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CONSOLIDATION OF FIELD CONTRACTING ACTIVITIES IN DOD

by

Perry J. Hicks

December 1995

Thesis Advisor: Sandra M. Desbrow

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CONSOLIDATION OF CONTRACTING IN FIELD CONTRACTING ACTIVITIES IN DOD

Perry J. Hicks
Civilian, United States Army
B.S., Southern Oregon State College, 1968

Submitted in partial fulfillment
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Author: _____
Perry J. Hicks

Approved by: _____
Sandra M. Desbrow, Thesis Advisor

_____
Alice Crawford, Associate Advisor

_____
Reuben Harris, Chairman
Department of Systems Management

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This research reviews the current opportunity, due to the changes resulting from the Federal Acquisition Streamlining Act (FASA), for the DoD to consolidate field contracting by region rather than by each Service at the installation level. The intent of this research is to look at past consolidations and the successes attained as a result of the consolidation. In addition, recent consolidations in areas other than contracting were analyzed for the savings yielded DoD. Questionnaires were sent to field contracting offices of all Services to determine the affect of FASA. The results of these surveys showed that there will be a significant change in the number of large contracts procured as a result of FASA, and there will be minimal impact on the simplified purchase threshold. Recommendations include: (1) Contracting offices should be consolidated into area DoD offices in order to maximize the efficiency of contracting at the field contracting level; (2) consolidation should be accomplished in coordination with the fielding of the Standard Procurement System over the next five years by DoD; and (3) simplified purchases should be left at the installation level with direct supervision by the district office.

TABLE OF CONTENTS

LIST OF TABLES

I. INTRODUCTION

A. PURPOSE

This thesis examines the consolidation of field contracting offices throughout all Services into the Department of Defense (DoD) structure, with respect to the change from the $25,000 simplified purchase limit to the $100,000 limit imposed by the year 2000. This examination is conducted by analyzing a sample of Army, Navy and Air Force installation offices in Continental United States (CONUS) and determining the impact of consolidation.

B. BACKGROUND

During the last five years, the geopolitical climate of the world has drastically changed, resulting in a tremendous change for the United States. With the collapse of the Soviet Union and subsequent end to the cold war, the United States has entered a period of drawdown. Because of the current drawdown, DoD has seen a marked decrease in its budget; however, field contracting has seen an increase in the number of actions during this period of time. Additionally, with all the emphasis being put on doing jobs smarter and more efficiently, the era of each installation having its own

contracting office may be coming to an end. DoD has effectively accomplished moving the Air Force Plant Representative Offices (AFPROs), Army Plant Representative Offices (APROs) and Navy Plant Representative Offices (NAVPROs) under the umbrella of the Defense Logistics Agency (DLA). Now DoD needs to look at the costly process that it currently has for contracting at each base/installation, especially where the Services are competing with each other.

There is also a great disparity among the Services regarding the implementation of base contracting. The Navy is organized in some instances by area offices and in others there are base offices, whereas the Army and Air Force have contracting offices at each base or installation. For instance contracting for other than small purchases at the Naval Postgraduate School, located in Monterey, California, is handled by the Naval Supply Center at San Diego, California, while the Presidio of Monterey, an Army installation, has its own contracting office. It would appear that using the contracting office at the Presidio would better serve the Navy rather than having San Diego do all its contracting from almost 500 miles away. If there were a regional contracting office in San Francisco, both installations could probably be better served at a lower cost.

Thus, for all these reasons there is a need to look at consolidating field contracting activities at bases or installations within the U.S. or its territories.

C. THESIS OBJECTIVE

The primary objective of this research is to examine field contracting offices throughout all Services in the DoD structure with respect to the impact of the change in the simplified purchase threshold from $25,000 to $100,000. This examination is conducted by analyzing a sample of each Service's contracting offices.

D. RESEARCH QUESTIONS

This research answers the following primary and subsidiary questions. (Appendix A provides specific answers to each question.)

1. Primary

Should field contracting offices in the Army, Navy, Air Force and Marine bases be consolidated into area buying offices run by DLA?

2. Subsidiary

a. Could area offices meet the needs of the Services?

b. Will "one face to industry," which is currently being touted by DoD, work in the buying offices as well as in

contract administration?

c. Will the consolidation hurt small businesses/disadvantaged businesses?

d. Will the consolidations stop the competition of the Services in using the local resources?

e. Will the consolidations allow for a reduction of personnel?

f. Will consolidations allow for combining requirements contracts and other contractual actions?

g. Will the consolidations allow for individual needs of the Services, eg., particular needs of a base or installation?

h. How will the consolidation affect each Service's approach to the Defense Acquisition Workforce Improvement Act (DAWIA) requirements?

i. Would the consolidation provide a training ground for officers from each Service and would it provide the growth for advancement?

j. How would simplified purchases be handled?

E. SCOPE AND LIMITATIONS OF RESEARCH

The scope of this thesis is not to look at centralizing contracting for the sake of centralization, but to provide "one face to industry/business" in any given geographical area

of the country while providing the best contracting service at the lowest possible price. The idea of area offices, rather than contracting offices at each individual installation, does not deter from the capability of a command or any particular installation to get the goods and services that it needs in a timely manner. To accomplish this, one must look at the locations of our military installations and the feasibility of merging their contracting functions into one office in a given geographical area.

This thesis develops a model of area contracting offices that will meet the needs of all Services. With the continued downsizing of installation contracting offices and the increasing of the simplified acquisition threshold, it is time to change the way the Services are doing business. This research excludes major construction contracting (now accomplished by the Army Corps of Engineers, Air Force Red Horse, and Naval Facilities Engineering Command (NAVFAC), and major acquisitions accomplished by project offices and medical procurement offices.

F. ASSUMPTIONS

This analysis is based on the following assumptions:

1. This research effort only analyzes three organizational structure alternatives:

- Maintaining the current contracting organizational structure.
- Consolidating all contracting functions and forming regional contracting offices under DoD.
- Consolidating contracting functions over $100,000 into regional contracting offices under DoD and leaving simplified purchases with the installations.

2. This research effort is limited to determining the feasibility of consolidation versus the status quo.

G. METHODOLOGY

The research consists of previous studies, prior consolidations, questionnaires, interviews with contracting management (both Government and industry), and current legislation. The studies accomplished in this area consist of General Accounting Office (GAO) reports, automation studies, and the Army 2000 Study. Through interviews and personal knowledge of the researcher, information on the consolidation of contracting offices in Japan and Korea was gathered. The researcher has administered survey questionnaires at installation contracting offices to determine the number of personnel by category in each office, number of actions/dollars under $25,000; $25,001-$100,000; over $100,000. Questionnaires were sent to 184 installation

contracting offices on September 5, 1995, and re-sent on October 8, 1995 due to extremely limited response from the first mailing. The use of options in comparison with the number of recurring contracts was examined. The researcher looked at the geographical areas utilized to purchase the goods/services for the installations/bases and examined the infrastructure that supports the contracting office such as the Head of Contracting Activity (HCA), Principal Assistant Responsible for Contracting (PARC), Competition Advocates, Small and Disadvantaged Business Utilization Specialist (SADBUS), etc. All questionnaires were sent to the Directorate of Contracting (DOC), preceded by a telephone call to provide notice of the impending arrival of the questionnaire. In addition, the researcher conducted telephone interviews with selected Principal Assistants Responsible for Contracting (PARCs), Major Command (MAJCOM) Contracting Heads (Air Force) and contracting managers from businesses that have contracts with two or more Services to discover the problems that they envision in combining offices.

H. ORGANIZATION OF STUDY

Chapter I discusses the background and objective of this thesis.

Chapter II gives the background of the Defense Regional Support Program and other Government studies done in this area. It provides an analysis of the consolidation of contracting offices in Japan and Korea as well as an analysis of the procurement automation systems that currently exist. It also provides an analysis of the current structure of contracting offices regarding personnel and contract workload.

Chapter III discusses the "Contracting 2000" study done by the Department of the Army and the regionalization of the Marine Corps field contracting offices. It also discusses centralization measures taken by DoD in other defense organizations. The results of the implementation of FASA are discussed along with pending legislation that would affect field contracting.

Chapter IV shows the results of the survey that were sent to field contracting activities.

Chapter V draws conclusions from the analyses and shows the location of the concentration of bases within CONUS.

Chapter VI proposes recommendations for establishing regional offices with proposed locations and concludes with recommendations for future research.

I. SUMMARY

This chapter has presented the overall objective of this

research. In ensuing chapters the author shows how the effect of past consolidations and current legislation will affect consolidation of contracting in DoD. The next chapter discusses the background of consolidation within DoD.

II. BACKGROUND

A. INTRODUCTION

This chapter gives a background of the studies that have been accomplished in this area over the past 20 years. The consolidation of contracting functions in Japan and Korea took place at the same time with the same results. Due to the first hand knowledge of the researcher, the consolidation of contracting in Korea is analyzed to show the organization of the new structure and the capability to handle the mission of more than one Service. An analysis is made of the current composition of field contracting offices of each Service. In addition, the current contracting automation that is available to the Services is analyzed as to their capability to interface with Facilities Network (FACNET).

B. HISTORY

Until recently, Global violence and continuous threats to world peace have kept the Armed Forces of the United States unchanged for decades. There have been periods after significant altercations such as World War I and II, the Korean Conflict and the Vietnam Conflict when the forces have seen some degradation in their numbers. However, because of the need to combat advancing communism from the Soviet Union

and China United States has maintained a defense policy requiring a large active duty force always ready for a major conflict, especially in Europe.

In the last five years, with the fall of the Soviet Union and the advancement of non-proliferation of nuclear weapons, the United States has seen a "New World Order" begin. Subsequently, the U.S. Government has significantly decreased its defense budget and has closed many installations in CONUS, resulting in cutbacks in the number of active duty personnel and civilian employees. All of this has greatly affected the field contracting offices for each Service. Due to the decrease in military personnel, there has been a significant increase in the numbers of actions and an increase in the types of procurements that field contracting activities perform. These actions are needed to procure services previously performed in-house by DoD personnel.

C. DEFENSE REGIONAL INTERSERVICE SUPPORT (DRIS) PROGRAM

The first studies in consolidation of field contracting activities were performed by the General Accounting Office (GAO) that resulted in the Defense Regional Interservice Support (DRIS) Program. Following the Korean war, the DRIS program, originally called the Defense Retail Interservice Logistics Support (DRILS) Program, was established as a

voluntary program that focused on encouraging the sharing of logistics support among the Armed Services and other Federal departments and agencies. This support was an integral part of all field contracting activities.

In 1973, Services under the cognizance of the DRILS program were expanded to include administrative support. Because of the expansion, the number of categories under the DRILS program increased to 101. The term logistics was dropped and the Defense *Retail* Interservice Support (DRIS) Program was its successor. The DLA was designated as the DoD DRIS Program Administrator. The DRIS Program is a DoD-supported organization intended to promote interservice, interdepartmental, and interagency support within the DoD and among participating non-DoD agencies. The main focus of the DRIS program has been to increase efficiency and effectiveness of operations by identifying and eliminating duplicate support services among DoD components and participating non-DoD agencies without jeopardizing mission readiness.[Ref:7,p.3]

In 1977, the Secretary of Defense tasked DLA with making the program more effective and increasing savings. As a result, a plan was developed forming regional study groups to evaluate the feasibility of achieving savings through the consolidation of Services among DoD components located close

to each other. These groups were called Joint Interservice Resource Study Groups (JIRSGs). Because of this change, DoD made the DRIS Program mandatory for all DoD components and changed the name to Defense *Regional* Interservice Support Program (DRIS).

D. CONSOLIDATION IN KOREA AND JAPAN

1. Overview

As a result of a DRIS Study and a 1974 GAO report [Ref:15,p.6] consolidation of contracting functions in Korea and Japan occurred in 1978. Both programs were successful and they accomplished savings because of the consolidations. Due to the similarity of the two consolidations, only one consolidation will be analyzed, Korea. Any differences that were noted in Japan are included. In Korea, the Army was the lead for contracting, and the contracting offices for the Air Force and Navy were combined into the U.S. Army Korea Contracting Agency (USAKCA), which became the procurement activity for all DoD in the Republic of Korea (ROK). Overall cost savings was not the goal, but in addition to cost savings the consolidation achieved three other major advantages:

- Established one contracting organization for the Koreans.
- Eliminated the differences in Army and Air Force

procurement practices.

- Eliminated competition between the Army and Air Force for limited sources of supply.

In Japan, cost savings were the driving force behind the decision to consolidate contracting functions. When contracting functions were consolidated, Pacific Air Force Procurement Center Japan (PPCJ) was assigned procurement responsibilities for the Army and Air Force requirements. The Navy and Marines elected to maintain their own contracting office in Japan. A 1976 PPCJ After Action Report [Ref:23,p.1] referred to the Air Force and Army procurement consolidation as highly successful. The report estimated the annual savings to be $1,304,643. It also said that problems were resolved between PPCJ and the Army customer.

During the initial transition phase for both Korea and Japan, there were many procedural conflicts that were a direct result of differences in Army and Air Force service regulations. They identified and corrected these conflicts during early stages of the consolidation process. They reported satisfactory performance and customer support throughout the transition phase.

The consolidation of the Army and Air Force contracting activities in Korea and Japan, which included Navy in Korea,

resulted in the following recommendations:

1. Consolidation of contracting functions of DoD components should be a phased process to:

a. Minimize disruption to personnel.

b. Ensure operational readiness is maintained at the highest level possible throughout the transition period.

c. Train personnel to function effectively in their new environment.

