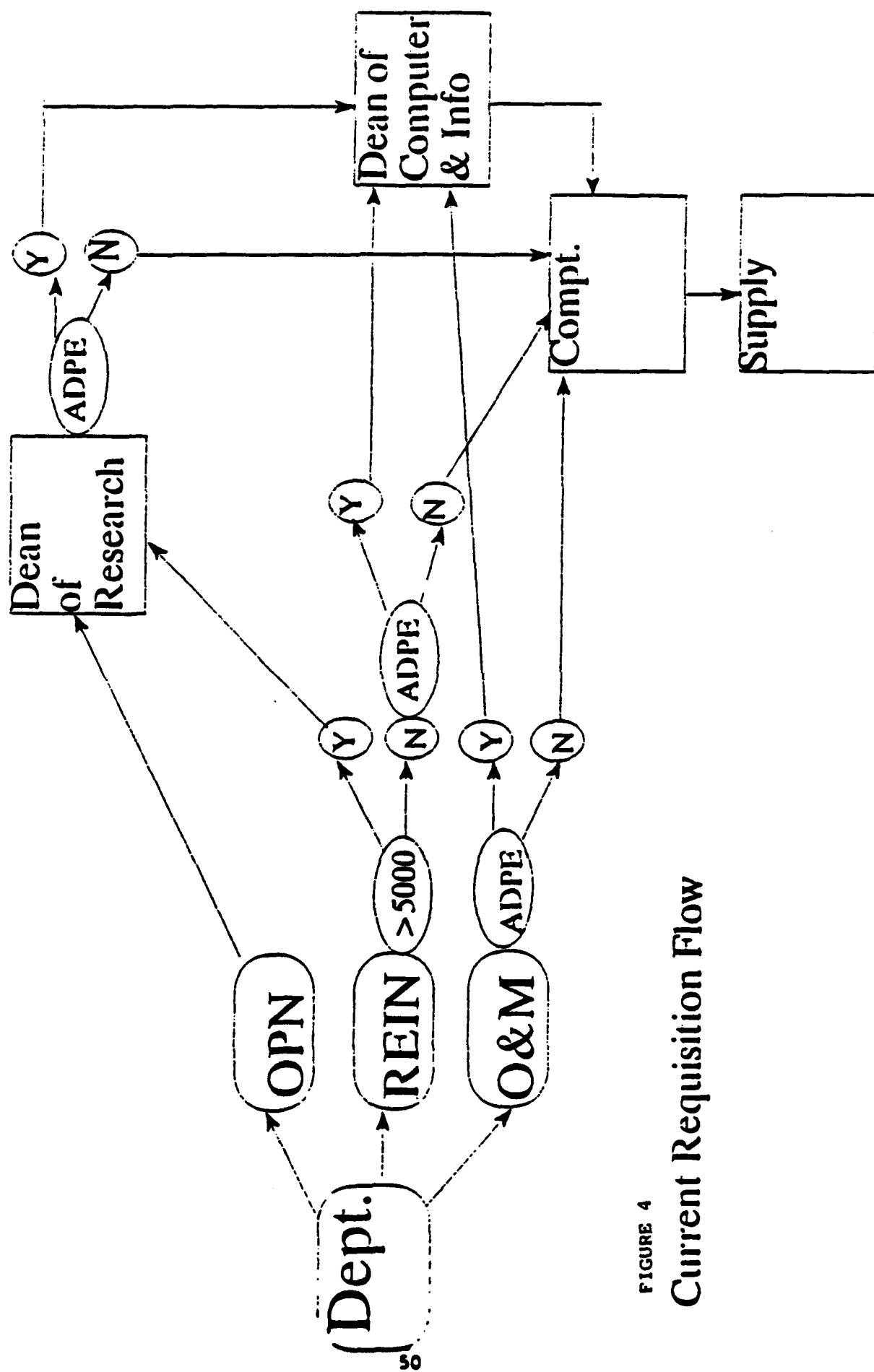


FIGURE 4
Current Requisition Flow

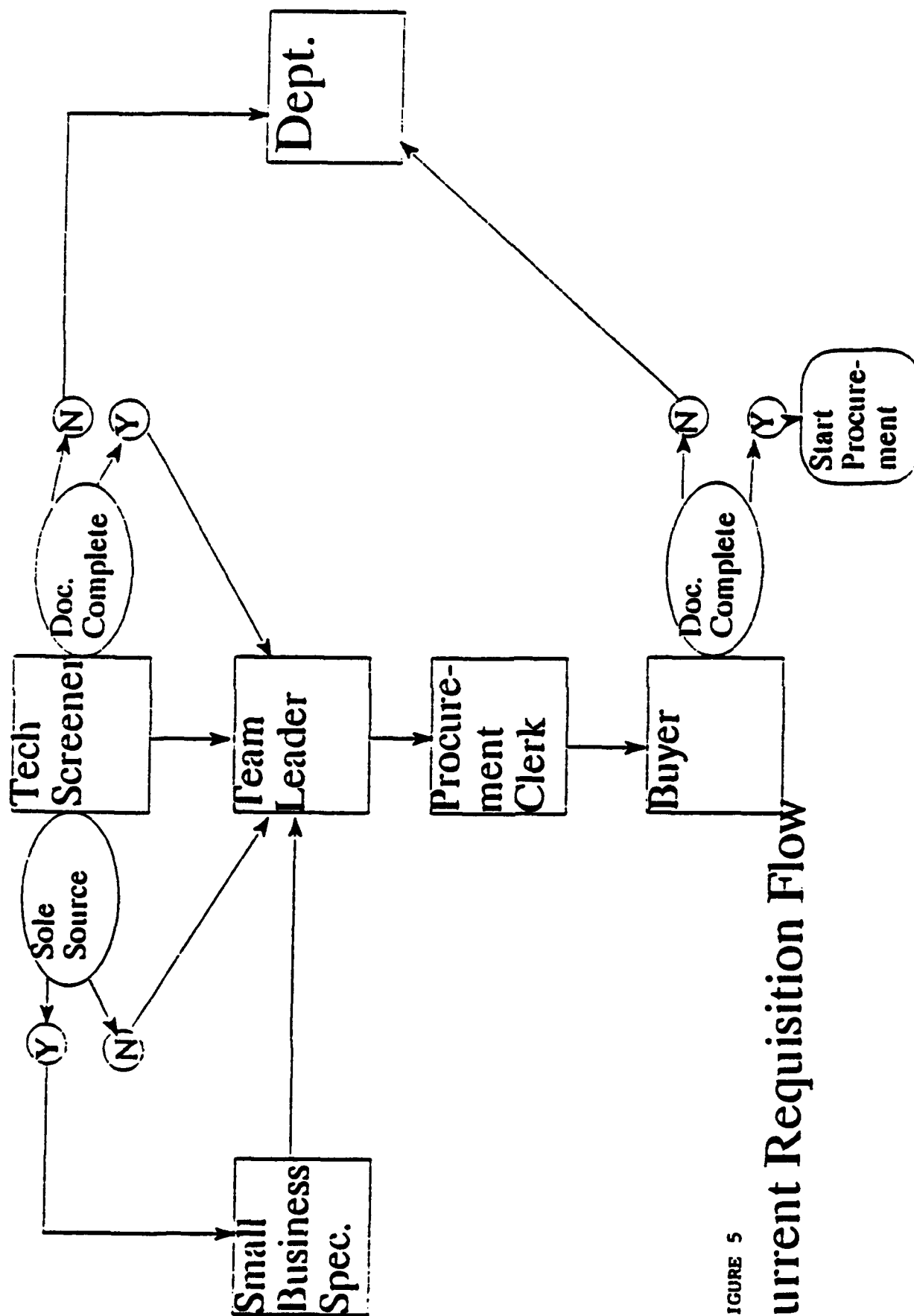


FIGURE 5

Current Requisition Flow

are forwarded to NRCC San Diego, Long Beach Detachment for procurement processing.

E. SUMMARY

This chapter highlighted the twenty initiatives described in the Accompanying Report of the NPR, Reinventing Federal Procurement. Of the twenty, three initiatives were detailed that are pertinent to the procurement process at NPS. The initiatives are (1) reform information technology procurements, (2) lower costs and reduce bureaucracy in small purchases through the use of purchase cards, and, (3) ensure customer focus in procurement.

The initiatives showed how authority regarding IT procurements in the Federal Government needs to change from current GSA rules. Current acquisitions of IT resources take a long time and have barriers created by rules and regulations. Changes in IT processes, if implemented by GSA, can reduce costs and prevent receipt of out-dated resources.

The purchase card program in the Federal Government allows for purchases up to \$25,000. However, there are limitations placed on decentralize users to \$2,500. Purchase cards reduce the cost of processing small dollar value purchases.

The procurement process focuses on adherence to rules and regulations to avoid unsatisfactory ratings on PMRs. Adhering to rules and regulations does not meet customer needs and organizational objectives. Both the NPS purchase card program

and the procurement process were detailed for implementation of three initiatives in later chapters. Chapter IV will detail why the initiatives need to be implemented at NPS.

