

High Risk Plan

John Bashista

Melissa Rider

Jeff Davis

Timeline to date

- OMB memo on *Improving Government Acquisition* issued July 29, 2009
 - Review existing contracts and acquisition practices to save 7% of baseline contract spending (3.5% in FY 2010 and 3.5% in FY 2011)
 - Reduce high risk contracts by 10% the share of dollars obligated in FY2010
 - Final plan was due and submitted on November 2, 2009
 - OMB reviewed and requested revision Dec 23, 2009
 - Revision submitted April 21, 2010

M&Os are an Issue

- With respect to reductions in high risk contracting strategies, the M&O contracts was also a challenge since the opportunity to further influence competition and contract type was highly constrained. The Department had already competed approximately 85 percent of its M&O contracts and the contract type cannot be shifted from cost reimbursement to firm fixed-price because of uncertainties involved in contract performance that do not permit costs to be estimated with sufficient accuracy to use any type of fixed-price contract.

OMB Directed Otherwise

- DOEs revised plan is structured to provide the initial acquisition savings target and include the M&O costs.

Leveraging Existing Programs and Initiatives

- Federal Balanced Scorecard
 - The Department intends to establish appropriate core measures and performance targets for DOE's field contracting activities for achieving the targets established under the OMB initiative.
- Contractor Balanced Scorecard
 - The Contractor BSC establishes performance measures and targets reflective of the Department's strategic goals and measures contractor accomplishment against these measures and targets. (Includes cost reductions and process improvements)
- Procurement Evaluation and Reengineering Team (PERT) Independent Peer Review Program for Contractor Purchasing Systems
 - The program represents a partnering of Federal and contractor personnel in evaluating the efficiency and effectiveness of contractor purchasing systems as defined in the prime contract and in applicable statutes and regulations, and as implemented by the contractor's policies and procedures. The program provides for the establishment of a peer review team that will conduct the compliance review of the contractor's purchasing system, and will also validate Balanced Scorecard assessment results.

Leveraging Existing Programs and Initiatives (cont)

- Program Management Reviews
 - A key program that supports the Senior Procurement Executive (SPE) in ensuring the efficacy and integrity of the Department's procurement system. PMRs are designed to determine how effectively and efficiently the DOE field contracting organizations support their respective site mission requirements.
- Business Clearance Reviews
 - These reviews also serve as a critical decision point for ensuring that major contracting initiatives are integrated at the outset of the acquisition planning process.
 - The NNSA has a similar process in which major procurement actions as described above are reviewed at Headquarters and approved by the NNSA Headquarters Head of Contracting Activity. However, NNSA is organized differently than DOE, in that it has only one field contracting office for awarding contracts.
- Energy-wide Strategic Sourcing
 - The EWSS Program includes the following component programs: the NNSA Supply Chain Management Center (SCMC), Integrated Contractor Purchasing Team (ICPT), and the Federal Strategic Sourcing Program.
 - The SCMC has been able to achieve cost savings through lower prices but will eventually gain further savings with efficiencies gained using the enterprise-wide systems and tools.
 - The ICPT formally collaborates to identify leveraged buying opportunities for commonly used goods and services, conduct spend analyses across the contractor complex on those goods and services, negotiate and establish agreements that can be used by all eligible DOE contractors, obtain leveraged savings for DOE at substantial discounts from commercial market prices, monitor usage of established agreements, administer agreements to oversee performance by subcontract suppliers, and report results to the DOE and NNSA SPEs
 - The Federal Strategic Sourcing Program was established to achieve similar benefits and to leverage cost savings and process efficiencies at both the Federal and major site contractor levels. This component of the program is also an active participant in the Government-wide Federal Strategic Sourcing Initiative.

