



Office of Acquisition and Project Management

Big STRIPES Update Coming!	3
Acquisition Workshop Highlights	4
Providing the Building Blocks for Sound Facilities	5
Question of the Month	6
Course Schedule	7

Aligning Contract Incentives

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On December 13, 2012, the Deputy Secretary issued a memorandum to the Heads of All Departmental Elements addressing how the Department can attain optimal alignment of contract incentives. The memorandum and its attachment establish two primary principles—first, align contractor with taxpayer interests and second, structure contracts so each party bears the responsibility for its actions. The memorandum provided amplifying guidance to ensure the Department consistently applies these principles.

As the Deputy Secretary points out, our management principles dictate we will only improve—and succeed—through teamwork and continuous improvement. Establishing these primary principles enhances the effectiveness of the Department’s continuing efforts to improve project management and encourages continuous adherence to best business practices. The principles focus primarily on activities that involve large complex capital asset projects, an area where the Department has made substantial efforts to improve project management, yet still experiences significant delays and cost overruns. The Office of Acquisition and Project Management will assist programs with implementation by providing applicable contract clauses to ensure consistency in implementation and use.

(Continued on page 2)

SYSTEMS Focus Launch

This month we are launching a new section, "SYSTEMS Focus." The first article concerns upcoming changes to the Department's procurement system of record, STRategic Integrated Procurement Enterprise System (STRIPES). Future editions will include articles on other information systems of interest to the procurement and project management community, such as the Project Assessment and Reporting System (PARS II), the Federal Acquisition Institute Training Application System (FAITAS), and others. These articles will include "Did You Know..." topics, tips and tricks, and general updates. We welcome your feedback on these articles, and request your suggestions for future system topics.

Aligning contractor with taxpayer interests means no contract should be structured so that the contractor is rewarded if the taxpayers are not well served. Structuring contracts so contractors bear the responsibility for their actions means taxpayers should not pay for contractor negligence, poor performance, or error, but should share in savings or gains that contractors generate through better-than-promised performance.

The amplifying guidance accompanying the establishment of the primary principles covers six critical aspects of achieving optimal alignment of contract incentives:

- Improved upfront planning and requirements definition require understanding and articulating expected results in easily understood, measurable terms. Requirements must be clearly defined before issuing a solicitation.
- Selecting contract type requires first considering use of a firm-fixed-price contract. Use of other than a fixed-price contract necessitates the program and contracting officer to first identify the additional planning and risk reduction that would be needed to use a fixed-price approach before resorting to a cost-reimbursement contract.
- Performance measures require, when use of other than a fixed-price contract is justified, selecting objective measures to incentivize contractor performance and reduce costs. Use of subjective measures is permitted only if objective measures are not feasible.
- Fee strategies require, when use of other than a fixed-price contract is justified, consideration of performance measures that link all or almost all of the available fee to final outcomes rather than interim accomplishments. And where the total cost to perform can be estimated with reasonable certainty, consideration should also be given to shifting the cost burden to the contractor when it does not meet performance targets (that is, requiring continued performance, but not reimbursing some or all of the costs beyond a stated amount).
- Documenting performance requires contracting and program officials to record real-time contractor performance accurately and consistently in both the contract file and in the Contractor Performance Assessment Reporting System.
- Actionable performance data requires acquisition executives (AE) maintain real-time situational awareness in the execution of their contracts. In support of the AE, contracting officers and federal project directors must ensure contractors provide project and contractor cost, schedule, performance, risk, and forecast data, reports and information as discussed in the Deputy Secretary's June 19, 2012, Memorandum on Project Assessment and Reporting System (PARS II) Data Quality.

A common theme apparent in the guidance is the Department's commitment to using fixed-price contracts to the maximum extent consistent with best business practices, and its rejection of long-standing views that the unique and sometimes unpredictable nature of work performed by the Department justifies limiting, without considered and documented thought, use of firm-fixed-price or other fixed-price type contracts.

Everyone has a role to ensure that we make the necessary improvements in structuring and managing our contracts. Familiarize yourself with the Deputy Secretary's December 13, 2012 memorandum and start structuring contracts to align contractor's incentives with taxpayer incentives.

SYSTEMS FOCUS

Big STRIPES Update Coming!

