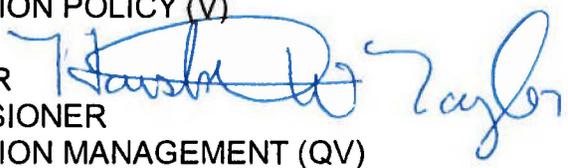




MAR 08 2012

MEMORANDUM FOR JOSEPH NEURAUTER
SENIOR PROCUREMENT EXECUTIVE (SPE)
OFFICE OF ACQUISITION POLICY (V)

FROM: HOUSTON W. TAYLOR 
ASSISTANT COMMISSIONER
OFFICE OF ACQUISITION MANAGEMENT (QV)

SUBJECT: Addendum to Class Deviation to FAR 8.405-3(a)(6) in Support of
the Performance Management/Continuous Process Improvement
(PM/CPI) Government-wide Federal Supply Schedule (FSS)
Blanket Purchase Agreements (BPAs)

This addendum to subject FAR Class Deviation request is provided in response to the GSA Senior Procurement Executive's January 5, 2012, request for additional verification of budgetary estimates of government agencies' PM/CPI contracted services.

On January 11, 2012, FAS Deputy Assistant Commissioner for Strategy Management, Karen Kopf, briefed the Performance Improvement Council (PIC) on the PM/CPI BPA initiative. Feedback on the initiative, and budgetary estimates for contracted PM/CPI services, were requested from the PIC members.

On January 18, 2012, the Office of Strategy Management representatives met with the PIC working group to provide a more in-depth briefing on the PM/CPI BPA initiative. We requested input and budgetary estimates of PM/CPI requirements. A significant level of interest was expressed in the initiative, and feedback received from the working group members relating to the BPA task areas was incorporated into the performance work statement. A few budgetary estimates were received from the working group members at the meeting.

The Office of Strategy Management also contacted the Federal Improvement Team chairman, and requested a listing of government agency contacts that could be contacted individually for budget estimates of PM/CPI requirements. A significant number of responses were received from FIT and PIC members which validated our previous estimates of agency demand for PM/CPI services.

There was generally a high level of interest in our initiative expressed by the FIT and PIC members. Several agencies requested additional information about the scope of our BPA, and expressed interest in using the BPA when awarded. The results of our request for budget estimates for contracted PM/CPI services are shown in the table below. These estimates reflect a cross section of potential government wide demand for PM/CPI services. A significant portion of these estimates are for CPI services. Consequently, the total estimated potential demand for the full scope of the PM/CPI BPA is expected to be significantly higher than estimated below.

Agency	POC	Response Date	Response Type	Contracted PM/CPI Estimate (per year)
Securities and Exchange Commission	Bruce Claybrook claybrookb@sec.gov	2/6/12	verbal	\$500,000
DoD/OSD	Howard Seamons howard.seamens@osd.mil	2/3/12	verbal	\$6,000,000
US Army	Scott Bonney richard.scott.bonney@us.army.mil	6/8/11	email	\$20,000,000
Nuclear Regulatory Commission	John Harrison john.harrison@nrc.gov	2/8/12	email	\$165,000
US Coast Guard Finance Center	Selena A. Hernandez-Haines selena.a.hernandez-haines@uscg.mil	7/21/11	email	\$150,000
US Postal Service	John P. Darnay john.p.darnay.jr@usps.gov	2/6/12	email	\$9,000,000
Defense Logistics Agency	Greg Wicklund greg.wicklund@dla.mil	2/6/12	email	\$5,000,000
Environmental Protection Agency	Kimberly Green-Goldsborough green-goldsborough.kimberly@epamail.epa.gov	2/3/12	email	\$300,000
Environmental Protection Agency (OCFO)	Allison Wiedeman Wiedeman.Allison@epamail.epa.gov	2/9/12	verbal	\$2,200,000
Pension Benefit Guarantee Corporation	Michael Hajjar hajjar.michael@pbgc.gov	2/8/12	email	\$600,000
Department of Energy	Gerald Kassalow Gerald.kassalow@em.doe.gov	2/3/12	email	\$200,000
Department of Agriculture, Natural Resource Conservation Service	Craig Aiello craig.aiello@wdc.usda.gov	2/6/12	email	\$250,000
Department of Agriculture, OFCO	Suzy Dittrich suzette.dittrich@cfo.usda.gov	2/10/12	email	\$3,480,000
General Services Administration, Federal Acquisition Service	Scott MacRae scott.macrae@gsa.gov	2/8/12	verbal	\$18,000,000
Department of Homeland Security	Amy Culburtson amy.culburtson@dhs.gov	1/18/12	written	\$500,000
Total				\$66,345,000.00