Leveraging Existing Programs and Initiatives (cont)

- STRIPES
 - A web-based information technology system used for awarding and administering the Department's contract and financial assistance instruments.
 - Replaced and consolidated existing procurement-related contract writing systems and tools across DOE and uses existing financial management functionality to improve the efficiency and effectiveness of awarding and administering contracting instruments.
- Acquisition Career Management Program
 - The Department's ACMP is designed to increase the proficiency of the acquisition workforce through competency-based training and provides a road map to guide acquisition employees through the training, education, and experience needed to advance in the profession.

DOE's projected acquisition savings for FY 2010 and FY 2011

- Opportunities to influence acquisition savings at the subcontract level is a viable approach to achieving savings and efficiencies in the timeframe of this initiative
- FY 2010
 - Targeted Savings \$452,400,000
- FY 2011
 - Targeted Savings \$ 550,400,000
- Total expected savings/ 2 yrs = \$1,002,800,000

High Risk Reduction Targets

Baseline		
High-Risk Contracting Authority	FY 2008 Obligations	10% Targeted Reduction
Cost Reimbursement	11,268,824	1,126,882
T&M/Labor Hour	5,964,370	596,437
Noncompetitive	162,135,993	16,213,599
Competitive, One Bid Received	8,887,310	888,731
Total High Risk	\$188,256,497	\$18,825,650

High Risk Target Baseline

- The DOE target baseline was derived using FY 2008 FPDS data. Excluded were:
 - all modification records,
 - multiple award task and delivery order contracts and orders,
 - contracts where award type is delivery order or task order under an indefinite delivery vehicle (IDV), and
 - contracts where type of contract is order dependent, combination, or classified as other

Business and Process Efficiencies

- Root Cause Analysis (RCA)/Corrective Action Plan (CAP) to Improve Project and Contract Management
 - Project front-end planning tools
 - Cost Estimating Course
 - Staffing algorithm
 - Project Peer Reviews
 - Improved Integration of Contracting and Program Management

Business and Process Efficiencies

Cont

- Change Control Management
 - Sharing of best practices in aligning project and contract management processes
 - New course on processing contract modifications
 - Development of a Project Management Guide on configuration and change control management
- Source Evaluation Process
- Improved Cost and Price Analysis Guidance

Business and Process Efficiencies

Cont

- **Contractor Evaluation Management System**
 - Established contractor performance evaluation management system that is used to incentivize contractor performance including achievement in cost and business process efficiencies.
- **Reutilization of Personal Property**
 - The aggregate efficiencies achieved in 2008 and 2009 at just the Brookhaven National Laboratory, Fermi National Accelerator Laboratory, Lawrence Berkeley National Laboratory, and the Richland Washington Site Office was \$9,579,307.

Pension and Benefits- Item of Concern

- Historically, DOE legacy pension plans have been more generous than its comparison groups and have exceeded the 105 percent threshold vs. comparison group .
 - Since 2005, DOE has required that new contracts contain provisions that are designed to limit pension and post retirement benefits for new contractor employees to no more than 105 percent of comparable organizations.
 - While this requirement will not reduce current liability and costs associated with legacy pension plans, it does represent a path forward to limit liability growth associated with the hiring of new contractor employees.
- Starting in FY 2010, the Department will eliminate the requirement that every contractor employee defined benefit (DB) pension plan be funded at the 80 percent level.
 - Potential cost avoidance in FY 2010 and F 20Y11 pension contributions of approximately \$700 million, as well as the potential to redirect approximately \$1 billion to mission activities in FY 2010 and FY 2011.