John Makepeace, PMP, APM

An important update for the STRategic Integrated Procurement Enterprise System, better known as STRIPES, is coming your way this spring. As you probably know, STRIPES is based on Compusearch Software System's PRISM commercial off-the-shelf product. The Department is currently running PRISM version 6.5 with Service Pack 2, and the Chief Financial Officer's Office of Corporate Information Systems is currently working on implementing Service Pack 6. Version 6 will include a number of significant software enhancements and many "bug" fixes, all of which will make STRIPES faster and easier for the DOE procurement community to use. If development and testing go according to schedule, the roll out of Service Pack 6 should occur in late May/early June 2013. Some of the enhancements and fixes in version 6 include:

- STRIPES currently provides only three digits for modification numbers, limiting the maximum number of modifications to 999. Service Pack 6 will allow auto-numbering for modifications up to four digits, thereby accommodating some of our large management and operating (M&O) contracts.
- The way it works now, STRIPES validates all the lines of accounting and all shipments associated with a modification, even if they were not changed. As a result, it can sometimes take hours to validate a document when it has a large number of lines of accounting. Service Pack 6 will validate only those ship/to IDs and accounting IDs that have been modified, thereby enabling validation of large contracts, such as M&O contracts, within five minutes.
- STRIPES locks up when users try to send attachments larger than 25 MB to FedConnect. Service Pack 6 will allow users to post documents with a maximum file attachment size of 50 MB.
- Currently, STRIPES allows only the owner, the originator, and system administrators to cancel the route on a document. Users are unable to cancel the route when originator or owners are not available. Service Pack 6 will allow any user with full access rights to a document to cancel the route.
- When reporting a document with options to Federal Procurement Data System Next Generation (FPDS-NG), the ultimate completion date calculation does not use the option's period of performance end date unless the user performs a manual workaround. Service Pack 6, however, will use the latest option year's latest period of performance end date when calculating the estimated ultimate completion date in FPDS-NG.
- As it works today, users must create or open a document to access the STRIPES library. In Service Pack 6, the STRIPES library will be accessible from the STRIPES welcome page via the regulation research.

More enhancements and fixes than listed are scheduled in Service Pack 6. Details on all improvements will be provided by the Office of Corporate Information Systems prior to the roll-out date. Stay tuned for more information in upcoming newsletters.



DOE and NNSA 2012 Acquisition Workshop Highlights

Scott Clemons, CPCM, Director, Strategic Programs Division, APM

The Department of Energy (DOE) and the National Nuclear Security Administration (NNSA) hosted a joint Acquisition Workshop on December 4th and 5th, 2012 at the L'Enfant Plaza Hotel in Washington, DC. The theme of the Workshop was "Meeting Today's Challenges While Building for the Future." Nearly 300 DOE and NNSA federal employees attended the Workshop. While the target audience was contracting officers and contract/grant specialists, attendees included employees from the DOE Office of the Inspector General, DOE Office of the General Counsel, various Program Offices, and the Government Accountability Office. The Workshop was comprised of various outstanding speakers coupled with several break-out sessions covering a myriad of topics relevant to today's DOE/ NNSA acquisition workforce.

Ingrid Kolb, Director, Office of Management, kicked off the Workshop by communicating the importance of bringing the DOE and NNSA workforces together to discuss current issues, network, and share experiences with colleagues. Ms. Kolb noted such an event was long overdue and that efforts would be made to hold more frequent workshops of this kind in the future. Deputy Secretary Daniel Poneman was the Workshop keynote speaker. He discussed his perspective and expectations for the Department's acquisition workforce to align contractor with taxpayer interests, and negotiate and award contracts to protect taxpayers' interests. He also acknowledged the criticality of the job each and every attendee performs daily to the mission of the Department, and asked for continued commitment in the years to come.

The Honorable Joe Jordan, Administrator for the Office of Federal Procurement Policy, congratulated the group on its success thus far in promoting and expanding strategic sourcing throughout the Department, and charged everyone to work vigorously on increasing small business participation in prime contract awards to help improve the economy and grow small businesses. Paul Bosco, the Department of Energy's Senior Procurement Executive, offered his observations and perspective based on nearly a year in the position. He provided his primary objectives as supporting and defending the acquisition workforce, reinforcing leadership acquisition direction, enhancing information technology (IT) tools to help workers "in the trenches" do their jobs more efficiently, and refining existing procurement policy. Bob Raines, NNSA Associate Administrator for Acquisition and Project Management, discussed NNSA's recent establishment of the Office of Acquisition and Project Management, and his perspective on both effective contract and project management and selection of appropriate contract type, with a preference for

(Continued on page 5)

fixed-price instruments. Gena Cadieux, DOE Deputy General Counsel for Technology Transfer & Procurement, shared her perspective on organizational conflicts of interest, the importance of documentation in the world of contracting, and upcoming changes in financial assistance.