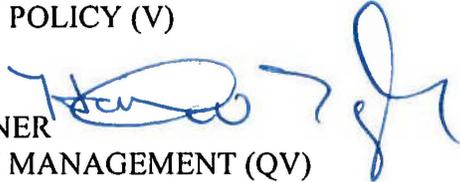
Finally, in a January 25, 2012 briefing to GSA FAS, TechAmerica Foundation stressed that reduced budgets will force the government to develop more cost effective ways to meet their mission, and government needs industry expertise to deliver greater efficiencies. This is expected to drive an increased demand for business process studies and analysis and process improvement initiatives into the foreseeable future, which could be accomplished via the PM/CPI BPAs. TechAmerica Foundation is a non-profit, non-partisan affiliate of TechAmerica that conducts and disseminates market research covering topics such as U.S. competitiveness in a global economy, innovation in government, and other areas of national interest. Additional information on this briefing can be provided upon request.

ADDENDUM PREPARED BY:

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MEMORANDUM FOR JOSEPH NEURAUTER
SENIOR PROCUREMENT EXECUTIVE (SPE)
OFFICE OF ACQUISITION POLICY (V)

FROM: HOUSTON W. TAYLOR 
ASSISTANT COMMISSIONER
OFFICE OF ACQUISITION MANAGEMENT (QV)

SUBJECT: Class Deviation to FAR 8.405-3(a)(6) in Support of the Performance Management/Continuous Process Improvement (PM/CPI) Governmentwide Federal Supply Schedule (FSS) Blanket Purchase Agreements (BPAs)

APPLICABLE FAR PRESCRIPTION REQUIRING CLASS DEVIATION:

In accordance with FAR 1.404, the Federal Acquisition Service (FAS) is requesting a class deviation from FAR 8.405-3(a)(6):

“Establishment of a multi-agency BPA against a Federal Supply Schedule contract is permitted if the multi-agency BPA identifies the participating agencies and their estimated requirements at the time the BPA is established.”

PROBLEM:

FAR 8.404-3(a)(6) permits the establishment of multi-agency BPAs against FSS contracts if the multi-agency BPAs identify the participating agencies and their estimated requirements at the time the BPAs are established. The program office is unable to obtain definitive commitments from all potential participating agencies and their estimated requirements. Therefore, the requested deviation would permit FAS to establish multi-agency BPAs against FSS contracts without requiring identification of all participating agencies and their estimated requirements at the time the BPAs are established.

JUSTIFICATION:

The Federal Improvement Team (FIT) member agencies would be expected to be the primary users of these BPAs. FIT is a Community of Practice with representatives from approximately 24 federal agencies (currently). The mission of the FIT is to share information and best practices in the field of PM/CPI. The primary objectives of the FIT are to: 1) establish a common

procurement vehicle through which government agencies may procure and utilize performance management and process improvement services, 2) utilize business intelligence to better support overall decision making and performance management through government-wide sharing of information, and 3) lower the total costs associated with process improvement services while achieving similar or improved service levels versus today's duplicative practices.

During October 2011, an effort was made to obtain email commitments and estimated usage from FIT member agencies for the PM/CPI BPA. Responses were received as follows:

- DoD Office of Secretary of Defense provided strong support for establishment of PM/CPI BPA, but could not provide dollar estimates of potential usage.
- United States Coast Guard supports establishment of PM/CPI BPA, but could not provide dollar estimates of potential usage.
- Department of Housing and Urban Development supports establishment of PM/CPI BPA, but could not provide dollar estimates of potential usage.
- Defense Finance and Accounting Service is unable to commit to using PM/CPI BPA, as they do not have specific needs identified or funds budgeted.

Although no definitive estimates were provided by all potential PM/CPI BPA users, an analysis was conducted of FPDS data (as described in the next section below) and known FAS requirements, along with limited information provided by FIT member agencies. Estimated annual requirements of \$60,000,000 are projected for this BPA. This estimate will be provided in the Request for Quote (RFQ) to enable the vendors responding to provide a meaningful quote.