IV. A CLOSER LOOK AT THE THREE INITIATIVES

A. WHY IMPLEMENT THE INITIATIVES?

This section will show why NPS, as a reinventing laboratory, should implement and test these initiatives. The objective is to make the NPS procurement process one that fulfills customer needs in a timely and less expensive manner.

1. Reform Information Technology Procurements

The NPS procured \$9,096,441 in IT resources during FY 93. Each procurement was processed in accordance with rules and regulations provided in the FAR, DFARS, FIRMR, NAPS and NAVSUP instruction 4200.85A, Shore and Fleet Small Purchase and Other Simplified Purchase Procedures for procurements under \$25,000. The procurements were for IT related hardware, software and maintenance from companies like IBM, Intel, Silicon Graphics, Hewlett Packard, Sun Microsystems, and Apple Computer. [Supply Department procurement log] All of these companies sell their equipment to the general public and produce in large quantities. The items are not of a special design or customized for an individual order. The DFARS states that:

Automatic Data Processing Equipment means general (emphasis added) purpose, automatic data processing components and the equipment systems created from them, regardless of use, size, capacity or price, that are designed to be applied to the solution or processing of a variety of problems or application and are not

specifically designed (emphasis added) (rather than configured) for any specific application [DFARS, 270.200].

For the purpose of this thesis information technology and automatic data processing equipment are synonymous. The general purpose and the fact that IT resources are available to the general public means that these types of procurements should be treated as a commodity that can be procured in the competitive marketplace. "The competitive marketplace has many buyers and sellers, so that no single buyer or seller has a significant impact on price" [Pindyck and Rubinfeld, Microeconomics, pp. 11]. The report of the DoD acquisition law advisory panel defines commercial items as:

Property, other than real property, which: (i) is sold or licensed to the general public for other than government purposes; (ii) has not been sold or licensed to the general public, but is developed or is being developed primarily for use for other than government purposes; or (iii) is comprised of a combination of commercial items, or of services and commercial items, of the type customarily combined and sold in combination to the general public [Section 800, pp. 14].

Based on the above definitions of a competitive market and a commercial item, IT resources are commercial items that are readily available in the marketplace. Despite the fact that IT resources are commonly available, Government treats IT procurements the same as major weapon systems by requiring application of the same rules and regulations. [Procurement NPR, pp. 52]

The present method of acquiring IT in the federal government is recognized by all of the significant stakeholders as too complex and costly. We use a model to procure IT which has proved useful for purchasing large

and complex systems that have to be built to design, such as an airplane [Cooley, NCMA, May 1994, pp. 6].

These IT resources are commercial products that are readily available in the competitive marketplace. The IT industry is a competitive marketplace and IT resources are a commodity that are available in the competitive marketplace.

A product such as a [desktop] computer meets the criteria for a commodity. A [desktop computer] is readily available from the market, the buyer need have only a short-term relationship with the vendor, and both specificity and complexity are relatively low [Cooley, NCMA, May 1994, pp. 6].

Government procurement of IT resources does not need to "artificially induce contest competition to get the best price" [Cooley, NCMA, May 1994, pp. 7]. Government can let market forces work, using competitive procurement methods to ensure that a fair and reasonable price is obtained.

2. Lower costs and reduce bureaucracy in small purchase through the use of purchase cards

In Chapter III, the purchase card system and NPS procurement were documented. The purchase card system provides for prior approvals of IT resources and funding. [NAVPGSCOL Instruction 4410.1] Prior approval eliminates the need for each procurement to be approved by the Dean of Information Resources and the Comptroller before assignment to a buyer. The prior approvals provide no value to the outcome, but add to processing time.

Additionally, items procured with purchase cards are authorized to be received by the users. Items do not have to be received at NPS receiving and then delivered to the user. The Customer Service Manual issued by the Supply Department for NPS states that "all material purchased with appropriated funds arriving at NPS must be received by an appointed Receiving Officer" [Supply Dept. Customer Manual, pp. 5-1]. The deliveries are conducted "on a periodic basis" to all areas of NPS. [Supply Dept. Customer Manual, pp. 5-1]

As part of NPS' TQL Program, the Credit Card Process Action Team (PAT), established at NPS on 17 March 1993, compiled data to assess the purchase card program at NPS. The PAT tracked buys using purchase cards and NPS procurement. The PAT report shows that end users receive their items faster using purchase cards than using NPS procurement. The PAT tracked 645 credit card and 405 non - credit card buys. The data are as follows:

<u>CATEGORY OF TRACKING</u>	<u>CREDIT CARD*</u>	<u>NON CREDIT CARD*</u>
Originator Request to Receipt	15.9	48.0
Originator Request to Award	5.2	28.4
From Award to Receipt	9.4	22.6

*data are in average calendar days

All data were analyzed by the Statistical Process Control TQL Data package. [PAT presentation of 29 Sep 1993]

The data demonstrate how purchase cards save time in processing requirements. This is evidenced in PAT interviews with credit card customers. The customers' perception was that

"the time to receive items ordered by the credit card was less than one week. They felt that the time savings was from one to six months" [PAT presentation of 29 Sep 1993].

The purchase card system also saves resources. In FY 1993, eight buyers completed 1,601 procurements under \$2,500. During the same period purchase card holders completed 2,026 transactions under the \$2,500 threshold. [DD form 1057, Monthly contracting summary of actions \$25,000 or less] In the Procurement QMB meeting minutes of 17 March 1994, LCDR Grasso, Supply Department Head, reported that "a review of current workloads in Purchasing indicates that (primarily due to use of the credit card) the number of buyers should be reduced by two" [Memo from D.W. Netzer to QMB, 21 March 1994]. According to LCDR Grasso, the average GS-1105 procurement clerk's salary is \$23,000. A reduction of two GS-1105 procurement clerks allows the savings in salaries and benefits to be used for other requirements.

The purchase card program saves time and money processing requirements at NPS. The purchase card program also has a focus on the customer. Other ways to ensure customer focus follow.

3. Ensure customer focus in procurement

The NPS procurement process described in Chapter III shows the flow of a requisition from its inception through receipt of the items. A requisition must flow through several

departments for approvals prior to receipt by the supply department. Within the supply department a requisition is handled three times before it is assigned to a buyer for processing. Buyers must follow rules and regulations of the FAR, DFARS, FIRM, NAPS and NAVSUP instruction 4200.85A, Shore and Fleet Small Purchase and Other Simplified Purchase Procedures for procurements under \$25,000. The NPS Procurement QMB has determined that customers of NPS procurement include the faculty and staff. Their perception of NPS procurement is the baseline and the appropriate performance measurement matrix for reinvention efforts.

Fifty-five surveys were provided to six academic departments and one support department that utilize the procurement process at NPS. The survey was designed to elicit comments on customer support provided by the procurement process. Twenty-four surveys were completed and returned. Examples of questions asked included: was the item ordered in a timely manner, did you receive the item you requested, and was the item received in a time manner? The responses will be discussed in the analysis of this initiative. In the surveys passed out to academic (customer) departments, comments were received from faculty regarding the effectiveness of NPS procurement. Some comments were as follows: a Professor in the Systems Management department states "Our supply system is a pitiful, abysmal morass of antiquated, inconsistent and irrelevant procedures that have no bearing on the mission of

the school." A comment from a Technician in the Mechanical Engineering department states, the "Purchasing system in general seems to be unapproachable when problems occur. Nobody seems to have any authority." One last comment from an Associate Professor in the Systems Management department states "It is clear that the system is broken and not responsive to my needs. It is also clear that we have no local autonomy or energy to overcome the choking regulations. Responsiveness from order to receipt is a joke. Our system does worse than add no value - it uses major value resources and adds no value."

When asked if the item required was placed on purchase order in a timely manner, of the twenty-four responses, seven said "yes." Comments from the other seventeen were: a manager in the Computer Science Department states, "the laws that govern ADP procurement are outdated and have the effect of only providing the Government with outdated and poor quality equipment." An Associate Professor from the Physics department states, "all orders placed through the traditional NPS procurement system, however simple the order, took 4-7 months to complete."

The above comments illustrate that NPS procurement has not had a customer focus. This is the diametric opposite of the purchase card program at NPS. Purchase card customers were interviewed by the PAT. Their comments were: "The definite overwhelming advantages (of the credit card) were

speed, accuracy, and increased efficiency of research projects. Last minute changes or decisions were incorporated and able to be implemented." Another comment, "most respondents said they were receiving their material in less than a week; times savings estimated to be two-four months" [Memo from QMB to 04, dtd 14 July 1993].

The procurement system at NPS needs to become more focused on the customer since the items being procured support the mission of the school.

B. SUMMARY

The closer look at the initiatives showed why the initiatives should be implemented. Reforming IT procurements showed why these resources should be procured as commercial items. The current definition of IT resources does pertain to technology available in the commercial marketplace.