Other speakers and panelists covered a myriad of topics, including ethics, acquisition and sustainability, Federal Acquisition Institute (FAI) support of the DOE acquisition workforce, contracting officer and Head of Contracting Activity (HCA) perspectives, audit policy, acquisition and financial assistance policy, business clearance and procurement management review processes, and small business participation.

Break-out sessions held each day covered a wide range of topics – personal property, contract administration, management reserve and contingency, award fee plans, Work for Others/technology transfer, strategic sourcing, contractor human resources oversight and administration, acquisition workforce, federal project director and contracting officer perspectives, acquisition systems update, and financial assistance.

Associate Deputy Secretary Mel Williams, Jr. provided closing remarks on leadership using the Organizational Performance Framework, aligning strategy, structure, processes, people, and mission focus to achieve management and operational excellence.

The DOE/NNSA 2012 Acquisition Workshop was an overwhelming success. Feedback from attendees was highly positive, with many asking when the next Workshop would be held. Barring any unforeseen circumstances, it is the intent of the DOE Office of Acquisition and Project Management to host similar events in the future on a biennial basis. The next combined Acquisition and Project Management Workshop is expected to be held in calendar year 2014. Look for details in future newsletters.

Providing the Building Blocks for Sound Facilities Management

Ivan Graff, P.E., CFM, PMP, CCE, LEED AP

The Facilities and Infrastructure Division develops and maintains policies and procedures for real property asset management, and provides corporate implementation oversight under the auspices of the Department's Senior Real Property Officer, Carmelo Melendez, the Director of the Office of Property Management.

Proper management and stewardship ensures real property assets are maintained in a manner that promotes operational readiness, safety, environmental protection, property preservation, and life-cycle cost-effectiveness while meeting the Department's missions.

All Department real property initiatives connect to the real property [Asset Management Plan](#), a strategic plan first published in August 2005 in response to Executive Order 13327. The Division serves as the office of primary interest for DOE Order [430.1B](#), Real Property Asset Management, which establishes an integrated, corporate-level, performance-based approach to the life-cycle management of the Department's real property assets.

(Continued on page 6)

The Office of Management and Budget requires agencies annually update a report on real property objectives and performance called the [Three Year Rolling Timeline](#). Objectives span the lifecycle of real property: planning, construction and recapitalization, operation, maintenance, and disposition.

The Division assists in collecting the information needed to maintain complete inventories of existing real property and adequately plans for the needs of the portfolios in the future.

- The [Facilities Information Management System](#), the corporate database of record for attributes associated with Department real property assets, both owned and leased, feeds the [Federal Real Property Profile](#), the federal-wide real property inventory implemented under the auspices of the [Federal Real Property Council](#).
- [Ten Year Site Plans](#) take stock of recent accomplishments and anticipate facility requirements up to ten years in the future, and align with the Site Sustainability Plans requested annually by the Sustainability Performance Office.

Question of the Month

Question

In December, I met my biennial continuous learning point (CLP) requirement to maintain my federal project director (FPD) certification. I had 100 CLPs approved for the prior two-year cycle, but I was not granted the 20 carry-over CLPs. Why didn't the 20 CLPs carryover to my next cycle?

Answer

The Office of Federal Procurement Policy (OFPP) issued guidance related to continuous learning points (CLPs) as applied to the Federal Acquisition Institute's (FAI) certification programs. The OFPP guidance states that "hours in excess of the minimum requirements may not be carried forward for credit beyond the current period." To comply with OFPP and FAI requirements, the Acquisition Career Management Program (ACMP) and the Project Management Career Development Program (PMCDP) made adjustments to CLP maintenance policies.

As explained in the [November 2012 newsletter](#), carryover CLPs are no longer granted; all CLPs must be attained within the two-year window. For more information, please reference the November article and contact your [program point of contact](#) or [site acquisition career manager](#).

Full Course Schedule



For a full list of DOE acquisition certification training, please visit the Acquisition Career Management Program (ACMP) Powerpedia Page: <https://powerpedia.energy.gov/wiki/ACMP>

Questions or Comments?

For PMCDP, please email general questions and comments to PMCDP.Administration@hq.doe.gov, or visit our website: <http://energy.gov/management/office-management/operational-management/project-management-career-development-program>.

For ACMP, please email questions and comments to ACMP@hq.doe.gov.

For specific information, please contact one of the following individuals:

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