Concrete examples of past history under the current policy, with a description of the effect on the organization

Currently, a significant amount of PM/CPI services are being procured via the GSA Mission Oriented Business Integrated Services (MOBIS) schedule contracts. FAS Region 10 Management Services Center performed a comprehensive analysis of the PM/CPI potential market by using FY06-FY10 Federal Procurement Data System (FPDS) data, filtered by the applicable North American Industry Classification System (NAICS) code and Product Service Codes (PSC) for this type of work, further filtered by a key word search of the Requirement Descriptions. This resulted in a five year total estimated government spending on PM/CPI services of \$294,000,000, and FY10 spending of \$93,000,000. This level of spending is expected to continue into the foreseeable future, as there continues to be strong emphasis on performance management and continuous process improvement activities throughout the federal government.

There are approximately 2,153 contractors with a MOBIS contract. Significant costs are expended in the private and government sectors to compete for available opportunities, evaluate quotations and award orders. Since ordering is widely distributed, collecting lessons learned, sharing best practices, and standardizing processes to the maximum extent is not possible.

Recently, there has been an increased emphasis on leveraging the government's buying power and achieving administrative efficiencies through the use of existing interagency vehicles. As

our analysis of the market for PM/CPI services has not uncovered the existence of interagency vehicles and a significant market exists for these services, establishment of a multiagency BPA is expected to result in a curtailment in individual agency efforts to establish multiple-award contracts, and more efficiently leveraged procurements for these services.

Proposed advantages of the new policy

These BPAs will offer PM/CPI services and IT tools to federal agencies through a pool of highly qualified suppliers. The resulting acquisition vehicle will be a government-wide, multiple-award BPA against Schedule 874, MOBIS for PM/CPI services. The BPAs will include clause 52.251-1 Government Supply Sources, to allow GSA's FAR Part 51 deviation flexibility. This deviation permits contractors to access FSS and Global Supply sources for ancillary PM/CPI IT tools directly associated with the services component of task orders issued against the PM/CPI BPAs. A minimum discount of 1% off FSS contract rates will also be required for each PM/CPI BPA holder. In addition, tiered discounts, based upon aggregate task order dollar volume awarded to any BPA holder will also be required. BPAs will include provisions for on-ramping and off-ramping vendors throughout their performance periods to insure maintenance of a high-quality vendor base providing best value services. This acquisition solution will also offer agencies the opportunity to obtain greater value from their PM/CPI service expenditures through the sharing of best practices, lessons learned, and training across the government. It is anticipated that over time this sharing will result in aggregated requirements, streamlined ordering procedures, standardized CPI practices, and ultimately facilitate the sharing of operational processes and systems across the federal government.

The PM/CPI BPAs will also help FIT attain their mission and objectives. FAS's Office of Strategy Management has actively engaged the FIT members in developing requirements for this proposed acquisition.

The Performance Improvement Council (PIC) has also shown an interest in the BPA. The PIC director requested information about the BPA and offered support. FAS plans to brief GSA PIC stakeholders in November 2011. It is expected that over time, PIC agencies will also become users of the BPA.

Current cost/benefit analysis (e.g., on market conditions/industry trends)

The cost of awarding and managing the PM/CPI BPAs is estimated at \$600,000/year, which is approximately 1% of the estimated yearly value of task orders totaling \$60,000,000/year. Utilizing the only known existing interagency vehicle available for these services, the GSA MOBIS schedule, would not leverage the aggregate demand and the PM/CPI BPA minimum discount of 1%. Consequently, use of the proposed PM/CPI BPAs will be expected to result in a net cost savings. In addition, as described in the previous section, significant benefits are expected in establishing a multi-agency, multiple-award BPA.

Number of contracts affected in previous fiscal year

N/A.

Effect on the agency, or Contracting Officers and the acquisition team

The proposed deviation and issuance of a multi-agency, multiple-award BPA will positively affect contracting officers and other contracting personnel by providing a vehicle with pre-negotiated discounts, standardized ordering practices and a means for quicker turnaround on orders through more efficient competitions among a limited number of proven contractor teams proficient in the PM/CPI field.

Effect on contractors (costs/benefits)

The effects on contractors are as follows:

- A reduction in FSS hourly rates by a minimum of 1%, along with tiered discounts dependent on aggregate volume to each PM/CPI BPA team.
- The PM/CPI BPA will enable contractors to focus their service offerings on a core set of customers and requirements, allowing them to hone their expertise and provide better value to the government.
- Contractors that are not granted a PM/CPI BPA have less opportunity to provide those services through the MOBIS schedule.
- Overall, MOBIS schedule contractors will experience reduced costs as fewer contractors will be able to submit quotes for PM/CPI BPA services.