2. The DoD component that will be supported should retain a contracting specialist in the consolidated office to assist in procurement problems that may arise.

3. Feedback reports should be reviewed to ensure they treat all procurement requirements equally regardless of origin.

2. Organization of Directorate of Contracting (DOC) in Korea

The main office of the DOC is located on Yongsan Army Base in Seoul, South Korea. The DOC is managed by a Director of Contracting, who is also the Deputy Commander of the U.S. Army Contracting Command Korea. There are three divisions in the main office consisting of Acquisition Support Division, Contracts Operation Division, and Technical/Contract Administration Division. In addition there are two offices

consisting of Office of Counsel and Information Management Office.

a. Acquisition Support Division

The Acquisition Support Division consists of two branches, Policy and Plans Branch and Compliance Branch. The Policy and Plans Branch takes in the requests for purchase from the customers and forwards them to the appropriate branch in Contracts Division after having ensured that they had all the correct approvals and a discription of the services or supplies that was adequate for solicitation from local vendors. Policy and Plans Branch also handled the advanced acquisition plan, which had all the planned purchases from all requiring activities within Korea for that fiscal year. The Compliance Branch reviews all solicitations to ensure that they comply with existing regulations and agreements. Compliance Branch audits contract files and does internal review functions, in addition to monitoring the 27 imprest funds in Korea.

b. Contract Operation Division

This division consists of Services Branch, Supply Branch, Construction and Overhaul Branch, Non-Appropriated Funds Branch, Osan Small Purchase Branch, Kunsan Small Purchase Branch, Pusan Small Purchase Branch, and Taegu Small

Purchase Branch. The small purchase branches are located at remote sites and will be dealt with in the next section. The other branches within this division do the contracting for contracts for all Services. After the award contracts are sent to the Technical/Contract Administration Division to be administered until they are closed out.

c. Technical/Contract Administration Division

This division contains Contract Administration Branch, Engineering Branch, Cost-Pricing Branch, and Quality Assurance Branch. The Contract Administration Branch administers all contracts over the simplified purchase threshold through closeout. The Engineering Branch reviews specifications and descriptions of services/commodities that will be solicited. The Cost-Pricing Branch reviews all quotations for price reasonableness and does should-cost studies. The Quality Assurance Branch ensures that all solicitations have the proper quality assurance clauses and plans submitted by the requiring activities. They also review the work accomplished by the Contracting Officer Representatives in supervising the work of the contractors.

d. Office of Counsel

This office consists of lawyers, who are experts in contract law. Their only duty is to ensure that the best

possible contract be written and to handle litigation with contractors who have protested or sued the Government.

e. Information Management Office

This office handles all computers at every site, the telephones, reproduction equipment and programming needs of the USAKCA. They maintain the property books for all equipment and monitor maintenance contracts.

3. Organization of Small Purchase Structure in Korea

Korea had an agreement to keep small purchase functions at each Wing for the Air Force and due to the size of the Navy base and its near proximity to an existing Army contracting office, there was no small purchase function at the Navy base. Although in earlier discussions the small purchase function was to remain with each individual Service, it was ultimately decided to have the entire contracting function delegated to one Service. Consequently, the Service selected was the Army and the office performing these functions was the USAKCA. Due to the small number of actions for the Navy, an office was not established at Chin Hae Navy Base.

The branch at each base for the Air Force consisted of:

- One O-4 U.S. Army Major, Chief Small Purchase Branch
- One GS-11 Contract Specialist

- One KGS-09 Buyer (local national)
- One KGS-07 Procurement Asst. (local National)
- One KGS-04 Procurement Clerk (local National)

The primary individual responsible for procurement is the Army Major. In addition to running the branch, the major is responsible for interfacing with the Wing Commander for the entire Agency, and is responsible for monitoring all procurements over the small purchase threshold that are sent to Yongsan Army Base in Seoul, Korea (the headquarters for USAKCA) plus any item that the small purchase branch at each Wing is unable to procure in the local area. Not only does this arrangement provide an interface for the Wing and keep USAKCA an integral part of the Wing, it also provides the capability to contract in the local area, keeping the local merchants happy.

4. Procurement Acquisition Lead Time (PALT)

The Army office utilizes the PALT as one of the major evaluation factors of procurement performance. PALT is the amount of time after the contracting office receives the requisition until it is awarded on contract. The PALTs for the main office and branch offices in Korea differ significantly.

- In Seoul at the headquarters the PALT for small purchases for 1994 was 12.8 days.
- In Pusan (servicing the Army Base there and the Navy Base at Chin Hae) the branch PALT for small purchases was 8.7 days.
- At Taegu (servicing the Army bases located there) the PALT was 11.3 days.
- In Kunsan (supporting the 8th Fighter Wing) the PALT was 4.8 days.
- In Osan (supporting the 51st Fighter Wing and 7th Air Force) the PALT was 7.2 days.

The Division Chief at the Headquarters does not get involved until a requisition is over 20 days old. The Director of Contracting (DOC) does not get involved until PALT reaches 30 days.

5. Awards of Large Contracts

The Agency found that in the award of large contracts that covered all Services, more than one contract usually had to be awarded from a solicitation. The Agency found that for service contracts and supply requirements contracts, when soliciting it was necessary to incorporate the clause that allows the contracting officer to award different line items to different vendors. In this way if there is one contractor that can handle the entire contract, taking into consideration price and other factors, then the contracting officer could award one contract; however, if the contracting officer found

that it was in the best interests of the U.S. Government to award to different firms, the Contracting officer could break the award into two or more contracts.

Over the period of time that the Army has been doing the contracting for all of Korea, there have been no negative reports or audits stating that there has been a degradation of service to any of the other Services. In fact, according to the Deputy Commander/DOC of the U.S. Army Korea Contracting Command (USACCK), there have been several letters from the Wing Commanders and 7th Air Force commending USACCK (a.k.a. USAKCA) for its support of the Air Force. There are also letters from the Commander U.S. Naval Forces Korea commending USACCK on its support of Naval activities.

There have been significant savings on the large requirements contracts that have been awarded in Korea. This is especially true in construction material such as concrete, gravel, sand and building materials. There have also been significant savings in the lease of copiers, in the maintenance of office machines, computer equipment, and maintenance of 2-way radios. The Command estimates the annual savings to be more than $1 million.

E. FIELD CONTRACTING ACTIVITIES

In contrast to the organization of the office in Korea,

the contracting offices in the U.S. do not have the professional personnel in cost/pricing or quality assurance. They do not have dedicated lawyers in their offices. In addition, contracting offices in Air Force, Navy, and Army accomplish installation contracting differently. The Air Force utilizes contracting offices at each installation for the needs of that installation and the attached units. However, the Air Force base contracting offices perform very little complex contracting. Most of the contracting is small purchase and sealed bid, with little negotiating. Furthermore, cost-type contracts are not awarded. Complex contracting is accomplished by each MAJCOM contracting squadron. This allows the base contracting office to concentrate on the large volume, high-priority work for the base tenants.

The Navy utilizes area Fleet Industrial and Supply Centers (FISCs) to secure the needs of installations in that area. These offices buy the supplies and services above the simplified purchase threshold. Below the simplified purchase threshold, the offices are highly decentralized, as within the Washington, DC Naval Region Contracting Center (NRCC), where there are over 600 simplified purchasing contracting offices. These offices range from one to 200 personnel.

The Army utilizes base contracting offices at each

installation to procure the entire needs of that installation including attached units.

F. SOFTWARE USED BY THE THREE SERVICES

1. Overview

The Services' contracting activities have their own unique procurement automation systems. The Navy's procurement system is called Automation of Procurement and Accounting Data Entry (APADE). The Army utilizes the Standard Army Automated Contracting System (SAACONS). The Air Force has the Base Contracting Automated System (BCAS). These systems are totally different and are not compatible, which has been one of the main objections to consolidation of contracting offices. Table 1 identifies the key differences among the three systems.

2. Technical Capabilities and Assessments

The technical capabilities for these systems to be successful with EDI if implemented at more locations within the component are shown in table 2.

	APADE	SAACONS	BCAS
Provides Updated Status	yes	yes	yes
Provides Management Reports	yes (1)	yes	yes
Rotates BPA Calls	no	no	no
Has System Security	yes	yes	yes
Maintains Procurement in Database	yes (2)	yes	yes
Provides Suggested Sources	yes	yes	yes
Price History File	yes	yes	yes
Prints DD Form 1155	yes	yes	yes
Generates Buyer Worksheet	yes	yes	yes
Prompts Buyer into Choosing Clauses	no	yes	yes

Table 1. Comparison of procurement systems

Note 1: APADE provides limited management reports
2: APADE maintains a flat file.
[Source:Ref. 9]

	APADE	BCAS GATEC	ACPS BCAS MADES	SAACONS-EDI
HARDWARE AVAILABILITY.	YES	NO	YES	YES
CONTRACTS AVAILABILITY	YES	YES	YES	YES
X-12/EDIFACT (840,843,850)	YES	YES	YES	YES
DoD CONVENTIONS DEC 91 OR LATER	YES	YES	YES	NO
MODULARITY AIS-GW-DP	YES	YES	YES	YES
Govt. SUSTAINABILITY	YES	NO	YES	NO
MULTIPLE TRUSTED 3RD PARTY COMMERCIAL CARRIES	YES	YES	(1)	YES
COMMERCIAL BASED XLATOR TECH	YES	NO	NO	YES
RATIO Y:8	8/8	5/8	6/8	6/8

Table 2: Technical Capabilities

Note: (1) Delivery to VAN has been tested via file transfer to a gateway distribution point.
[Source: Ref.9]

Regarding these two tables, the technical assessments include DoD procurement, EDI initiatives, near-term and long-

term; other Government/Industry initiatives; and consideration of EDI support to other DoD business areas. The Defense Information Systems Agency (DISA) was responsible for performing the technical assessments of these current initiatives. They also analyzed what was needed for full deployment in the near term. Additionally, migration strategies for a longer term technical support were analyzed and determined to be needed for a robust DoD technical infrastructure that could support all business areas.

3. DoD Standard Procurement System

DoD is issuing a solicitation to acquire a DoD-wide paperless contracting system. The Standard Procurement System (SPS) will be an automated system for all DoD procurement personnel worldwide. When fully operational, the SPS will be used for all phases of a procurement, from initiation of a requirement through final contract closeouts. [Ref:14,p.304] The contemplated contract for SPS will buy licenses to use commercially derivative software, modified to meet DoD needs with installation, training and maintenance bought on an ordering basis. Issuance of the request for proposals is a major step in the implementation of DoD's plan to establish an electronic commerce/electronic data interchange (EC/EDI) system that can provide a "single face" to industry. This

system will allow vendors to use commercial software and hardware to: obtain information on DoD requirements, obtain solicitations, submit responses to solicitations and receive awards through a single point of entry into the system [Ref: 8,p.38].

DoD's current plans are to implement the new system in stages. In FY 96, DoD will conduct testing and checkout the system. In FY 97, implementation will begin. The system will ultimately cover all DoD procurements from simplified acquisitions through major weapon systems; however, it will begin first with simplified purchases under $100,000 and with contracting sites that are currently nonautomated. "Depending on the availability of funds, full implementation of the system could come as early as 2001. Under a worst case scenario, full implementation would not be complete until 2005". [Ref:14,p.303) The SPS will pull together or replace the current systems being utilized by DoD activities and the Services.

G. SUMMARY

Contracting is different among the Services, but the end product is the same. The savings that they can attain through consolidation can be seen through the consolidation that has taken place in Japan and Korea with no degradation of service

to any of the DoD activities involved. As the DAIG Special Inspection Report of Installation Contracting Activities stated, "contracting is becoming the cornerstone of installation operations." This statement is just as true for the Navy and Air Force as it is within the Army. Both the Navy and the Air Force have centralized into FISCs for the Navy and the MAJCOMs for the Air Force for the more difficult procurements, leaving simplified procurements at the base or station level. This has not been accomplished in the Army, but as can be seen in Chapter III, the "Army 2000" Study recommended that consolidation of difficult procurements be accomplished by the MACOMs. In addition Chapter III discusses the DoD automation system for contracting, new legislation and the Marine Corps consolidation.

III. CURRENT ACTIONS TOWARD CONSOLIDATION

A. INTRODUCTION

In addition to the contracting consolidations that have taken place in the past, there have been many significant changes in the procurement statutes and the consolidation of functions within the DoD structure within the past five years. This chapter discusses the Defense Acquisition Workforce Improvement Act, the various activities that have been consolidated into DoD successfully as a result of the Defense Management Report; the Installation Contracting 2000 Study done by the Army; the reorganization of the contracting function by the Marine Corps; FASA, which was signed into law in October 1994; and the proposed procurement reform changes currently before the Congress.

B. DEFENSE ACQUISITION WORKFORCE IMPROVEMENT ACT (DAWIA)

The National Defense Authorization Act for Fiscal Year 1991 PL 101-510 - Nov 5, 1990 [Ref:24,p.1-30] has significantly impacted the acquisition workforce by:

- Creating a Department of Defense Acquisition Workforce.
- Mandating a 20 percent reduction in the Department of Defense acquisition workforce by the end of fiscal year 1995.
- Establishing a Defense Acquisition University.

1. Acquisition Workforce

Chapter 87 of the Act delineates the guidelines for establishing a Department of Defense Acquisition Workforce. It requires the Secretary of Defense to establish policies and procedures for the effective management including accession, education, training and career development of all persons serving in acquisition positions in the Department of Defense. It also requires that the Secretary of Defense ensure that the policies and procedures established in accordance with Chapter 87 are uniform in their implementation throughout the Department of Defense. It requires that each Service establish a Director of Acquisition Career Management.