Actions to Implement More Effective Acquisition Practices & Strategies

Agency: Department of Energy

Actions	Strategic Sourcing (Y/N) ¹	Responsibility	Baseline	Estimated Completion Date	FY 2010 Budget		FY 2011 Budget		Explanation of Savings
					Planned Savings	Actual Savings	Planned Savings	Actual Savings	
Non-M&O Action 1 - Use FSSI vehicles to satisfy ongoing needs for express ground delivery	Y	DOE/NNSA		Mar-15	\$5,400,000		\$5,400,000		Savings are calculated based on the difference between Department contract and FSSI contract vehicle prices times estimated usage of express ground delivery services estimated for FY 2010 and 2011.
Non-M&O Action 2 - Consolidation of IT infrastructure services	Y	DOE/NNSA		Various	\$43,000,000		\$43,000,000		Savings include reduced contract administration costs of managing contracts as well as savings achieved as a result of lower prices due to leveraging the Department's purchasing power.
Non M&O Action 3 - Consolidate copier services, purchases and maintenance in to DOE-wide vehicles	Y	DOE/NNSA		Various	\$10,000,000		\$10,000,000		Savings include reduced contract administration costs of managing contracts as well as savings achieved as a result of lower prices due to leveraging the Department's purchasing power.
M&O Action 1 - Continued use of Integrated Contractor Purchasing Team (ICPT)	Y	DOE/NNSA		Various	\$20,000,000		\$20,000,000		Leverage the buying power of our M&Os and operates to aggressively pursue strategic sourcing opportunities among DOE complex-wide contractors
M&O Action 2 - Continued use of Supply Chain Management Center (SCMC)	Y	NNSA		Various	\$50,000,000		\$50,000,000		Enhance purchasing coordination across the Nuclear Weapons Complex; Leverage M&O contractor spend to reduce and standardize purchased prices through NNSA-wide commodity strategy; Enhance standardization of total cost of acquisition processes to deliver supplies/services more efficiently and streamline the total cost of acquisition
M&O Action 3 - Use of common contracts across complex	Y	DOE/NNSA		Various	\$12,000,000		\$10,000,000		5% Savings estimated from 2008 spend levels. FY10 contracts include: Bank Card, Software & maintenance; ground fuels; travel, RSA tokens; lab equip & supplies; glasses; and, staff augmentation. FY11 adds: Industrial supplies; electrical systems & supplies; furniture; ammunition; and, safety supplies.
M&O Action 4 - Collaboration savings - LAN/LLNS	Y	NNSA		Various	\$2,000,000		\$2,000,000		Joint subcontracts & agreements to increase efficiency & cost savings
M&O Action 5 - Reduce the volatility of pension	N	CFO		TBD	\$300,000,000		\$400,000,000		Eliminate the requirement that every contractor employee defined benefit
Total					\$407,629,452		\$540,400,000	\$0	

Strategic Sourcing Savings Supplemental Information

Agency: Department of Energy

Description of Strategically Sourced (SS) Product or Service (PS)	Estimated Department Annual Obligations SS PS	Estimated Obligation Amount to Be Strategically Sourced		Reasons Why Strategic Sourcing Vehicle Not Used for all of agency spend (if not 100%)	Point of contact: Name, Title, Telephone Number, E-mail Address
		FY 2010	FY 2011		
GW FSSI		\$5,400,000	\$5,400,000		Jeff Davis, 202-287-1877, jeff.davis@hq.doe.gov
Energy Information Technology Services (EITS)		\$43,000,000	\$43,000,000		Jeff Davis, 202-287-1877, jeff.davis@hq.doe.gov
DOE Federal Strategic Sourcing		\$10,000,000	\$10,000,000		Jeff Davis, 202-287-1877, jeff.davis@hq.doe.gov
NNSA use of common contracts across the complex		\$12,000,000	\$10,000,000		Barbara Stearrett, 202-586-7439 barbara.stearrett@nnsa.doe.gov
NNSA collabration savings		\$2,000,000	\$2,000,000		Barbara Stearrett, 202-586-7439 barbara.stearrett@nnsa.doe.gov
Integrated Contractor Purchasing Team (ICPT)		\$20,000,000	\$20,000,000		Barbara Stearrett, 202-586-7439 barbara.stearrett@nnsa.doe.gov
Supply Chain Management Center (SCMC)		\$50,000,000	\$50,000,000		Barbara Stearrett, 202-586-7439 barbara.stearrett@nnsa.doe.gov
Total	\$0	\$142,400,000	\$140,400,000		