The purchase card program provides line managers with authority to procure goods and services to meet the organization's goals in a timely manner. Additionally, the purchase card program saves resources by reducing the number of buyers required to process requisitions.

Lastly, comments provided from the surveys demonstrated how the current procurement process at NPS does not focus on the customers. Requisitions are handled several times before a buyer actually places an order.

The following chapter will implement the three initiatives utilizing the factors for reinvention.

V. REINVENTION

A. INTRODUCTION

This chapter will take the reinvention concept presented in chapter two and apply it to the procurement process at NPS. This will be in conjunction with the three procurement initiatives presented in Chapters III and IV. Additionally, this chapter will sum up reinvention, what it is and how to apply it to an organization. Further areas for research into reinvention of Government will be addressed.

B. DOES THE CURRENT PROCUREMENT PROCESS AT NPS NEED TO BE REINVENTED?

Earlier chapters showed the requisition process for simplified small purchases at NPS. Requisitions flow through many areas for approvals prior to receipt in the purchase branch. Comments presented show that the procurement system does not maintain a focus on what the customers need from the process. The conclusion is drawn that the procurement process at NPS does need to be reinvented.

The three initiatives, presented in earlier chapters, can be implemented at NPS to reinvent the procurement process without the need for legislative action.

1. Reinventing the Procurement Process

The factors involved in the reinvention process, presented in Chapter II, will be used to reinvent the procurement process at NPS. Chapters III and IV presented a discussion regarding who the customers are and what they expect from the procurement process. The current requisition and purchase card processes were failed. How can the process be changed that will provide a customer focus to the process? Decentralize the buyers into the departments. Decentralization of the entire process will require buyers and customers to work for a common department goal. Buyers will be able to gain a better understanding of their customers and customers will gain a better understanding of what it takes to procure something in the Federal Government. "Shared values and mission take the place of rules and regulations as the glue that keeps employees moving in the same direction" [Osborne & Gaebler, pp. 254].

The computer network available at NPS can be used to enable buyers to be operational and still be responsible to the Supply Officer. "Information technology increasingly enables companies to operate as though their individual units were fully autonomous" [Hammer and Champy, pp.63].

Decentralized organizations are more flexible and can respond quickly to changing circumstances. [Osborne and Gaebler, pp. 252] Decentralizing the buyers will require empowering the buyers to make decisions instead of going to a

team leader or Contracting Officer to make decisions. To decentralize the decision making process encourages teamwork. [Osborne & Gaebler, pp. 254]

Another reason to decentralize the process is that decentralized organizations are more innovative. This is because "innovation does not usually happen because someone at the top has a good blueprint. Often, it happens because good ideas bubble up from employees who actually do the work and deal with the customers" [Osborne & Gaebler, pp. 253]. Buyers will have be motivated to resolve issues that impede department goals. Decentralizing the buyers places the workers with their customers to create a customer focus.

Elimination of non-value-added rules and regulations will make the process more responsive to customer needs. The initiatives for the purchase card and IT require waivers from current rules to improve the processes. Current authority for the purchase card program is for individual purchases up to \$25,000. The current NFCS limits decentralized buyers to \$2,500. Procurements over the \$2,500 threshold must be completed by buyers assigned to a contracting officer. [Small purchase credit card course handbook] The two thresholds are in place because of the competition required by the regulations. Procurements under \$2,500 do not require competition whereas those over \$2,500 require competition. In accordance with NAVSUP Instruction 4200.85A, Shore and Fleet Small Purchase and Other Simplified Purchase Procedures,

competition is the solicitation of "a reasonable number of quotations (generally at least three (3)) from qualified suppliers" [NAVSUP Instruction 4200.85A]. Decentralizing the buyers will allow for procurements with the purchase card to be made within the departments without the need to train supply technicians in competitive procedures. An additional advantage is that deliveries will be faster because items purchased with the card must be readily available.

As stated earlier, the NPR suggests that IT resources be reclassified as commercial items. The NPS should request a waiver from GSA to test a program that would buy IT resources for NPS as commercial items. The waiver will allow NPS to buy IT resources from local distributors. For example, there are over fifty small business computer companies listed in the Monterey area phone book. Information Technology procurements can be procured from these companies and still meet the competition requirements and socio-economic goals. The FAR 13.106 (b) (3), Competition and price reasonableness allows buyers to only solicit companies from the local area. The rule states:

Maximum practicable competition for small purchases ordinarily can be obtained without soliciting quotations from sources outside the trade area in which the purchase office is located.