The Act designates that acquisition positions at a minimum will include all acquisition-related positions in the following areas:

- Program management.
- Systems planning, research, development,and engineering.
- Test and evaluation engineering.
- Procurement including contracting.
- Industrial property management.
- Logistics.
- Quality control and assurance.
- Manufacturing and production.
- Business, cost estimating, financial management and auditing.

- Education, training and career development.
- Construction.
- Joint development and production with other Government agencies and foreign countries.

The Act required the Secretary to ensure that appropriate career paths are established for civilian and military personnel who wish to pursue careers in acquisition. It requires the Secretary to ensure that no requirement preference for a member of the Armed Forces is used in the consideration of persons for acquisition positions, with a few exceptions, and that a list be prepared by the Under Secretary for Acquisition of those positions required to be Uniformed Service members. It also requires that civilian personnel are provided the opportunity to acquire the education, training and experience necessary to qualify for senior acquisition positions.

The Act also requires minimum education levels for contracting officers above the small purchase threshold. The Act requires that:

> Contracting Officers:
> (1) have completed all mandatory contracting courses required for contracting officer at the grade level, or in the position within the grade of the General Schedule (in the case of an employee), that the person is serving in;
> (2) have at least two years of experience in a contracting position;
> (3) (A) have received a baccalaureate

degree from an accredited educational institution authorized to grant baccalaureate degrees, (B) have completed at least 24 semester credit hours (or the equivalent) of study from an accredited institution of higher education in any of the following disciplines: accounting, business finance, law, contracts, purchasing, economics, industrial management, marketing, quantitative methods, and organization and management, or (C) have passed an examination considered by the Secretary of Defense to demonstrate skills, knowledge, or abilities comparable to that of an individual who has completed at least 24 semester credit hours (or the equivalent) of study from an accredited institution of higher education in any of the disciplines listed in subparagraph (B); and

(4) meet such additional requirements based on the dollar value and complexity of the contracts awarded or administered in the position, as may be established by the Secretary of Defense for the position.

(b) GS-1102 Series - The Secretary of Defense shall require that beginning on October 1, 1993, a person may not be employed by the Department of Defense in the GS-1102 occupational series unless the person (except as provided in subsections (c) and (d) meets the requirements set forth in subsection (a) (3).

(c) EXCEPTIONS - (1) The requirements set forth in subsections (a)(3) and (b) shall not apply to any employee who, on October 1, 1991, has at least 10 years of experience in acquisition positions, in comparable positions in other governmental agencies or the private sector, or in similar positions in which an individual obtains experience directly relevant to the field of contracting. (d) WAIVER - The acquisition career program board of a military department may waive any or all of the requirements of subsections (a) and (b) with respect to an employee of that military department if the board certifies that the employee possesses significant potential for advancement to levels of greater responsibility and authority, based on demonstrated job performance and qualifying experience. With respect to each waiver granted under this subsection, the board shall set forth in a written document the rationale for this decision to waive such requirements. The

document shall be submitted to and retained by the Director of Acquisition Education, Training, and Career Development. [Ref:24,p.38]

2. Acquisition Corps

Subsection III of the law requires that the Secretary of Defense ensure that they establish an acquisition corps for each of the military departments and one or more Corps for the other components of the Department of Defense. It requires that the promotion rates be equal to or better for the officers of each Service as compared to other line officers of the same Armed Force (both in the zone and below the zone) in the same grade. The members of the acquisition corps must be at least GS-13 or equivalent for civilians and for active duty they must be at least in the grade of O-4.

The Act requires that the "critical acquisition positions" be established by October 1, 1993, and that those positions must be filled by members of an acquisition corps. Basically it requires that all positions in contracting filled by a GS-14/O-5 or above be designated as a critical position. It also requires that persons be assigned for at least three years in such positions. A person cannot be assigned to a critical acquisition position unless he or she executes a written agreement to remain on active duty or in Federal service in that position for at least three years. It also

requires the Secretary of Defense to establish a policy encouraging the rotation of members of the Acquisition Corps serving in critical acquisition positions to new assignments after completion of five years of service in such positions.

3. Education and Training

The Act requires the Secretary of Defense to establish a scholarship program to qualify personnel in the acquisition positions. To be eligible, a person must be accepted into a full-time program leading toward a bachelor's, master's or doctor's degree in a qualifying field of study as determined by the Department of Defense. It also allows for payment of tuition for a part-time student or repayment of student loans.

The Defense Acquisition University (DAU) was established as a result of the Act. The Act required the DAU to operate the program under a charter developed by the Secretary of Defense. It also required the establishment of a university mission to achieve the objectives of the Secretary of Defense including:

- Achieving efficient and effective utilization of acquisition resources through the coordination of DoD acquisition education and training programs and developing them to enhance the careers of individuals in the acquisition environment.
- Developing education, training, research and publication capabilities in the acquisition arena.

In addition the Act also established the following:

- Establishing appropriate lines of authority and accountability for ensuring attainment of the program mission.
- Establishing a framework for the educational development of personnel in the acquisition arena.

C. DEFENSE MANAGEMENT REPORT (DMR)

In July 1989, the Department of Defense completed an analysis, requested by the President, of actions needed to improve management effectiveness within the Department. The focus of the recommended actions was to improve the performance of the defense acquisition system and to provide for more effective management of DoD and its defense resources. Implementation occurred in the form of Defense Management Report (DMR) initiatives. These initiatives were a vital element of the Department's objective to streamline and restructure the military Services to sustain and improve our defense capabilities while operating with limited resources. [Ref:5,p.3] The following are specific DMR initiatives that have impacted the defense environment.

1. Finance and Accounting Systems

On January 15, 1991, the Defense Finance and Accounting Service (DFAS) was established as the single finance and accounting organization for DoD. The objective of the organization was to strengthen the overall effectiveness of financial management within DoD. This organization reflects an effort to preserve force capability and minimize overhead

and support costs. Consolidating the finance and accounting centers operated by the military Services standardized financial and accounting information, policies and procedures, and operations. The consolidation has resulted in a savings of approximately $100 million throughout FY 1995 and will be approximately $300 million through FY 1997.

2. Streamlining Contract Management

DoD had divided the DoD Contract Administration Services (CAS) among the three military Services and Defense Logistics Agency (DLA). Because of a DMR initiative, all DoD CAS were consolidated into a single organization within the Defense Contract Management Command (DCMC) under DLA. The consolidation process eliminated the differences in handling contracts administration that existed among the four agencies. The process enhanced professionalism in CAS, increased the focus of attention on CAS, and provided the opportunity to present industry with a "single face" regarding contract management issues. The decision to decrease the number of regional offices from ten to two and to streamline the offices will result in savings of over $250 million between FY 1991 and FY 1995. [Ref:5,p.6]

3. Consolidation of Automated Data Processing (ADP) Operations and Design Centers in DOD

Prior to this initiative, computer systems were developed on an as needed basis within each DoD component. As a result,

there are computer systems designed to meet similar requirements in each Service, such as the different procurement automation systems utilized by DoD, the Army, the Air Force and the Navy. As a result of the DMR initiative, the Secretary of Defense approved the consolidation of ADP operations and design centers in DoD. The focus of the consolidation was to reduce many of the separate Service and Defense Agency ADP operations and software design activities in DoD. A significant savings has resulted from enhanced efficiency, personnel reductions, equipment, software license fees, and maintenance costs. The total estimated savings in the DMR for FY 1991 through FY 1997 is $1.191 billion.[Ref:5,p.6]

4. Intelligence

On March 15, 1991, the Secretary of Defense approved the restructuring of the intelligence organizations throughout DoD. The restructuring consolidated theater intelligence processing, analysis and production activities of the combatant commands, and components under joint intelligence centers. It also consolidated Service intelligence activities within single intelligence commands in each Service. This consolidation process improved the ability to collect, analyze, produce, and disseminate timely, accurate and insightful intelligence on the capabilities of foreign

powers.

5. Commissary Consolidation

The Defense Commissary Agency (DeCA) was created in August 1990 to take advantage of economies of scale, which would provide improved service and lower costs to customers, while reducing the overall operating costs of the government. DoD combined the Army, Navy, Air Force and Marine commissaries into the new DeCA. The consolidation enabled DoD to achieve efficiency, and effective operations similar to those of large grocery chains.

6. Consolidation of DoD Printing

In October 1991, all DoD printing and duplicating functions were consolidated with the Navy Publishing and Printing Service as the manager of all DoD printing functions. The consolidation will result in an estimated savings, as sighted in the DMR, of $130 million between FY 1993 and FY 1997.[Ref:5,p.9]

These DMR consolidations have thrived for the past four years and continue to make significant savings while serving the various Services. They have eliminated excess infrastructure and redundant functions within DoD.

D. INSTALLATION CONTRACTING 2000

This study was accomplished by the Department of the Army during 1991-1992. [Ref:2,pp.1-45] The most significant and

influential recommendation was a two-phased course of action to improve the installation contracting process. Major aspects of these phases are presented below:

1. **Phase I**

In phase I, beginning in FY 93, the U.S. Army Forces Command (FORSCOM), the U.S. Army Transportation Command (TRADOC), the U.S. Army Material Command's (AMC) new Industrial Operations Command (IOC), the U.S. Army Health Services Command (HSC) and the U.S. Army Military District Washington D.C.(MDW) would consolidate common commodities and the more complex types of contracting into Central Contracting Offices (CCO) with the goal of reducing the overall installation workload of actions over $50,000 by at least ten percent. [Ref:2,p.3] This would allow the installation contracting offices to give the proper attention to contract administration where there has been a serious shortfall for a considerable time. Consolidation should also reduce the PALT for infrequent complex procurements. Concurrent with this is the designation of Centers of Excellence in the Army for the development and maintenance of requirements and statements of work for service contracts such as food service, transportation, maintenance, base operations, custodial services, etc. Although there are no savings associated in personnel strength, reductions in contractual costs and added

value of goods and services received are estimated at $68 million per year due to better staffing, more accurate requirements determination, quality statements of work, better contract negotiations and improved contract administration. [Ref:2,p.16]

Additionally, Phase I is the regionalization of installation contracting in the Tidewater Region by FY 93/94. The contracting offices at Ft. Lee and Ft. Monroe would consolidate all of their contracting requirements above the small purchase level at the Ft. Eustis Region Contracting Office (RCO). The Ft. Lee and Ft. Monroe contracting offices would be organizationally and operationally placed under the region. This would reduce overhead and ADP requirements, consolidate expertise, provide for economies of scale, and serve as a basis from which to evaluate the benefits and problems of regionalization programmed for the MACOMs in Phase II.

2. Phase II

Phase II is a proposed consolidation and regionalization of contracting within FORSCOM, TRADOC and HSC into contracting commands beginning in FY 96. This would follow a feasibility study and evaluation of the Tidewater Region. Regionalized contracting commands should result in further savings estimated at least $5-10 million per year due to some reduced

personnel requirements, improved ADP hardware and software support, consolidation of expertise, economies of scale, improved contracting quality, and added value due to increased emphasis on contract administration.[Ref:2,p.12] PALT should decrease, since the installations can concentrate greater assets on high priority, low cost requirements and administration. The contracting commands will also provide more opportunities for professional development, promote professionalism, support the Army's contingency contracting requirements, and be more adaptable to the ever increasing complexity of the contracting environment.

3. Conclusion

This study was accomplished in the pre-FASA environment; however, it did not take into account that the threshold for small purchase authority was to be raised from $25,000 to $50,000 in FY 95. Other recommendations made by this committee that were noteworthy for installation contracting offices included the following:

- The U.S. Army Force Integration Support Agency should develop a staffing standard for installation contracting offices.
- Directorates with over 30 personnel should add a full time Cost and Price Analyst and Quality Assurance Specialist.
- Installation Advanced Acquisition Plans should be standardized by DA and submitted quarterly to MACOMs and annually to DA.
- The commanders should direct more resources into contract administration at installations.

- Commanders should apply a systems management approach.

E. CONSOLIDATION OF CONTRACTING IN THE MARINE CORPS

In early 1995 the Marine Corps reorganized its twelve regional contracting offices into four regional contracting offices. These offices have unlimited buying authority for firm, fixed price contracts and are responsible for all contracting activity within their regions. The main reason cited for the consolidation was the reduced number of personnel in the contracting offices and increased capabilities due to the consolidation. [Ref:19]

F. FEDERAL ACQUISITION STREAMLINING ACT (FASA)

This Act was signed into law in October 1994. It was a very significant and all encompassing law that covered many aspects of the way the U.S. Government acquires the needed goods and services throughout the Government.

The Act raised the small purchase threshold to $100,000 and redesignated it as the "Simplified Acquisition Threshold." The threshold is raised only to $50,000 until contracting activities develop certain electronic contracting capabilities under the Federal Acquisition Computer Network (FACNET). Also, publication of a notice in the Commerce Business Daily (CBD) of procurements over $25,000 is raised to $100,000 when the contracting activity is FACNET certified. The Act requires Office of Federal Procurement Policy (OFPP), as the

administrator, to establish a program for the development and implementation of a FACNET that will be Government-wide and provide interoperability among users by January 1, 2000. The FACNET architecture must provide for the following function:

1. **Government Functions.**

Allow executive agencies to do the following electronically:

- Provide widespread public notice of solicitations for contract opportunities issued by an executive agency.
- Receive responses to solicitations and associated requests for information through such system.
- Provide public notices of contract awards (including price) through such system.
- In cases in which it is practicable, receives questions regarding solicitations through such system.
- In cases in which it is practicable, issue orders to be made through such system.
- In cases in which it is practicable, make payments to contractors by bank card, electronic funds transfer, or other automated methods.
- Archive data relating to each procurement action made using such system.

