

DEPARTMENT OF THE AIR FORCE
PRESENTATION TO THE COMMITTEE ON ARMED SERVICES
READINESS SUBCOMMITTEE
UNITED STATES HOUSE OF REPRESENTATIVES

SUBJECT: SERVICES CONTRACTING PRACTICES AND POLICIES

STATEMENT OF: LIEUTENANT GENERAL DONALD HOFFMAN
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Mr. Chairman and distinguished members of the committee, thank you for the opportunity to appear before you today to discuss Air Force services acquisitions. The Air Force recognizes that services acquisition is an area of high interest to the Congress, and we are committed to guiding change consistent with good governance and to fostering improvements and acquisition excellence. Our customers expect the acquisition community to deliver the capabilities they need to defend the United States and its interests. To meet our warfighters' needs, the Air Force has pushed towards performance based acquisitions to acquire outcomes [capabilities] versus specifying the means to the outcomes. The Air Force considers on a case-by-case basis the best approach to acquire a capability as the acquisition strategy is being developed. Whether a service acquisition approach or a procurement approach is used, our primary focus is on the customer - the readiness of the warfighter of both today and tomorrow.

In response to the FY02 National Defense Authorization Act (NDAA), the Air Force established a Program Executive Office for service acquisitions and developed the Management and Oversight of Acquisition of Services Process (MOASP). The MOASP was approved by the Undersecretary of Defense (Acquisition, Technology and Logistics) and established the Program Executive Officer (PEO) as the designated official for oversight and management of contract service efforts over \$100M total value. It also established the PEO as the designated official for A-76 public-private comparisons affecting more than 300 full time equivalents. The MOASP also established the Air Force Senior Acquisition Executive (SAE) as the oversight authority for contract service efforts between \$500M-\$2B. The Office of the Secretary of Defense is the authority for contract service efforts greater than \$2B.

The Air Force SAE has delegated acquisition authority to the Air Force Program Executive Office for Combat and Mission Support (AFPEO/CM) for “large” (greater than \$100M) service acquisitions. To date, OSD has delegated each program over \$2B, back to the Air Force. The AFPEO/CM portfolio consists of 148 programs with a combined contract ceiling of more than \$120B in direct support of Air Force operational missions around the globe. Some examples of services programs include aircraft maintenance; base operating support; advisory and assistance services; information technology support; contingency operations support; and competitive sourcing. There are 27 programs valued over \$1B, 13 which are valued over \$2B. Based on the FY05 Federal Procurement Data System, reported obligations data, contract services accounted for 60% of the Air Force’s annual obligation totaling approximately \$33.5B.

In formalizing acquisition policy for services acquisitions, the Air Force recognized the need to establish and sustain a disciplined management approach for contracted services. The MOASP contains procedures for acquisition planning; development and approval of the strategy; source selection approval; and post award performance tracking and reporting. Emphasis is placed on increasing performance-based acquisitions and ensuring acquisition strategies and source selections decision are sound. Performance-based acquisition emphasizes that all aspects of an acquisition be structured around the outcome of the work to be performed as opposed to the manner in which the work is to be performed. Performance-based acquisitions ensures that industry is given the flexibility to determine how to meet the Government's performance objectives, that appropriate performance quality levels are achieved, and payment is made only for services that meet these acceptable levels. An underlying principle is taking advantage of the commercial marketplace so industry and the market place drive efficiencies and innovation. This push has had an impact in services acquisition and focused us on specific objectives or results

rather than the means to achieve those results. Also, included in the MOASP is a structured review process that includes initial and annual oversight reviews. We are in the process of reviewing our oversight processes with the intent to develop a more robust oversight capability that will give us more insight into services acquisitions across the Air Force. We have already moved out on developing Air Force policy on the oversight of interagency acquisitions – the procurement of supplies and services using non-DoD contract vehicles. Procedures are in place for the review and approval for amounts greater than \$100K and emphasis has been placed on market research and early acquisition planning for these direct and/or assisted acquisitions.

Given that the acquisition community will continue to operate in an environment of constrained resources and high operational activity, we are refining our processes to be more responsive to warfighter needs and operate more efficiently. Air Force Smart Operations 21 (AFSO 21) will enact process re-engineering throughout the Air Force. Use of commercially-proven methodologies such as Lean, Six Sigma, Continuous Process Improvement and business process re-engineering can yield not only savings for our tight modernization and operations and maintenance budgets, but also reduce cycle time and provide better products and services for the warfighter. There are two major process initiatives underway in services acquisition: contract services requirements management and contract services program initiation review.

To provide better visibility to manage, report and track contract services, the Air Force is developing a contract services requirements management process. As part of the first step, the SECAF established designated officials and thresholds for MAJCOM contract services requirements approval: the Service Acquisition Executive is the designated official for contract services valued at \$100M and above to include AFPEO/CM programs, the MAJCOM Commander is the designated official for efforts valued at \$10M to \$100M to include

AFPEO/CM programs, and the wing commander or equivalent must be the designated official for efforts less than \$10M. Additionally, the Air Force is developing a process to review services acquisitions before they're initiated, similar to a Defense Acquisition Board. This review board would optimally take place six to nine months before the acquisition strategy panel is held. This event would include the review of the requirements, alternative solutions, and provide an initial review and assessment of the acquisition strategy.

The Air Force, in conjunction with USD(AT&L) and the other Military Services, is reviewing policies and procedures to strengthen the service acquisition oversight role and provide enterprise management of contract services. The Air Force is also aggressively stepping out to implement the new responsibilities outlined in the FY06 NDAA. We are committed to enhance the insight and oversight into contract services to ensure the warfighter receives the right service, at the right time, at the right place, and at the right price.

Again, I appreciate the support provided by Congress and look forward to working with this Committee to best satisfy our warfighter needs.