

DEPARTMENT OF THE AIR FORCE  
 HEADQUARTERS AIR FORCE MATERIEL COMMAND  
 WRIGHT-PATTERSON AIR FORCE BASE OHIO

93-21



20 11 1993

FROM: HQ AFMC/LG  
 4375 Chidlaw Road, Suite 6  
 Wright-Patterson AFB OH 45433-5006

SUBJ: Depot Maintenance Competition (DMC) Wall Speech Module  
 (CSSG Policy Number 93-21)

TO: See Distribution List

1. The S&IC MEB balloted and approved the DMC Speech Module (Atch 1). It summarizes existing and planned policies for preaward and postaward phases of DMC acquisitions. The Implementation Road Map (Atch 2) lists the documents which will fully implement the DMC policy decisions we have made. Some of these documents already exist in final form, while others are in development for issuance in the near future in accordance with the road map schedule. AFMC activities executing buyer and seller DMC functions should comply, to the maximum extent practicable, with the definitized and undefinitized policy contained in the module.

2. We recognize that this speech module marks the first time DMC policy has been issued in some areas. This is most notably the case with the policy on the postaward oversight of workload assignment documents (WAD) and WAD cost monitoring. It is our intent to move rapidly, in a corporate manner, to develop and issue final policy. In the interim, however, if questions arise, or specific issues need to be addressed, please contact the S&IC secretariat and we will ensure the appropriate OPR provides you with a timely response.

3. In addition to the above, Commanders should, of course, make the speech module available to their speech writers to utilize in order to allow us all to spread the AFMC DMC story. We must be prepared to tell industry and other public forums that we are dedicated to conducting professional and fair source selections and that we have established a structure which will ensure our ability to meet this objective. Further, we must be able to describe the techniques we will utilize to ensure that if our depots win these competitions, we can hold the repair line managers accountable for performance through proper technical and cost oversight. Our bottom line must be twofold. First, we must make the point that we are conducting DMCs as the only rational way to deal with our downsizing environment. And second, we must assure everyone that we are executing each action with integrity and in accordance with consistent policy.

Atch 94-23J (FAR 17) See posting instructions on second page.

4. If you have any questions, please call me or have your staff call the appropriate AFMC action officer. For preaward policy, our action officer is Robert Hill, HQ AFMC/PKP, DSN 787-6754. For postaward policy, our action officer is Doug Wood, HQ AFMC/LGFW, DSN 787-5969.

FOR THE COMMANDER

*Kenneth E. Eickmann*  
KENNETH E. EICKMANN  
Major General, USAF  
Director of Logistics

- 2 Atch
- 1. Speech Module
- 2. Implementation Road Map

Atch 94-23J (FAR 17) Post to AFMCFARS 5317.95 where Depot Maintenance Competition was previously covered. Then file this atch behind the sups to FAR 17.

CSSG 93-21  
(27 Sep 93)***DEPOT MAINTENANCE COMPETITION WALL SPEECH MODULE***

Depot Maintenance Competition (DMC) frequently creates the situation where an Air Logistics Center (ALC) is contracting for the modification or repair of a weapon system while the depot maintenance facility located at the same ALC competes with private firms for the workload. This situation creates the potential for a real or at least a perceived conflict of interest within the ALC. It might appear to the outside world that the same organization which is competing with industry and other Government activities for the maintenance workload also has the ability to compare proposals and select a winner in the competition. We must state clearly how Air Force Materiel Command (AFMC) conducts its competitions to avoid any real or apparent conflict of interest.

The process begins when our Centers in coordination with their appropriate single managers nominate candidate programs for DMC. These candidate programs are submitted to HQ AFMC where they are reviewed by the Competition Strategy Steering Group (the CSSG). This group is composed of senior executives from various functional areas within HQ AFMC. They recommend candidates to the AFMC Support and Industrial Operations Mission Element Board (S&IO MEB) which approves the candidates. Once candidates are approved, the buying Center executes the acquisition in the same manner as if it were responding to any other requirement.

However, to ensure fairness and objectivity, we establish a firm wall between those individuals involved with executing the normal buy actions and those involved in preparing the Depot "in house" proposals. We have termed this separation of buyer and seller the "DMC Wall" and we go to great lengths to ensure its integrity.

Acquisition planning is done by dedicated teams on the buying side of the DMC Wall after the candidate has been approved by the S&IO MEB. However, to ensure the integrity of the DMC Wall, we actually begin its construction when a candidate is nominated to the CSSG. Prior to formal approval of the DMC candidates, all information related to those candidates is treated as "advance acquisition information" and access to the information is strictly controlled.