2. **Private Sector User Functions**

Allow private sector users to do the following electronically:

- Access notice of solicitations for contract opportunities issued by an executive agency.
- Access and review solicitations issued by an executive agency
- Respond to solicitations issued by the executive

agency

- In cases in which it is practicable, receive orders from the executive agency.
- Access information on contract awards (including price) made by the executive agency.
- In cases in which it is practicable, receive payment by bank card, electronic funds transfer, or other automated means.

3. General functions

Other general functions that the FACNET architecture must provide are as follows:

- Allow the electronic interchange of procurement information between the private sector and the Federal Government and among Federal agencies.
- Employ nationally and internationally recognized data formats that serve to broaden and ease the electronic interchange of data.
- Allow convenient and universal user access through any point of entry.

Implementation of the FACNET Government-wide will be accomplished when the Administrator for Federal Procurement Policy determines that the Federal Government is making at least 75 percent of eligible contracts in amounts greater than the micro-purchase threshold. For the Department of Defense to consider that it is fully FACNET certified, the Secretary of Defense with the concurrence of the Administrator of Federal Procurement Policy will determine that the DoD has implemented a full FACNET capability. The Secretary of Defense shall also certify to Congress that the DoD has

implemented a full FACNET capability.

The Act also provides that all procurements between $2,500 and $100,000 are reserved for small businesses. Set-asides for small disadvantaged businesses continue from $0 to $100,000. This was done to allow the Government activities to increase the use of credit card purchases.

FASA allows the agencies to award and fund service contracts crossing fiscal years even if the Services are normally severable, as long as the base period of the contract does not exceed one year, excluding options. This allows the contracting offices to move the award of service contracts from the beginning of the fiscal year to less hectic times during the year, thus utilizing staff time better.

G. SUMMARY

This chapter has described recent legislation including DAWIA, DMR, and FASA. In addition the Army's 2000 Study recommending consolidation of installation contracting within the Army was reviewed. This chapter has shown the current climate within the DoD pertaining to consolidations. The next chapter discusses the data gathered from the responses to questionnaires given to the installation contracting office and interviews with contract management personnel and industry contracting managers.

IV. QUESTIONNAIRES AND INTERVIEWS

A. INTRODUCTION

This chapter presents the results of the questionnaires and interviews pertaining to this research. A questionnaire was sent out to all known field contracting offices in CONUS and Hawaii, that handled actions above $100,000, in addition to simplified purchase actions. Of the 186 questionnaires sent by either mail or E-MAIL, there were 38 responses for a response rate of 20 percent. Interviews were held with management personnel from Army, Navy, Marine Corps and Air Force contracting to determine potential problematic areas in combining the field contracting offices. Interviews were also held with contracting personnel from businesses that contract with at least two or more of the Services to get their view point on the effort to combine offices. The main question asked of these people was what the effect of consolidation would have on their business and do they view consolidation into one buying command a step in the right direction.

B. QUESTIONNAIRE RESULTS

The questionnaires sent out were divided into five main sections. Section A dealt with awards of contracts and dollar value for the last 12 months. Section B dealt with personnel assigned to the office by series and grade. Section C dealt

with recurring contracts and options. Section D dealt with current automation capability of each office. Section E dealt with the location of installation contracting offices. The questionnaire appears in Appendix B.

Of the 38 responses, four were from the Navy, 15 were from the Army, one was from the Marine Corps and the remaining 18 were from the Air Force. The responses represented a good cross section from all Services and covered large and small offices from around CONUS.

1. Section A (Award of Contracts)

a. Question 1 (actions below $25,000)

Of the 38 offices that answered this section, one office had fewer than 1,000 actions under $25,000, four had fewer than 5,000 actions, six had fewer than 8,000 actions, eight had fewer than 10,000 actions, 12 had fewer than 15,000 actions, three had fewer than 20,000 actions, two had fewer than 25,000 actions and two had more than 30,000 actions. The average office had about 11,400 actions under $25,000. This question shows the small purchase threshold as it was last year prior to FASA.

b. Question 2 (actions from $25,001 - $100,000)

Of the 38 offices that answered this section, four offices had fewer than 50 actions between $25,001-$100,000, ten had under 100 actions, 12 had under 150 actions, eight had

under 200 actions, one had between 250-300 actions, one had between 350-400 actions, one had between 500-550 actions and one had over 600 actions. This question showed the additional actions that would be considered under the simplified purchase threshold when FACNET is accomplished. The average number of actions per office is 188.

c. Question 3 (actions over $100,000)

There were 12 offices that had under 50 actions over $100,000, 18 had between 50-100 actions, four had between 100-150 actions, three had between 150-200 actions and one had between 400-450 actions. The number of actions in the large contract arena will drop dramatically when FACNET is accomplished and the threshold raises to $100,000 for the simplified purchase threshold. The average number of actions was 86 for actions over $100,000.

d. Conclusion

Of all the offices that answered the questionnaire, only five were able to give statistics on procurement actions under $2,500. Those statistics confirmed that approximately 38 percent of the actions within the simplified purchase threshold were under $2,500. The statistics gathered showed that the number of large contracts will be significantly changed when the simplified purchase threshold changes to $100,000; however, the number of actions to be added to the

simplified purchases will be minimal. The average number of actions over $25,000 currently is 274; whereas the average under $25,000 is 11,400. When adding 188 average actions per office to the 11,400 there is only a 1.6 percent increase in the number of simplified purchase actions. When FACNET is universal and the actions from $25,001-$100,000 (188 of the average of 274 actions) are taken out of the total number of actions over $100,000, then the actions over $100,000 are decreased by 68.6 percent.

2. Section B (Personnel)

Section B pertained to personnel in the field contracting offices. It was divided into Military Officers, Enlisted, Civilian (1102 contracting personnel), Civilian (1105 purchasing agents), Civilian (1106 clerical) and other personnel. No offices reported any cost/price analysts (1102), Quality Assurance (1910), or Industrial Specialists (1150). The Navy was the only Service that adequately utilized purchasing agents (1105), and the Army was the only Service that did not have military personnel in their offices.

a. Question 1 (Military Officers)

Of the 38 offices that returned the questionnaire, the total number of personnel were O-1 (14), O-2 (11), O-3 (22), O-4 (24), O-5 (7), and O-6 (1). All officers under the

grade of O-3 were reported by the Air Force as the Navy, Army and Marines start their officers in contracting at O-3.

b. Question 2 (Enlisted Personnel)

The total number of personnel were E-1 (1), E-2 (14), E-3(33), E-4 (62), E-5 (60), E-6 (41), E-7 (23), E-8 (4), and E-9 (1). All of the enlisted were reported by the Air Force.

c. Question 3 (Civilian 1102 or equivalent)

The total number of personnel were GS-3 (1), GS-4 (1),GS-5 (9), GS-6 (3), GS-7 (49), GS-9 (341), GS-11 (305), GS-12 (189), GS-13 (34), and GS-14 (25). The offices that had many lower graded personnel in this category did not have personnel in the 1105 category.

d. Question 4 (Civilian 1105 Purchasing Agent)

The total number of personnel were GS-3 (2), GS-4 (6), GS-5 (17), GS-6 (38), GS-7 (36), GS-8 (25) and GS-9 (3). Most of these people were in Navy offices.

e. Question 5 (Civilian 1106 Clerical Personnel)

The total number of personnel were GS-4 (15), GS-5 (33), GS-6 (35), GS-7 (47) and GS-8 (5) personnel. There were more clerical personnel than there were purchasing personnel.

3. Section C (Recurring Contracts)

Of the 34 offices that reported having recurring

contracts, there were 24 contracts per office on the average as compared to the average of 86 contracts per office. Of the 790 recurring contracts reported, only 667 had options in them. More than three fourths of the offices having recurring contracts had options in all of them. One fourth of the offices grossly under-utilized the options in recurring contracts by not including options in their recurring contracts.

4. Section D (Automation)

All of the offices that responded to the questionnaire had automation and were utilizing the automation for small purchases. There were 63 percent utilizing automation for large contracts and 47 percent of them had contract administration automated. There were only seven offices that had EDI capability presently.

5. Section E (Location of Installation Contracting Offices)

A list of the installation contracting offices and their location by state is found at Appendix B. Below is a listing, by state, of the number of installation contracting offices that buy above the simplified purchase threshold. Alabama (3), Arizona (3), Arkansas (2), California (17), Colorado (8), Delaware (1), Florida (6), Georgia (5), Hawaii (4), Idaho (1), Illinois (3), Indiana (3), Kansas (1), Kentucky (1), Louisiana

(1), Maryland (5), Massachusetts (1), Missouri (2), Mississippi (2), Montana (2), Nebraska (1), Nevada (1), New Jersey (2), New Mexico (4), New York (4), North Carolina (4), North Dakota (2), Ohio (2), Oklahoma (4), Pennsylvania (2), South Carolina (5), South Dakota (1), Tennessee (1), Texas (17), Utah (3), Virginia (11), Washington (4), Washington, D.C. (4), and Wyoming (1).

C. INTERVIEW RESULTS

1. DoD Contracting Management

Interviews were held with seven heads of contracting offices and PARCs. There were three Army PARCs interviewed, two Air Force MAJCOM contracting office heads, one Navy Commander at a FISC contracting office, and one Marine Director of Contracting. Of the seven, six of them felt that combining contracting at the installation level was feasible. Only four of them felt that it should be done at the DoD level. While the rest felt that it should be done at the Service level. They all agreed that the workload would be significantly affected when FACNET is fully utilized. Only two felt that simplified purchases should be taken from the installation level. The biggest concern of the Army PARCs was that there would not be the oversight that currently exists. Even if they started with several regional offices to supervise the district contracting offices, they would end up

like the DCMR where there are only two regional offices to run the many Defense Contract Management Area Organizations (DCMAOs) and Defense Plant Representative Offices (DPROs). The Army PARCs agreed that the personnel in most field contracting offices were overgraded and there should be more purchasing agents. The Navy utilized purchasing agents and the Air Force utilized mainly enlisted personnel to do small purchases.

2. Industry Interviews

Of the four contract management personnel interviewed, all agreed that there would be less confusion if they were able to deal with one agency that had one set of rules. They cited that the biggest problem in dealing with DoD is that each Service deals with them differently to get the same products. The biggest concern they have with the FACNET is that there will be more businesses competing for the reduced amount of goods and services that the DoD is procuring. All the persons interviewed agreed that consolidating the procurement process into DoD would be the correct move given the direction in which the Government is heading.

D. SUMMARY

This chapter presented the results of the questionnaires sent to field contracting offices and interviews conducted with management officials within DoD and with contracting personnel from industry. The results bore out the makeup of

the field contracting offices as stated in the studies that were done almost 20 years ago. The makeup of the offices have not changed significantly in that time. The comments received from the contract management personnel were the same as shown in the GAO studies and DRIS studies. The next chapter analyzes the background and makeup of the installation contracting office for the feasibility of consolidation.

V. ANALYSIS

A. INTRODUCTION

The objective of this chapter is to discuss and analyze the feasibility of consolidating the Military Services' contracting function into one consolidated DoD contracting organization. This objective will be met by analyzing three contracting organizational structure alternatives: maintaining the status quo, consolidating of the offices into DoD, or consolidating but leaving simplified purchases at the installation. As a result of the surveys, interviews, the review of prior consolidation efforts and legislation, the following factors were used to analyze the two organizational structure alternatives:

- DoD Environment
- Mission Support
- Personnel Costs
- Administrative Costs
- Procurement automation Systems
- Simplified Purchases

B. DOD ENVIRONMENT

The environment within the DoD has changed significantly in the past five years. Many activities that were operated by individual Services have combined and are now being operated in DoD, as presented in Chapter III. The DoD strategy in the

new environment is to improve management and preserve essential military capabilities through more efficient use of resources.

An analysis of the DoD environment shows us that the current contracting structure being utilized by the installations is not compatible with the future management strategies of the Department or even of the Services. The "2000" Study accomplished by the Army and the combining of contracting within the Marine Corps points toward consolidation of the field contracting activities. General Accounting Office (GAO) has done significant work in recommending combining contracting and they were the force behind the consolidation of contracting in Korea and Japan. Korea and Japan, as presented in Chapter II, are good examples of offices that have combined and have successfully fulfilled the needs of the other Services for which they purchase. As DoD continues its drawdown and the budgets decrease, the pressure to consolidate will continue to increase. The consolidation of field contracting could take place when the DoD automation system is fielded. This would be the perfect time to incorporate these activities.

C. MISSION SUPPORT

Chapter III presented the effects of FASA on the installation contracting offices. The main thrust in the

field contracting offices is the change of the simplified purchase threshold from $25,000 to $100,000 when FACNET is implemented within an office or within DoD. In addition, the Act allows the contracting office to utilize better its staff by allowing services contracts to cross fiscal years and be paid in the current fiscal year. This will allow the office to move its service contracts off the end of the fiscal year cycle, award them throughout the fiscal year, and be better able to plan for a more stable contracting environment.