Buying locally will provide users with local support if the IT resource needs service and users won't have to wait for delivery from the east coast. Currently, IT procurements

are made from companies all over the U.S., causing support problems after installation.

Decentralizing the buyers and testing IT procurements for buying as a commodity will change the procurement process at NPS. It will allow for credit purchases up to \$25,000 to be handled in each department, customers of the system and buyers will become a team, and innovation will increase.

As discussed in Chapter II, change causes insecurity, uncertainty, and inconvenience. Making buyers responsible to the individual departments minimizes insecurity, uncertainty and inconvenience. Distributing buyers to the individual departments while maintaining the authority for procurement system compliance with the Supply Officer retains the integrity of the procurement process while ensuring customer focus.

Decentralizing the procurement process will have an affect on all employees. The change has to be approached in a way that will gain the least amount of resistance. The proposed changes can be presented to the employees as a better way to provide customer service to NPS. Enlist their help in developing an implementation plan that will implement the changes. "Involving your employees at an early stage will increase the chance of successful change transformation. It will be much more difficult for employees to resist the change if they have had a part in planning and developing it" [Purello, Proceedings, pp. 404]. Buyers can tailor their

processing of procurement requests in the manner most appropriate for their customers. Involving buyers in the change process will minimize their resistance to the change.

Once the changes are in place, how can the success or failure be measured? Total Quality Leadership (TQL) Quality Management Boards (QMB) can be chartered to review requisition processing. Procurements can be tracked from their inception through receipt by the end-user. Statistical analysis can be performed to obtain information on the success or failure of the changes. Additionally, customers can be interviewed or surveyed to obtain customer's level of satisfaction or dissatisfaction. Interviews will provide customer inputs regarding if there is a need to change something in the process.

For the purpose of reinventing the procurement process at NPS, the change agent should be the Supply Officer. The Supply Officer has cognizance over management of buyers and the procurement process as a whole. However, reinvention of the procurement process should also include representatives from the academic departments. Both buyers and department supply technicians have a vested interest in any changes that might occur.

The last factor of the reinvention process is to celebrate the successes. Since decentralization allows for innovation, buyers separated into different departments should provide success stories on any new and innovative idea that

has been implemented. The successes can be shared over the network electronic mail system established at NPS.

All the factors of the reinvention process have been applied to the NPS procurement system. Reinventing procurement at NPS and implementing the initiatives does not take any legislative action from Congress. All the changes can be done locally without prior approval from NAVSUP. The changes can have an effect on the NFCS when proven successful under the guidelines of the NPR.

C. RESEARCH QUESTIONS

The research questions presented in Chapter I are addressed as follows:

Primary Research Questions

- What are the factors pertaining to the reinvention concept?

The factors pertaining to the reinvention concept are as follows:

1. Ask the question - What business are we in? What is our mission?
2. Who are the customers that deal with the organization?
3. What do customers want and expect from the organization?
4. Understand current processes and how they are managed.
5. Review rules and regulations to see if they add value.
6. Identify barriers that will inhibit change and address them in the organization.
7. Develop measurements to evaluate success/failure of changes.

8. Identify change agents that will direct reinvention efforts.
9. Celebrate the successes.
- Should the current procurement process at NPS be reinvented?

The current procurement process at NPS should be reinvented. The procurement process at NPS focuses on adherence to the rules and regulations and has lost focus on supporting the customers.

Subsidiary Research Questions

- Why is NPS a prime candidate for testing the reinvention concept?

The mission at NPS provides a basis for being a reinvention laboratory. The academic studies performed at NPS are a means for examining solutions to problems facing the operational forces. Additionally, NPS can test reinvention ideas without disruption to military operations.

- What are the initiatives for reinventing the procurement process currently being undertaken in the Federal Government and at NPS?

The NPR has detailed twenty initiatives for reforming Federal procurement. Three initiatives detailed for this thesis were: (1) reform information technology procurements, (2) lower costs and reduce bureaucracy in small purchase through the use of purchase cards, and (3) ensure customer focus in procurement. The initiative implemented at NPS is the use of the purchase card.

- How can the reinvention concept be applied to the procurement process at NPS?

The factors of the reinvention concept were applied to the procurement process at NPS. The application of the factors showed how the procurement system can become more innovative and more focused on customer concerns. In the reinvented procurement system, buyers were decentralized to work together with the customers.