Number of contractors affected

Approximately 2,153 MOBIS contractors will have the opportunity to compete for the PM/CPI BPA.

Number of small businesses affected

All small businesses that hold MOBIS contracts will potentially be affected by this deviation. Approximately 1,365 (63%) of the 2,153 MOBIS contractors are small businesses.

Impact on small businesses (positive or negative)

The proposed deviation will positively affect small businesses. Small businesses will have an opportunity to compete on their own or team with other businesses for the PM/CPI BPA. Small Business utilization will be the second most important technical evaluation factor for BPA award. Teaming with small business will be encouraged for this action.

Potential impact on another Service

N/A

Any FSSI team interaction or recommendation should be included to support the overall strategic sourcing goals being sought

This PM/CPI BPA is envisioned as a test case for future inclusion in the FSSI program. The FSSI team was consulted to explore the feasibility of including this initiative in the FSSI program, but is not considered suitable for formal inclusion at this time as insufficient data is available to definitively establish a historical and future estimate for PM/CPI services.

Opportunities for efficiency under the proposed change

This effort is envisioned to streamline ordering of PM/CPI services by federal agencies interested in lowering their total cost of implementing and using PM/CPI services. Instead of

competing PM/CPI services requirements among all MOBIS contractors, a smaller group of teams that have been selected for the BPA can be utilized more efficiently to provide these services. This acquisition solution will offer agencies the opportunity to obtain better value from their PM/CPI service expenditures through the sharing of best practices across the government, leveraging the aggregate requirements, streamlining ordering procedures and standardizing CPI support across the federal government.

Analysis of alternatives, identifying risks and risk mitigation

FAS considered the following acquisition alternatives:

- Status Quo: Individual agencies create their own full and open contracts or use the Schedule 874, MOBIS, to develop a BPA or task order to acquire process improvement services, consequently resulting in duplication of effort and federal agencies repaying for many of the same acquisition services.
- Performance under an agreement with another government agency that can provide the required services: Other federal agencies do not offer the complete range of PM/CPI services required by multiple agencies.
- Perform the requirements in-house with government personnel: Many agencies lack the resources and the subject matter expertise necessary to perform the requirements, resulting in outsourcing of these services.
- Acquire contractor support services using in-house contracting staff: Many agencies lack the resources to meet the schedule requirements for award and may not fully grasp the technical requirements to establish a process improvement contract effectively. This alternative continues to create a duplication of effort.
- Acquire services from a contractor under an existing identified contract: The Office of Personnel Management (OPM) established an Interagency Agreement with the Office of the Secretary of Defense, OPM-020700034, in executing the Lean Six Sigma deployment across DoD for \$14,669,938 in FY10. However, there are no existing, comprehensive contracts that will support the full range of PM/CPI requirements for all federal agencies.

Any effects on automated systems (i.e., financial and procurement)

N/A

Proposed milestones for initiation, including training

Upon approval of the proposed FAR class deviation, FAS Region 10 plans on issuing a final request for quotation to all MOBIS schedule holders with BPA awards being issued approximately 90 days later. Training on the use of the BPA will not be required as ordering procedures will follow established standardized multiple-award BPA ordering procedures.

Approach to monitoring success and determining whether or not the deviation will continue

The FAS Region 10 Contracting Officer will conduct yearly reviews of the PM/CPI BPA contractors' performance and determine whether continuation of the BPA is in the government's best interest. The FAS Program Office, Office of Strategy Management (QP), will collect past

performance data on a semi-annual basis from users of the BPA. The Contracting Office will review contractor performance and BPA utilization data to determine the need to on or off-ramp contractors during the yearly reviews.

LEGAL SUFFICIENCY STATEMENT:

The QP legal counsel concurs that there is no legal barrier to proceeding with the proposed class deviation.

Counsel Signature: _____

Date: _____

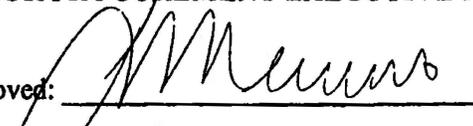
RECOMMENDED LANGUAGE:

N/A

DEVIATION REQUEST PREPARED BY:

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SENIOR PROCUREMENT EXECUTIVE REVIEW:

Approved:  _____

Date: July 5, 2012