1. Maintain The Current Structure

Survey responses revealed that base commanders want their own contracting activity to support their installation under their jurisdiction according to the contract managers interviewed. For example, there were two contracting managers interviewed who indicated that they felt the mission would be severly affected if contracting were consolidated. There has been apprehension among the offices concerning the utilization of the credit card system, due to the affect that it will have on their "rice-bowls." In the comments section of the survey questionnaire, the most common comment was that due to the credit card there has been a significant reduction of actions by this office. Additionally, prior studies, such as the DRIS and studies in Hawaii, [Ref:7,p.3] have shown that management believes that the current organizational structure enhances

mission support in two ways. First, the contracting personnel at the individual activities are experienced in the needs of that activity and can best provide the unique requirements of their customers. This experience has been developed over time and there is a fear that this experience would not be achieved in a consolidated office. Second, a high level of responsiveness is maintained, due to the fact that they work directly for the base commander or installation commander.

Although base commanders want to maintain the current structure, analysis reveals disadvantages. A disadvantage to this type of organizational structure is that almost every office is typically the same. There are large purchases, small purchases, contract administration and administrative support. Usually these offices are very small and there is a lack of synergism that would be found in a larger centralized office. Additionally, there is a lack of pooling of knowledge between offices, even in nearby locations, as there could be in a large centralized office. Typically there is not the potential for upward mobility due to infrequent loss of personnel in the next higher grade, requiring lower level personnel to transfer to new locations for advancement.

Another disadvantage is the competition among the different contracting organizations. For many years the Army and the Navy have recruited Air Force civilian personnel

because the Air Force has a higher percentage of lower grade positions than either the Army or Navy. The Air Force has an excellent training program and the other Services have benefited from this. This makes it difficult to fill a position when it becomes vacant without hurting another office. In a larger organization such as would be found in a consolidated office, the increase in size would allow the office to have redundant positions, which allows a vacant position to be covered until filled.

2. Consolidated Structure

Analysis reveals that DoD would see improvement resulting from the increase of the efficiency and effectiveness of combining the talents of the contracting personnel. The technical expertise would increase due to the consolidation of procurement specialists under one roof. A good example of the efficiency is the way in which the Navy operates its contracting offices. The FISCs procure above the small purchase threshold for many activities. They also delegate procurement authority to many activities mainly for simplified purchases. In many cases this is a one-person office or one with a very few people. FISCs have reported that the number of small purchases per contracting personnel is much greater in the main office than at the various sites due to the teaming that is available at the larger offices. Furthermore,

a centralized office can combine like services and commodities, thus improving the contracting efficiency. For example, in Korea there are many opportunities in both small and large purchases to combine the requirements of various offices (installations or activities) to have larger procurements and get better prices for commodities and services.

Although analysis reveals that a centralized office increases efficiencies, prior DRIS studies have shown that the potential degradation of mission support continues to be the primary concern and biggest perceived impediment to the acceptance of consolidation. However, the results in Korea and Japan run counter to this perception. All of the base commanders and flag officers in Korea and Japan lauded the performance of the consolidated structures.

Consequently, analysis reveals that the consolidation of contracting for field contracting offices could be successful if it is equal to or exceeds the mission support currently being provided by the current offices. The results of the consolidations in Korea and Japan show that the GAO finding in 1974 is true: for both agencies there were no degradations in assistance for any activity being supported. In fact, the support was better in the consolidated offices than it was in the decentralized offices. This occurred because there was

more expertise available for the contracting function such as legal, cost-pricing personnel, engineers and quality assurance personnel, in addition to the increased number of contracting specialists. However, the impacts of consolidation on mission support will rest on management's ability to transition to the consolidated offices in a smooth manner. If the smooth transition occurs, there would be no degradation of mission support and there would be a higher degree of efficiency as evidenced in prior consolidations.

3. Summary

The most important mission of any field contracting office is to support the mission of the activities utilizing its services. One major opinion expressed in the studies analyzed and by contract managers interviewed was that there is a need for contracting functions to be located on the installation and under the control of the installation commander. For consolidation to work, the contracting office must provide the same responsiveness to the installation as it did while it was located on that installation. Through the analysis of the research, it was shown that larger consolidated offices could have increased efficiency and effectiveness due to combining the talents of the contracting personnel and combining like services and commodities for better prices and reduced costs.

D. PERSONNEL COSTS

Thirty-eight offices returned surveys revealing that more than 1500 personnel are employed in these offices. Survey respondents acknowledged that these offices did not have cost-pricing personnel, quality assurance personnel, industrial specialists or legal personnel. The personnel currently employed by these offices performed the following procurement functions:

- Large contract awards.
- Simplified purchases.
- Contract Administration.
- Contract support.

1. Maintaining the Current Structure

Analysis revealed that maintaining the current structure is the easiest, as it does not require additional training, a new work environment or learning to work with new people. As can be seen during the last five years, there have been significant cuts of personnel in all aspects of the DoD, including procurement. All indications are that this trend will continue. But, in 1986, a DRIS study in Hawaii [Ref:7,p. 4] stated that only personnel cost savings may be realized by keeping the same organizational structure. This savings would occur only by avoiding the costs of Reduction in Force (RIF) personnel transfers that could occur if employees were displaced to effect a consolidation. However, there is going to be a need for RIF actions, even if the current structure is

maintained. This could lead to the conclusion that the consolidated office may be the only viable solution to the reduced manning levels.

2. Consolidated Structure

Analysis revealed that in both Korea and Japan significant personnel costs were avoided, due to the consolidation effort. These savings occurred in administrative and personnel arenas. Additionally, if a consolidated structure were adopted, deficiencies that were noted in the Army's "2000" Study of not having cost/pricing or quality assurance expertise could be eliminated. With the consolidated efforts, legal personnel who deal only in contracting issues could be put on staff. Very few offices now have legal personnel that have a background in contract law. There could be cost/pricing personnel available for the larger and more cumbersome pricing jobs and quality assurance personnel to review the personnel in the field that are supervising or accepting the goods and services for the service. Contract administration could have the emphasis that it has needed for some time. Personnel could also work in teams and there would be a much better upward mobility for their careers. The consolidations in Korea and Japan reduced personnel, but were still able to add the expertise of lawyers on staff, quality assurance personnel, and cost pricing

personnel to enhance the contracting capabilities of the combined offices. Much better solicitations were put on the streets for contractors to bid/quote on. Procurement Management Reviews have also shown that contracts being produced since the consolidations, are much better than before, and the duplicative efforts have been eliminated. Additionally, as indicated earlier, consolidation could potentially result in a more efficient and effective procurement process as a result of the synergism. This increased efficiency could also result in reduced manpower requirements as seen in Korea and Japan.

3. Summary

DoD could accomplish a major decrease in personnel costs through the consolidation of contracting offices throughout the DoD. Personnel cost savings as seen in Japan and Korea could be saved as a result of reduction of duplicate management and overhead labor costs along with the reduction of direct labor costs due to the efficiencies gained by the consolidation. RIFs are no longer a savings to maintaining the present structure due to the changes being made by FASA, which makes this objection to consolidation invalid.

E. ADMINISTRATIVE COSTS

Every organization must consider its administrative support structure to ensure that it is adequately staffed or

the Command's mission will suffer. Administrative costs in the short run would increase, according to contracting management personnel interviewed. This is due to the learning curve for employees as they encounter new Standard Operating Procedures (SOP), new management techniques and computer systems as they transition to the new organization.

1. Maintaining the Current Structure

Obviously by maintaining the current structure, administration expenses are not increased. Employees would have no new procedures or policies of the new organization to learn, ie., no new SOPs. The physical structure would be familiar and the reporting chain would have no changes. There would be no increased PALT due to changed procedures and new personnel. There would not be extensive training on a new computer system or in the procedures of the new office.

2. Consolidated Structure

Consolidation could provide several administration cost savings. For example, duplicate administrative efforts could be avoided by planning the consolidation carefully. By utilizing a "Best Practices" study, the best and most efficient administrative practices utilized by all the contracting organizations could be incorporated. The result could be a much more efficient organization by employing these methods into the new offices.

Duplicative administrative requirements such as sources of supply, contractor performance and price histories could be combined thus requiring fewer personnel to maintain them. Also, the main savings realized by consolidation is the combining of actions. This results in fewer contracts, providing cost savings not only in larger buys, but also in the administrative costs of making the purchase. In addition, there would be savings from the elimination of duplicate records on firms and price histories that are currently being maintained by each individual office. The administrative costs due to the reorganization could be minimized or avoided by proper planning and training of personnel prior to the consolidation.

3. Summary

While there is a possibility for increased administrative costs during the transition to a consolidated office, these can be minimized by proper planning. A decrease in overall administrative costs can occur with proper planning and execution of the consolidation. For example, duplicate records kept by each office could be combined to add to the cost savings of overall of consolidation.

F. PROCUREMENT AUTOMATION SYSTEMS

Surveys revealed that the Navy utilized APADE on PCs, the Army utilized SAACONS on a mini computer, and the Air Force

and Marine Station utilized BCAS on a Wang mini computer. A major objection to consolidation of field offices is the fact that each Service has a different system. However, DoD is currently procuring a DoD system which all Services will eventually utilize.

1. Maintain the Current Structure

Analysis reveals that the Services have individual computer systems that are not compatible with each other. Consequently, DoD is in the process of procuring a system that all Services will utilize. The fielding of this new system will begin in 1997 to offices that do not currently have automation or FACNET capabilities. DoD has stated that this fielding could take up to five years, with the culmination projected for 2002.

2. Consolidated Structure.

Since DoD has decided to procure and field the new automated system, this obstacle to the consolidated structure will be removed. This automated system will be fielded in such a manner that the personnel being trained are the same personnel who would be running the consolidated offices. Analysis also revealed that there are other alternatives to the DoD system, such as the Navy system being developed in China Lake, California.

3. Summary

The main impediment to consolidation was the Services having individual automation of the procurements. Each system is effective, but each is quite different from the other, which would require a great deal of training before utilizing the other Service's system. With the DoD contracting for a system to be utilized by all Services, it will be much easier to consolidate offices utilizing the DoD system. Additionally, training of personnel will be more cost effective by having larger training classes and would still be required whether the present structure is maintained or a consolidation takes place.

G. SIMPLIFIED ACQUISITIONS

The simplified acquisitions could either stay with the installation or go with the consolidation of the large contracts. There are advantages either way, but in order for the proper disposition of the contracting function they should be consolidated also.

1. Maintain the Current Structure

Analysis revealed that even if large contracts are consolidated at the district offices, the simplified acquisitions could remain at the installation. This could provide a contracting buffer that the installation commanders feel that they need. This would give the installations a

purchasing capability up to $100,000 ($200,000 if to be sent to a combative situation) at their installation. It would also ensure that the base has a contracting liaison with the district contracting office to ensure that its projects were being handled expeditiously. It would also give the district offices a liaison with the installation for contract administration.

Maintenance of the current structure would allow the simplified purchase office to monitor the credit card system and therefore be under the control of the installation commander. Unlike large contracts, the simplified purchase office does not require the use of outside personnel, e.g., Procurement Management Reviews (PMRs) by top management out of the pentagon, legal expertise etc. It would be very easy to leave it under the supervision of the installation commander and allow that installation to accomplish its own simplified purchases. When the consolidations in Korea and Japan occurred, the original plan was not to consolidate the small purchases. However, when the consolidation took place, the small purchases were consolidated under the supervision of the Army in Korea and the Air Force in Japan. But, small purchase offices were still located at each of the Air Force bases in Korea and the Army bases in Japan.

2. Consolidated Structure

Analysis reveals that it is possible to consolidate the simplified purchases and still leave enough personnel at each installation to accomplish the task for that installation. Savings could be accomplished if they were consolidated by combining purchases and having personnel buying distinct commodities or services under the threshold. For example, in order to have adequate liaison at each base in Korea, it was determined that an office would be kept with minimal people to accomplish the simplified purchases. In Korea there are only five to eight people at each base, but they not only do the simplified purchases but also act as contract administration personnel on the installation for the main office in Seoul. This arrangement has its advantages. One such advantage is that the installation commander feels that he has input through the office chief (Army Major) at his installation.

3. Summary

Analysis revealed that if simplified purchases are consolidated into the new structure, consideration must be given to leaving simplified purchasing on the base. This would allow for control from the district office. It will allow better relations with the installation and will give the simplified purchases including the credit card buys proper supervision from a contracting entity.

H. SUMMARY

The objective of this chapter was to discuss the input given by the offices that submitted responses to the questionnaire, the informal interviews with contracting management within the Government and businesses that contract with the Government, and prior consolidations and changes in the procurement regulations/laws. To conduct this analysis, key factors were analyzed to answer the question: Should the contracting function be consolidated into one central organization or should the status quo be maintained? Those key factors were: the DoD environment, mission support, personnel costs, administrative costs, procurement automation systems and simplified purchases. The analysis shows that based upon the questionnaire and interviews, the answers to the questions presented have not changed from the prior studies accomplished up to 20 years ago. The mind set and the make-up of the offices have not altered during that time. The following chapter gives the conclusions to these factors and recommendations for DoD.

VI. CONCLUSIONS AND RECOMMENDATIONS

A. INTRODUCTION

This chapter discusses the conclusions drawn from the following factors: DoD environment, mission support, personnel costs, administrative costs, procurement costs, and simplified purchases. Recommendations are given as to what the consolidated office should consist of and where these offices should be located, based upon the location of the installations. Recommendations as to the need for regional offices to oversee the operations of the district offices are also given. This chapter concludes with recommendations for further study.