D. AREAS FOR FURTHER RESEARCH

Areas for further research include:

- An in-depth study of specific procurement rules and regulations for the purpose of establishing their value to the procurement process.
- Application of the reinvention concept to another organization within the Federal Government.
- A look to see if any Federal Agency has implemented any of the twenty NPR procurement initiatives. Include how they have implemented the initiatives and provide the lessons learned.

E. SUMMARY

This thesis defined reinvention as a method of looking at existing organizations and processes to evaluate what is required to conduct business and gain customer satisfaction. A definition of a reinvention laboratory was provided. A reinvention laboratory is a place where new and innovative ways to streamline processes can be tested. Additionally a reinvention concept was devised for use on the NPS procurement process.

The concept was applied to the procurement process to demonstrate how three procurement initiatives from the NPR document Reinventing Federal Procurement can be implemented. The initiatives presented were to reform information technology procurements, lower costs and reduce bureaucracy in small purchases through the use of purchase cards, and ensure a customer focus in the procurement process.

A decentralized procurement process was presented that will implement the three initiatives. Decentralization provides for more innovation, empowering buyers to make decisions when required to fill a customer's needs. Decentralization enables customers and buyers to work towards the same organizational goals. The ultimate change will provide a more customer focus to a process that is regulated.

The NPS is the best place to test new ideas to the procurement process because NPS interfaces with the operational forces of the Navy. The academic studies performed at NPS can examine and provide effective solutions to problems facing the Navy. At the same time NPS is geographically and operationally separate from the rest of DoD. The majority of defense contractors will not see the "new face" of NPS contracting. The objective of presenting "one face" to industry can be retained intact due to NPS' isolation.

APPENDIX

208.404-3	Overrule GSA on refusal to waive mandatory Federal Supply Schedules.	HCA or deputy.
225.7104(c)	Waive the domestic bearing requirements of DFARS 225.7102(e)	HCA only.
9.202 (NAPS)	HCA is the Agency Head's designee to prepare the written justification for establishing a qualification requirement.	HCA only.
9.503	Agency Head may delegate to HCA power to waive subpart 9.500 - Organizational Conflict of Interest.	Has not been delegated to HCA.
13.106	Exempt contracting activities from requirement to maintain a small purchase source list.	HCA only.
14.201-7	Waive inclusion of FAR 52.214-27/28 in contracts with foreign governments. (Price reduction for defective cost or pricing data.)	HCA only.
14.406-3 (NAPS)	Mistakes in bids after opening but before award.	
	Authority for making determinations under FAR 14.406-3(a), (b), & (c).	Delegated to NAVSUP Dep. Commander for Contracting Mgmt, without power of redelegation.
	Authority for making determinations under FAR 14.406-3(c).	Delegated to HCA without power of redelegation.
215.607	Correct mistake in proposal before award.	HCA with authority to delegate to Chief of Contracting Office (has not been delegated).
215.611	Approve requests for second or subsequent Best and Final Offers.	HCA with power of redelegation. NAVSUP letter 89-21 delegated this authority to the Chief of the Contracting Office

215.613	Under 4 Step Source Selection - authorize negotiations with 2 or more offerors within the competitive range.	HCA only.
15.804-3	Waive requirement for submission of certified cost or pricing data for foreign governments.	HCA only.
215.810	Approve waiver of "Should-Cost" analysis (applicable to major systems contracts exceeding \$100M).	HCA may delegate to Flag or SES.
215.902	Authorize alternate approach to profit analysis in lieu of Weighted Guidelines Method	HCA only.
16.206-3	Approve use of Fixed Ceiling Price contracts with retroactive price determination.	HCA only.
216.306	Approve use of a CPFF contract for Engineering Development which has not completed validation.	HCA or Designee
16.603-2	Approve reasonable price or fee for letter contracts when a definitive contract cannot be negotiated.	HCA only.
16.603-3	HCA must approve use of letter contract.	HCA or Designee.
17.102-3 (d) (2)	HCA can approve use or exclusion of modified cancellation provisions in multiyear contract.	HCA or Designee
17.102-3(d) (1) and (d) (4)	Multiyear: Approve use of variable unit pricing; solicitation requesting only multiyear prices.	HCA or Designee (no N coverage).
17.102-3 (d) (3)	Multiyear: Inclusion of recurring costs in cancellation ceiling.	Agency Head or a designee (no NAPS coverage).
17.103-1(b)	HCA must authorize multiyear contract for services via a written determination.	HCA or Designee. No lower than Chief of Contracting Office.