B. CONCLUSIONS

1. DoD Environment

Based upon the current climate within DoD and the Standard Procurement System that DoD is developing, this is the perfect time to consolidate the installation procurement offices to produce a better product for the installations with fewer personnel. The offices in Korea and Japan have been consolidated for almost 20 years and the efficiencies of the consolidation are a matter of record. There has been much opposition to the consolidation within the Services to protect "rice bowls;" however, with the changing national threat and

the need to balance the budget, there is no reason not to consolidate and become more efficient.

The current environment within the U.S. Government and DoD is to empower the contracting officer and simplify the way DoD procures the needed services and commodities for the Armed Services. FASA was passed in 1984 raising the simplified purchase limits to $100,000 as soon as the contracting offices are on FACNET. All Services have taken steps toward consolidation, e.g., the Marine Corps consolidation of field contracting in 1995 and the Army "2000" Study. Many other functions have been consolidated into DoD in the past five years and have successfully saved millions of taxpayer dollars. The DoD budget is decreasing, and with the push to balance the budget it will continue to decrease for the foreseeable future. With this decrease in budget, there will be losses of personnel as the military continues to draw down. In order to maintain quality procurements and do it more efficiently and effectively, it is necessary to have consolidation of the field contracting activities.

a. DAWIA

The consolidation will ensure that all procurement personnel within DoD are handled the same, thereby avoiding the the differences that currently exist among the Services. Education and training of the professional workforce are a

necessity and would be more easily accommodated by the consolidation. This methodology is preferred, rather than the way it is currently handled, letting the individual Services determine the money spent on education and training of its workforce. Currently, the Air Force spends the most money on training its workforce, but does not have adequate educational programs for its personnel. The Army spends a great deal on both training and education and is the only Service to offer its civilian Acquisition Corps members the opportunity to get an advanced degree on a full-time basis. The Navy and Marine Corps do not even meet the minimum educational and training requirements of DAWIA in their professional workforce. These inequities would not exist if the workforce were consolidated under DoD.

b. "Single Face to Industry"

Consolidation would also ensure that procurement is handled with a "single face to Industry." This approach has worked very well on the contract administration side of the procurement process. For example, DCMC ensures that all contractors are handled in the same manner and have the same organizational structure with which to deal when they have contracts administered. The personnel interviewed from industry felt that the DCMC consolidation was a worthwhile reorganization and felt that it should be done on the buying

side as well.

2. Mission Support

If DoD maintains the current structure, in the face of changes required by FASA, the current contracting offices will be either very small or over-rated personnel will be awarding simplified purchases. Based upon the questionnaire responses, informal interviews with contracting managers, prior studies and consolidations, and the prior knowledge of this author, it is evident that a consolidated centralized structure could improve mission support. Both Korea and Japan have shown that if the consolidation is planned carefully, degradation of services to the installations involved does not occur. In both Korea and Japan, the mission support increased as the contracting office was able to have legal personnel that were contract lawyers, cost/pricing personnel, and quality assurance personnel on staff. This ensured that the contract would yield what the requiring activity wanted in a timely fashion.

3. Personnel Costs

In the studies performed over the past several years, personnel costs were a significant reason not to consolidate offices. Personnel in the field contracting offices perform basically the same work from office to office. With the change in FASA, there will be less work for them to perform.

Consequently, on the average, large contract awards will be reduced by more than half. On the other hand, the simplified purchases will increase only by less than one percent, on the average. Possible reductions-in-force (RIFs) were a main impediment as there are costs associated with employee RIFs. In today's climate, RIFs will occur whether or not the offices are combined, which makes this argument mute. With the offices getting smaller and the large purchases being cut by more than one-half, consolidation cannot be avoided without decimating the current office capabilities.

4. Administrative Costs

Administrative costs increase normally during any consolidation. These increases are for a short period of time and with proper planning should be minimized or avoided. Even though maintaining the current structure is the easiest route to take, it is not necessarily the best in the long run. Many administrative costs such as duplicate records kept by each office could be combined to produce costs savings. A "Best Practices" study could be performed, which would give the consolidated office the best approach to the administration costs and handling of administrative items in the office.

5. Procurement Automation Systems

With the fielding of the DoD Standard Procurement System, the fact that the individual Services have completely

different systems will not deter the consolidation. The fielding of the system should be done as the consolidations take place. This way, training personnel for the new system will be done no differently than it would have if the consolidation did not take place. If the training and fielding of the system were done in conjunction with the consolidation of contracting offices, then the resulting costs would be less to DoD, as it would have if they fielded it in each of the installation offices. This would be true because even if the simplified purchases are to remain on the installation level, the capability of the computer system would not have to be as great as it would if all purchases were made at the installation level. In Korea, for example, the cost of fielding the SAACONS at the installation level was less than one-fourth the cost of the main office.

6. Simplified Acquisitions

By placing the simplified purchases in the installations, there is a feeling of connectivity with the procurement office and a feeling by the installation management that it has a line of communication with the office. As shown in the consolidations that have already taken place, the best results are found if the simplified purchases stay on the installation. This will give the installation commander a liaison with the district contracting office and will give the

contracting office capability to do contract administration on the installation, overseeing the Contracting Officer Representatives (CORs). Maintaining installation simplified procurement offices has been one of the main factors in Korea and Japan that made the consolidation viable. It will also maintain better oversight of the BPAs, credit card system and imprest funds.

7. Summary

The future of the DoD environment is the key factor in determining whether or not the consolidation should take place. The current environment reflects significant savings realized by prior contracting consolidations and consolidations of other functions within DoD. The recent changes in the laws governing contracting show that it is more feasible to consolidate now. Due to the existing draw-down, there are fewer personnel, consequently, consolidation is easier. Since the DoD consolidation of computer systems will occur within the next five years, there is no longer a valid argument against consolidation. Furthermore, fielding of the new acquisition system will occur within the next seven years. Thus, the timing is superb for the consolidations to take place while fielding the new computer system.

Chapter II reviewed the studies accomplished in the past and the result of the consolidation of contracting in Korea

and Japan. Both regional contracting offices were successful even though they faced a more negative environment toward consolidations than exists today. For example, both areas have had problems with bribery and bid fixing for many years. However, even with the problems of being in an overseas environment, they were able to consolidate and save the government millions of dollars.

Chapter III explained the environment that DoD is currently facing and the other consolidations made in the last five years. They have resulted in savings of millions of dollars in DoD. The study accomplished by the Army and the consolidation accomplished by the Marine Corps both show the current thinking as it pertains to installation contracting. It has been shown that there is a shrinking budget for DoD, with no reprieve in sight. The current demand to balance the budget will cause the DoD budget to shrink even more. In addition, it also revealed the changes being made in the way contracting is accomplished through FASA.

Chapter V showed the significant effect that FASA is going to have on the installation contracting office. It will have a significant effect on the large contracts with only a small impact on the simplified purchases. This chapter also revealed that it is imperative that DoD make the best utilization of the budget dollars that it receives from

Congress. The analysis of the consolidations of other functions shows that significant cost savings were realized by DoD. Field contracting is changing, due to the signing of FASA into law in October 1994. There are other reform measures before Congress that will simplify the way procurement is accomplished at the field contracting level. With the base closures and the significant draw-down of forces within the DoD, consolidation is the only viable solution to increasing the efficiency and effectiveness of providing goods and services to the installations.

C. RECOMMENDATIONS

Based on the analysis presented in Chapter V, and subsequent conclusions, the following recommendations are provided. These recommendations seek to improve the existing procurement system.

1. General

If DoD is going to consolidate contracting, it should be accomplished as it fields the Standard Procurement System within the next five years. This is the perfect opportunity to help make procurement the "profession" that it should be. Installation contracting is the backbone of the installations that it serves. In order to make it capable of providing the best service to the DoD activities, now is the time to consolidate to ensure that the best products and services are

procured for our Armed Services.

Simplified purchases should be part of the consolidation, but should remain on the installation to give liaison between the requiring activities and the contracting office. The impediments shown in prior studies to consolidation have become mute due to the drawdown of forces within DoD and the procurement of a Standard Procurement System to automate all procurement within DoD. With the fielding of the new system within the next seven years, it provides an opportunity for DoD to consolidate the field contracting into an efficient organization.

2. Locations of Offices

Based upon the location of existing offices in Appendix B, the district offices should be located in the areas indicated on the map. The selected locations are based upon being in the center of a mass of installations, keeping in mind that the largest offices will supply the most personnel. This will also allow for minimal movement of personnel assigned to the new offices and places the new offices in the center of the installations being served. The proposed new locations of the consolidated offices are located on a map in Appendix D. This would mean that the average district office would have 774 actions over $100,000 based upon the survey of field contracting activities. They would provide acquisition

support for an average of nine bases. Usually they are located near or at a Navy FISC and the reason is that these are currently the largest contracting offices that do field contracting.

3. Composition of Offices

In order to ensure that active duty military are trained in field contracting in the event of a mobilization or conflict anywhere in the world, it would be necessary to have military personnel assigned to the district offices. Either military officers or civilian employees could run the district offices. The offices should have at least a GM-15 or O-6 in charge and the larger offices should have at least an SES or O-7 in charge. The offices should be broken down into commodity buying teams so that they will utilize the team concept and there would be better communications among the people in a branch. A diagram of a typical office is at Appendix E. This shows the additional specialized personnel such as cost/pricing, legal, quality assurance and industrial specialists to aid the contracting personnel to achieve better contracts that ensure that the DoD is getting the goods/services that it needs which meet the needs of the Services. The "2000" Study conducted by the Army in 1992 recognized the need for cost/pricing and other specialists to assist the contracting officer. One of their recommendations

was to have a cost/pricing person and a quality assurance person in all offices with more than 30 personnel. The audit agencies have lauded Korea for having a cost/pricing branch, QA branch, Office of Counsel, and engineering within the contracting organization. With the increased size of the consolidated offices there would be enough demand that they could have a branch of cost/pricing personnel and quality assurance personnel. The ability to have one's own legal counsel is becoming more prevalent as the contractors become more litigious. The laws and regulations are changing rapidly and the need for legal representation knowledgable in contracting is becoming mandatory.

4. Regional Offices

Currently, all three Services have offices in Washington, D.C., to oversee the purchasing by field offices. The DoD FAR Supplement requires that PMRs be conducted and in the case of the Army, those reviews are carried out for the most part by the Principal Assistants Responsible for Contracting at the MACOM level. These people work directly for the Head of The Contracting Activity (HCA) and usually have eight or nine offices that they monitor. The offices do not report directly to them, but there is a contracting line of supervision. The Navy has the FISC contracting personnel do the PMRs on the installation level offices, and the MAJCOMs for the Air Force

do the PMRs on installation contracting offices.

In order to have proper supervision of the 20 district offices, there would need to be a management level above them reporting to DoD. Currently the DCMC system has two regional offices and there is no reason to believe that this would not suffice for the contracting offices. The best location would be on the East Coast and West Coast with the West Coast handling all the offices west of the Mississippi. These offices could perform the tasks normally assigned to the HCAs and would have top level people in contracting, purchasing, quality assurance, legal, cost/pricing, and engineering to be available to assist the district offices. In addition, PMR and training would be handled at the regional level.

5. Simplified Purchases

Based upon the experience from Korea and Japan, simplified purchases should be kept at the local installation level, with direct reporting to the consolidated office that does the procurement for that installation. The simplified purchase office would provide liaison with the installation commander and the district procurement office. The office at the installation can also monitor the Advance Acquisition Plan for that installation and conduct the contract administration activities for the procurement office. The typical office should consist of at least five personnel, with an O-3/GS-11

or O-4/GS-12 in charge. The office should consist of purchasing agents other than the chief who should be an 1102 in order to do the contract administration for that installation. The number of personnel would vary depending on the workload of that installation in simplified purchases.

D. RECOMMENDATIONS FOR FURTHER STUDIES

1. Conduct an Analysis to Determine the Best Location and Number of Offices.

Based upon this study of only 38 installations, the recommendation was to have 20 district offices and two regional offices. This was based upon the size and number of installations in a given area. In order to ensure this was the number needed, a survey should be done of all the offices and the location should be based upon the least amount of movement for personnel to manage the new office.

2. Conduct a Study of the Consolidated Offices to Determine the Need for Expertise Other than Contracting Personnel.

The consolidations done in Japan and Korea allowed for professional personnel other than contracting personnel. There are contract lawyers, cost/pricing personnel, and quality assurance personnel. This study based the proposed offices on the types of personnel in Korea. The offices in each area would most likely have a different need for personnel depending upon the size and complexity of the

contracting to be accomplished. A study should be accomplished to determine the needs in each area office that is designated.

3. Conduct a Study to Determine the Best Method of Transitioning to the New Consolidated Offices.

The transitioning that was accomplished in Japan and Korea was very successful. With the fielding of the DoD Standard Procurement System, the transitioning in CONUS will be different from the transitioning that was accomplished in Japan and Korea. A study should be conducted to determine the timing and sequence of the consolidation.

4. Conduct a Study on the Need for Simplified Purchases to Be Made at the Installation.

Simplified purchases at the installation level worked quite well in Korea and Japan. The need for liaison between the base/installation management and the contracting office can be a factor that could result in the success or failure of the consolidated contracting office. A study should be performed to determine the grades and series of personnel that will work in the installation level contracting, particularly the need for military personnel in case of a contingency.

APPENDIX A

ANSWERS TO RESEARCH QUESTIONS

This appendix provides answers to the research questions presented in the introduction of this thesis.

1. Primary Research Question

The primary research question for this thesis is: **Should field contracting offices in the Army, Navy, Air Force and Marine bases be consolidated into area buying offices run by DoD?**

Based upon the analysis presented in Chapter V, DoD should consolidate field contracting activities into area buying offices. Consolidation will result in the unification of procurement expertise under one central organization and will improve the efficiency and effectiveness created by the synergism among the procurement personnel in that office. The larger office will be able to have professional people not available to the small base contracting office, i.e., legal personnel knowledgable with contract law, cost/pricing personnel, and quality assurance personnel. Centers of excellance will be able to be set up and upward mobility and trainee billets will be available.

The overall cost of the operation will be reduced significantly and resource use will improve as a result of

eliminating duplicate personnel and actions.

2. Subsidiary Research Questions

The supporting research questions and their answers for this thesis are as follows:

a. Could area offices meet the needs of the Services?

As shown in the analysis of Japan and Korea in Chapter II and the subsequent analysis in Chapter V, the installations' needs could be met better by district offices than by the current organizations. The capability drawn from teams of personnel that can glean information from one another would provide the installations with better contracts which would ensure that it gets needed products and services in a timely manner. Past consolidations have shown that with proper implementation consolidation can make the office more attuned to the needs of the installations that it serves.

b. Will "one face to industry", which is currently touted by DoD, work in the buying offices as well as in contract administration?

In Chapter IV and V this question was discussed and analyzed. Based upon interviews and past consolidations the idea of "one face to industry" would make it much easier to deal with the businesses that deal with more than one Service. One of the most common critisms of dealing with DoD has been that each Service has its own interpretation and

implementation of the regulations. This causes confusion by businesses that deal with more than one Service. The consolidation would ensure that there was "one face" to the business community and that there was a commonality in the way contracts are written.

c. Will the consolidation hurt small businesses/disadvantaged businesses?

As FASA is implemented and the FACNET becomes a reality, there will be better chances for small and disadvantaged businesses to quote/bid on more contracts due to the contracting being handled electronically. In addition there is the credit card system which allows purchase up to $2,500 in the local area. Consolidation should not affect the manner in dealing with small or disadvantaged businesses with the utilization of electronic commerce.

d. Will the consolidations stop the competition of services in utilizing the local resources?

Currently in many locations where there is more than one base or Service, there is competition among them to procure the limited services in that area. With the consolidation, as shown in Chapter V, the area office could combine like services and commodities thus eliminating the competition among the Services/bases in a given area.

e. Will the consolidations allow for a reduction of personnel?

As shown in Chapter II and Chapter V, there is an excellent opportunity to reduce personnel through combining redundant jobs. However, this should not be the main criterion for the consolidation. Getting professional personnel in the legal, cost/pricing and quality assurance areas should be a high priority to improve the contracts that are accomplished for the installations.

f. Will consolidations allow for combining requirements' contracts and other contractual actions?

Chapter II and Chapter V have shown that prior consolidations allowed for the combining of multiple requirements into a single contract successfully. Based upon the questionnaire responses, there are many recurring contracts that could be combined in any given area. Japan and Korea have shown significant savings from combining requirements of different installations. Even though in some instances awards are made to more than one vendor, the cost of solicitation decreased as a result of the combination of the requirements.

g. Will consolidations allow for individual needs of the Services i.e., particular needs of a base or installation?

Chapter II and V discussed at length how the needs of the base or installation could best be met. Prior consolidations have shown that by having simplified purchases

remain on the installation and with reporting to the area office, a liaison is maintained with the management of the installation. This provides a connectivity that is necessary to have in order for the consolidation to be successful. With such a liaison in place, past consolidations have shown that the needs of the Services were better met with the consolidated organization.

h. How will the consolidation affect each Service's approach to the DAWIA requirments?

The consolidation should not affect each Service's approach to the DAWIA requirements. Training and education as required by DAWIA for the personnel working in the field contracting would be better implemented as a result of the consolidation as shown in Chapter III and Chapter V. With the larger offices, more emphasis can be placed on training and education of the workforce. As is the case in many installation offices, currently if people goes to training their work is left undone until they return since there is no one else that can handle their workload. In the consolidated office there would be personnel to handle the workload during the absences for education and training of personnel.

i. Would the consolidation provide a training ground for contracting officers from each service and would it provide the growth for advancement?

Chapter III and Chapter V show that there is much

better upward mobility and growth capabilities in a consolidated office than in an installation contracting office. In many instances there is not the potential for growth or upward mobility. In many instances in the questionnaires there were breaks in the grade structure, e.g, personnel in the GS-12 catagory and GS-14 but no position in the GS-13 which would make it impossible for anyone in that office to get to the GS-14 position. The size of the offices in a consolidated structure would enhance the upward mobility capabilities and growth potential for the personnel.

j. How would simplified purchases be handled?

In Chapters III, V, and VI the simplified purchases were discussed in great detail. The conclusions reached were that simplified purchases should be kept at the installation level in order to have liaison with the installation mangement and provide connectivity with the requiring activities and the contracting office. The personnel should be purchasing agents and as a result be in the 1105 series instead of the 1102 series. This would enable the requiring activities to have better control over the simplified purchases, which are normally the quick turnover needs of the installation. The personnel in the installation office should report to the contracting office in that area.

APPENDIX B

QUESTIONNAIRE

Thesis on Change in Small Purchase Threshold

Please answer the following by checking the appropriate box. If your answer is over the amounts given, please write in an approximate number that applies.

A. Awards of contracts and dollar value for FY 94 or last 12 months

1. Number of awards and total dollar value $25,000 or less

____less than 1,000 ___1,000 - 5,000 ___5,000 - 8,000 ___8,000 - 10,000 ___10,000 - 15000 ___15,000 - 20,000

____20,000 - 25,000 ___25,000 - 30,000 ___over 30,000 _____approx dollar value $_____

2. Number of awards and total dollar value $25,001 - $100,000

___less than 50 ___50 - 100 ___100 - 150 ___150 - 200 ___200 - 250 ___250 - 300 ___300 - 350 ___350 - 400 ___400 - 450

___450 - 500 ___500 - 550 ___550 - 600 ___ over 600 _____approx dollar value $_____

3. Number of awards and total dollar value over $100,000

___less than 50 ___50 - 100 ___100 - 150 ___150 - 200 ___200 - 250 ___250 - 300 ___300 - 350 ___350 - 400 ___400 - 450

___450 - 500 ___500 - 550 ___550 - 600 ___ over 600 _____approx dollar value $_____

B. Personnel (TDA) please put the appropriate number in the space provided of positions authorized. Include vacant positions.

1. Total Number of Personnel in your directorate _____

2. Personnel by Job (please put in number of personnel in that grade or equivalent grade)

a. Military Personnel

1. Number of military officers by grade

WO-1____ WO-2____ WO-3____ WO-4____ O-1____ O-2_____ O-3_____ O-4_____ O-5_____ O-6 _____

2. Number of Enlisted personnel by grade

E-1_____ E-2_____ E-3_____ E-4_____ E-5_____ E-6_____ E-7_____ E-8_____ E-9_____

b. Civilian Personnel (1102 or equivalent)

less than GS-4_____ GS-4_____ GS-5_____ GS-6_____ GS-7_____ GS-8_____ GS-9_____ GS-10_____ GS-11____

GS-12____ GS-13____ GS-14____ GS-15____ SES____

c. Civilian Personnel (1105 or equivalent)

less than GS4____ GS-4____ GS-5____ GS-6____ GS-7____ GS-8____ GS-9____ GS-10____ GS-11____

GS-12____ GS-13____ GS-14____ GS-15____ SES____

d. Civilian Personnel (1106 or equivalent)

less than GS4____ GS-4____ GS-5____ GS-6____ GS-7____ GS-8____ GS-9____ GS-10____ GS-11____

GS-12____ GS-13____ GS-14____ GS-15____ SES____

e. Civilian Personnel (1102 Cost/Pricing)

less than GS4____ GS-4____ GS-5____ GS-6____ GS-7____ GS-8____ GS-9____ GS-10____ GS-11____

GS-12____ GS-13____ GS-14____ GS-15____ SES____

f. Civilian Personnel (1102 Admin)

less than GS4____ GS-4____ GS-5____ GS-6____ GS-7____ GS-8____ GS-9____ GS-10____ GS-11____ GS-12____

GS-13____ GS-14____ GS-15____ SES____

g. Civilian Personnel (1910 or equivalent)

less than GS4____ GS-4____ GS-5____ GS-6____ GS-7____ GS-8____ GS-9____ GS-10____ GS-11____ GS-12____

GS-13____ GS-14____ GS-15____ SES____

C. Contracts over $100,000

1. Approximately how recurring contracts do you have?

_____

_____

2. How many of these contracts have options for over 2 years when written?

_____

_____

D. Automation

1. Which automation system do you use ___BCAS,___ SAACON, ___APADE or other (specify)

_____

2. What brand and model hardware to you currently have?

_____

_____

3. Do you utilize automation for other than simplified procurement and to what extent?

_____

_____

_____

4. Is contract administration automated and to what extent?

_____

_____

_____

E. Are you competing for services and commodities with other Government entities in your area and what entities are you competing with?

F. Do you have any other comments?

APPENDIX C

LOCATION OF CURRENT INSTALLATION OFFICES

The location of the current offices are listed below by state.

ZIP	STATE	BASE/INSTALLATION
1731	MARYLAND	HANSCOM AFB
1760	MASSACHUSETTES	NATICK
7002	NEW JERSEY	BAYONNE
8640	NEW JERSEY	FT DIX
8641	NEW JERSEY	MCGUIRE AFB
10996	NEW YORK	WEST POINT
12189	NEW YORK	WATERVLIET
12903	NEW YORK	PLATTSBURGH AFB
13441	NEW YORK	GRIFFIS AFB
17201	PENNSYLVANIA	CHAMBERSBURG
18466	PENNSYLVANIA	TOBYHANNA
19902	DELAWARE	DOVER AFB
20012	WASHINGTON DC	WALTER REED
20319	WASHINGTON DC	NDU
20331	WASHINGTON DC	ANDREWS AFB
20374	WASHINGTON DC	NAVREGCONTCEN
21005	MARYLAND	ABERDEEN
21010	MARYLAND	ABERDEEN PROVING GROUNDS
21719	MARYLAND	FT RITCHIE
21719	MARYLAND	FT RICHIE
22041	VIRGINIA	FALLS CHURCH MTMC
22060	VIRGINIA	FT BELVOIR
22060	VIRGINIA	FT BELVOIR

22134	VIRGINIA	QUANTIC MCCDC
22314	VIRGINIA	ALEXANDRIA
22314	VIRGINIA	ALEXANDRIA
22331	VIRGINIA	ALEXANDRIA
22902	VIRGINIA	CHARLOTTESVILLE
23511	VIRGINIA	NORFOLK FISK
23604	VIRGINIA	FT. EUSTIS
23665	VIRGINIA	LANGLEY
27531	NORTH CAROLINA	SEYMOUR-JOHNSON
28307	NORTH CAROLINA	FT BRAGG
28308	NORTH CAROLINA	POPE AFB
28542	NORTH CAROLINA	MCB CAMP LEJEUNE
29152	SOUTH CAROLINA	SHAW AFB
29404	SOUTH CAROLINA	COLUMBUS AFB
29408	SOUTH CAROLINA	CHARLESTON FISC
29512	SOUTH CAROLINA	SHAW AFB
29905	SOUTH CAROLINA	PARRIS ISLAND MCRD
30050	GEORGIA	FOREST PARK
30330	GEORGIA	FT MCPHERSON
31098	GEORGIA	ROBINS AFB
31699	GEORGIA	MOODY AFB
31704	GEORGIA	MCLB ALBANY
32212	FLORIDA	FISC JACKSONVILLE
32403	FLORIDA	TYNDALL AFB
32508	FLORIDA	FISK PENSACOLA
32542	FLORIDA	EGLIN AFB
32544	FLORIDA	HURLBURT FIELD
33608	FLORIDA	MACDILL AFB
36112	ALABAMA	MAXWELL AFB

36114	ALABAMA	GUNTER AFB
36201	ALABAMA	ANNISTON
37389	TENNISSEE	ARNOLD AFB
39534	MISSISSIPPI	KEESLER AFB
39701	MISSISSIPPI	CHARLESTON AFB
40511	KENTUCKY	LEXINGTON
43057	OHIO	NEWARK AFB
45433	OHIO	WRIGHT PATTERSON AFB
46971	INDIANA	GRISSOM AFB
47250	INDIANA	MADISON
47522	INDIANA	CRANE
49843	TEXAS	KELLY AFB
49843	MISOURI	K.I.SAWYER AFB
57706	SOUTH DAKOTA	ELLSWORTH AFB
58205	NORTH DAKOTA	GRAND FORKS AFB
58705	NORTH DAKOTA	MINOT AFB
59402	MONTANA	MALSTROM AFB
61299	ILLINOIS	ROCK ISLAND
61299	ILLINOIS	ROCK ISLAND
62225	ILLINOIS	SCOTT AFB
65197	MISSOURI	KANSAS CITY DFAS
65305	MONTANA	WHITEMAN AFB
67221	KANSAS	MCCONNELL AFB
68113	NEBRASKA	OFFUTT AFB
71110	LOUISIANA	BARKSDALE AFB
71602	ARKANSAS	PINE BLUFF
72099	ARKANSAS	LITTLE ROCK AFB
73145	OKLAHOMA	TINKER AFB
73523	OKLAHOMA	ALTUS AFB