17.103.4 (d) (2)	HCA can authorize (in advance) award of multiyear contract on one response if multiyear offer is distinctly advantageous.	HCA only.
217.7201-2 (b) (4)	HCA can authorize reverse engineering.	HCA only.
17.7503	HCA is authorized to approve Undefined Contract Actions (UCAs)	HCA may delegate: >\$1M Flag/SES ≤\$1M No restriction.
19.201(b)	HCA responsible for implementing SADSU programs and achieving goals.	HCA only.
19.502-3 (a) (5)	HCA can authorize partial small business set-aside even if only 2 responses are expected.	HCA only.
19.505 219.505	Decides on small business set-aside rejections by the PCO. Provides decision to the SBA representative.	HCA may delegate to level not lower than Chief of the Contracting Office
19.602-3	Resolving differences between Agency & SBA, CO forward to SBA via HCA.	HCA only.
22.101-1	HCA may designate programs for which labor dispute notifications are required.	HCA only
222.101-3-70	Submit report of findings on Impact of labor disputes.	HCA only
22.103-4(a) (NAPS)	Approval for use of overtime by contractors.	HCA has delegated to Chief of Contracting Office
22.805	HCA can approve award of contract without preaward equal employment opportunity clearance.	HCA only.
223.7003	May waive requirements of DoD 4145.26-M "DoD Contractors' Safety Manual for Ammunition and Explosives".	HCA has delegated to Chief of the Contracting Office

25.102	Agency Head or designee approve	DFARS delegations:
225-102	Buy American Act waivers exceeding \$1M for items not mined, produced, or manufactured in the US.	(1) Level above KO NTE \$25,000
		(2) Chief of Contracting Office NTE \$250,000
		(3) HCA or immediate deputy NTE \$2M
		(4) NAPS: HCA only \$2M greater
225.102	Public interest exception under \$100,000.	HCA only.
225.102	Public interest exception over \$100,000.	Agency Head only.
225.1003	Exceptions to Sanctions for Violations of Export Controls.	HCA except spare parts component parts, and routine servicing and maintenance of product which is delegated to Contracting Officer
25.202	Agency approves waiver of domestic construction material NTE \$100,000.	ASN >\$100,000 HCA <\$100,000 Chief of Contract Offi \$10,000.
25.304(c) 25.304(NAPS)	Agency Head can make determination as to feasibility for use of excess or near excess currency.	Can be delegated to HCA but has not. (Agency NAVCOMPT).
25.7002	Auth. and Approp. Act Restrictions on Food, Clothing and Speciality Metals required determination.	HCA or designee. Not designated.
225.7006	Restrictions on acquisition of foreign business.	HCA only.
225.7013	Prohibition with foreign entities for conduct of SDF RDTE. HCA auth. to make certification.	HCA only.
228.103-2	Class determination for the use of performance bonds.	ASN only.
228.106-2	ASN can approve substitution of surety bond.	ASN only.

228.305	HCA can waive contractor insurance for war hazard for employees overseas.	HCA or designee. (No designee)
32.302 (NAPS)	HCA shall appoint a representative who will act as liaison with the Comptroller of the Navy to monitor contracts for which a guaranteed loan has been approved.	HCA only.
33.104	Protest to GAO. HCA may authorize contract performance in the face of a protest	HCA only
233.214	Determination to use Alternate I to FAR 52.233-1, Disputes.	HCA only
235.004	HCA can advise SBA that 15 working day period for them to recommend additional qualified small R&D sources is an unacceptable delay.	HCA or designee. (No designee)
235.015	HCA may approve special use allowances for acquisition or construction costs of research facilities financed by educational institutions.	HCA only.
236.103	HCA can authorize overseas construction procured by formal advertising.	HCA or designee.
33.9001 (NAPS)	HCA to report all claims in excess of \$1M to OASN(RD&A).	HCA only
42.202	HCA may approve delegation, to a contract administration office, the authority to issue orders for provisions.	HCA or designee.
242.7002(b)	HCA can direct formal program of Government monitoring of contractor procedures to control costs at critical locations other than those with significant Government business	HCA only

43.201 (NAPS)	HCA approval is required prior to issuance of a Change Order that is not fully priced and otherwise fully definitive.	HCA may delegate: < \$1M no restriction > \$1M without a proposal sufficient for negotiation to Flag/SES only.
45-309	HCA approves use of Government production and research property under special restrictions.	HCA only.
48.104-2	HCA may determine collateral savings under VECP's will not be shared.	HCA only.
50.2 (FAR) (NAPS)	Extraordinary contractual actions (approval less than \$50,000).	HCA including delegation to 02's in SYSCOMS.

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