73702	OKLAHOMA	VANCE AFB
74501	OKLAHOMA	MCALESTER
75507	TEXAS	TEXARKANA
76127	TEXAS	CARSWELL AFB
76311	TEXAS	SHEPPARD AFB
76544	TEXAS	FORT HOOD
76908	TEXAS	GOODFELLOW AFB
78150	TEXAS	RANDOLPH AFB
78234	TEXAS	FORT SAM HOUSTON
78234	TEXAS	FT SAM HOUSTON
78235	TEXAS	BOLLING AFB
78235	TEXAS	BROOKS AFB
78236	TEXAS	LACKLAND AFB
78743	TEXAS	BERSTRON AFB
78843	TEXAS	LAUGHLIN AFB
79489	TEXAS	REESE AFB
79607	TEXAS	DYESS AFB
79920	TEXAS	EL PASO
80022	COLORADO	COMMERCE CITY
80045	COLORADO	AURORA
80840	COLORADO	AF ACADEMY
80912	COLORADO	FALCON AFB
80913	COLORADO	FORT CARSON
80914	COLORADO	PETERSON AFB
80917	COLORADO	PETERSON AFB
80925	COLORADO	PATRICK AFB
82005	WYOMING	F.E. WARREN AFB
83648	IDAHO	MOUNTAIN HOME AFB
84022	UTAH	DUGWAY

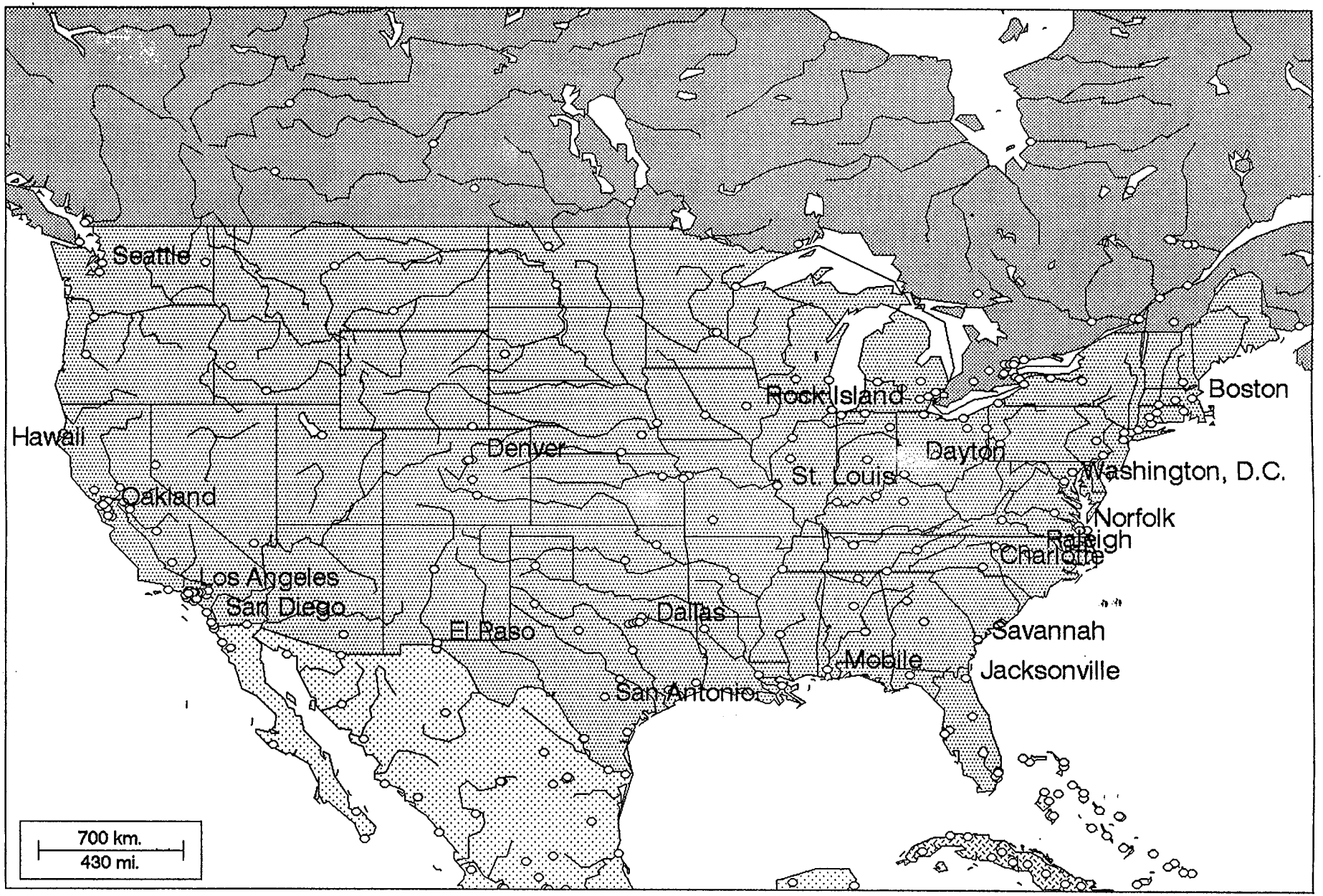
84056	UTAH	HILL AFB
84074	UTAH	TOOELE
85309	ARIZONA	LUKE AFB
85354	ARIZONA	YUMA
85707	ARIZONA	DAVIS-MONTHAN AFB
87117	NEW MEXICO	KIRTLAND AFB
88002	NEW MEXICO	WHITE SANDS
88103	NEW MEXICO	CANNON AFB
88330	NEW MEXICO	HOLLOMAN AFB
89191	NEVADA	NELLIS AFB
90245	CALIFORNIA	LOS ANGELES AFS
92055	CALIFORNIA	CAMP PENDLETON
92132	CALIFORNIA	FISC SAN DIEGO
92140	CALIFORNIA	MCRD SAN DIEGO
92311	CALIFORNIA	BARSOW MCLB
92409	CALIFORNIA	NORTON AFB
92518	CALIFORNIA	MARCH AFB
93437	CALIFORNIA	VANDENBURG AFB
93524	CALIFORNIA	EDWARDS AFB
94089	CALIFORNIA	ONIZUKA AFB
94501	CALIFORNIA	FISC ALEMEDA
94535	CALIFORNIA	TRAVIS AFB
94626	CALIFORNIA	MTMC OAKLAND
95342	CALIFORNIA	CASTLE AFB
95652	CALIFORNIA	MCCLELLAN AFB
95903	CALIFORNIA	BEALE AFB
96113	CALIFORNIA	HERLONG
96859	HAWAII	TRIPLER
96860	HAWAII	FISC HAWAII

98314	WASHINGTON	BREMERTON FISK
98431	WASHINGTON	TACOMA
98438	WASHINGTON	MCCHORD AFB
99011	WASHINGTON	FAIRCHILD AFB

APPENDIX D

LOCATIONS OF AREA OFFICES

The locations of the proposed area offices are on the following page. The map shows the proposed locations of the offices based upon the number of installations in that area and the concentration of personnel in that area to provide for minimal movement of personnel.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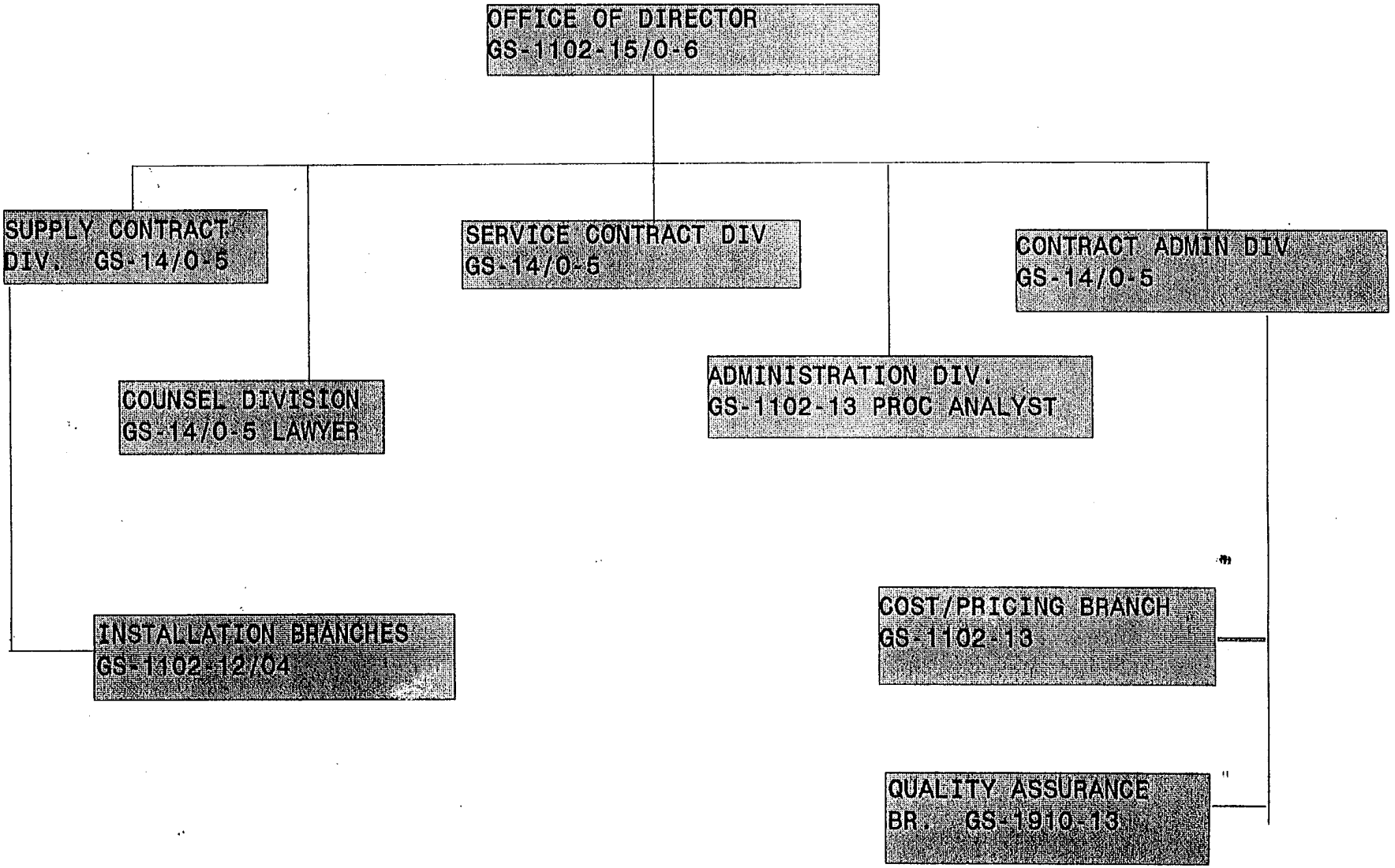
Hawaii
Oakland
Los Angeles
San Diego
Denver
El Paso
Dallas
San Antonio
Rock Island
St. Louis
Dayton
Boston
Washington, D.C.
Norfolk
Raleigh
Charlotte
Savannah
Jacksonville
Mobile
700 km.
430 mi.

APPENDIX E

CONSOLIDATED OFFICE ORGANIZATION CHART

The recommended organization chart for the consolidated district office can be seen on the following page. Numbers of personnel in each division and numbers of branches would depend on the size of the office based upon the number of installations supported and the number and complexity of the contracts involved.

Consolidated Contracting Office



APPENDIX F

LIST OF ACRONYMS

AFPRO	Air Force Plant Representative Office
AKA	Also Known As
AMC	Army Materiel Command
APADE	Automation of Procurement and Accounting Data Entry
ARPRO	Army Plant Representative Office
BCAS	Base Contracting Automated System
CAS	Contract Administration Services
CBD	Commerce Business Daily
CCO	Central Contracting Offices
CONUS	Continental United States
DAIG	Department of Army Inspector General
DAU	Defense Acquisition University
DAWIA	Defense Acquisition Workforce Improvement Act
DCMAO	Defense Contract Management Area Operations
DCMC	Defense Contract Management Command
DFAS	Defense Finance and Accounting Service
DISA	Defense Information Systems Agency
DLA	Defense Logistics Agency
DMR	Defense Management Review
DOC	Directorate of Contracting
DRIS	Defense Regional Interservice Support
DeCA	Defense Commissary Agency
DoD	Department of Defense
EC	Electronic Commerce
EDI	Electronic Data Interchange
FACNET	Federal Acquisition Computer Network
FAR	Federal Acquisition Regulation
FASA	Federal Acquisition Streamlining Act

FISC	Fleet and Industrial Supply Center
FORSCOM	U.S. Army Forces Command
GAO	General Accounting Office
GS	General Service
HCA	Head of Contracting Activity
HSC	Health Services Command
IOC	Industrial Operations Command
JIRSG	Joint Interservice Resource Study Group
KGS	Korean General Service
KO	Contracting Officer
MACOM	Major Command
MAJCOM	Major Command
MDW	Military District of Washington
NAVPRO	Navy Plant Represenative Office
NRCC	Naval Regional Contracting Center
PALT	Procurement Administrative Lead Time
PARC	Principal Assistant Responsible for Contracting
PMR	Procurement Management Review
PPCJ	Pacific Air Force Procurement Center Japan
OFPP	Office of Federal Procurement Policy
RCO	Regional Contracting Office
RIF	Reduction In Force
ROK	Republic of Korea
SAACONS	Standard Army Automated Contracting System
SADBUS	Small and Disadvantaged Business Utilization Specialist
SOP	Standard Operating Procedure
SPS	Standard Procurement System
TRADOC	U.S. Army Transportation Command
USACCK	U.S. Army Contracting Command Korea
USAKCA	U.S. Army Korea Contracting Agency

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