Once the candidates are formally approved, we start specifically identifying the buyer and seller team members and make that known to all. Members of the selling team are kept at "arms length", so that they are treated comparably to private commercial firms which also might be interested in the acquisition. This "arm's length" treatment of Government sellers is accomplished through physical

separation, the use of different colored badges, special identification cards, or some combination of the three. In the case of the C-5 Speedline at San Antonio Air Logistics Center, the buying team was physically relocated to a separate building where access was controlled. Regardless of the identification process used, buyer and seller work effort is accomplished separately.

As with any other AFMC acquisition, during DMC acquisitions we strongly encourage use of early industry involvement techniques to foster better communications between the Air Force buyer and prospective offerors. When the requirements are developed, we synopsize them, use requests for information as necessary, and make draft requests for proposal available for industry and Government offeror comments. Comments received are carefully considered for inclusion in the final statement of work and the request for proposal. These common industry communication vehicles are the only sources of planning information which the Depot "Seller Team" has available to it.

Our Ombudsman program is also applicable to DMC. The Ombudsman provides a channel of communication when normal avenues fail. A key part of the Ombudsman's charter is protecting the anonymity of the inquirer, when requested. This protection of anonymity guards against possible repercussions from persons who can impact evaluation of proposals and the selection of winners. We encourage industry to make use of the Ombudsman anytime anonymous clarification or information is requested. The complete Ombudsman process is more specifically covered in our AFMC Federal Acquisition Regulation (FAR) Supplement and is available to any offeror. Please remember, however, that the role of the Ombudsman does not include participation either in the evaluation of proposals or in the source selection process.

Maintaining procurement integrity and avoiding conflict of interest are subjects which are treated very seriously both before and after the DMC. Before selection of seller team members, each is questioned concerning previous involvement in any Statement of Work (SOW) or evaluation factor development activity related to the specific acquisition planned for DMC action. Anyone involved in those activities to a substantial degree is precluded from being assigned duties on the seller team for the same acquisition.

All team members on both sides of the DMC Wall are briefed on their responsibilities under existing regulations which govern procurement integrity and source selection procedures, including the Procurement Integrity Act and applicable standards of conduct regulations. Both groups of team members are required to sign certificates. Buyer team members sign source selection non-disclosure statements. Seller team members also sign integrity and information protection statements, which are modeled after the procurement integrity certification. This certificate states that the individual understands procurement

integrity requirements, will not engage in prohibited behavior, and will report information concerning integrity violations.

Both teams are also briefed on the need to safeguard acquisition information. Buying team members are specifically reminded that the acquisition cannot be discussed with any government employee outside the buying team. Seller teams are precluded from gaining access to Government contract files. The orientation process makes it clear to all parties that unauthorized exchanges of source selection sensitive information between buying and selling teams represents a violation of the Procurement Integrity Act and individuals doing so may be subject to civil fines up to \$100,000.00.

The DMC Wall extends up the chain of command to the office of the Center Commander. Individuals who would normally make management decisions for people on both sides of the DMC Wall must declare themselves to be on only one side. Then, they take the necessary steps to delegate management responsibility for actions related to that specific DMC acquisition to a designated person on the other side of the wall for the duration of the DMC source selection. This arrangement does not disturb long term reporting relationships. However, it does allow for the elevation of management issues for that specific acquisition up the buyer or seller chain without compromising either position. These special working relationships continue for the duration of the DMC source selection.

The segregation also extends across the Command during DMC source selection. For example, if the depot seller makes use of a Seller Support Team to review and critique its proposal, the people who serve on this team are firmly identified as "sellers" for that acquisition and cannot perform any buyer support activities. The reverse arrangements also apply. Thus, any person who provides substantial support to the development of the DMC acquisition strategy or the build-up of the RFP cannot move to the seller team for that acquisition.

We have not only established the DMC Wall at our Centers in direct support of traditional buyer-seller functions but, in the assignment of the Source Selection Authority (SSA) as well. As the majority of our DMC acquisitions will be procured using formal source selection procedures, we have taken careful steps to ensure that this critical function is properly assigned. Our SSA delegation policy precludes any ALC Commander, Vice Commander or Executive Director from acting as SSA on any DMC buy action in which any ALC competes. In addition, we will not allow any other individual who resides at an ALC which competes for award to be the SSA on that DMC buy action. On DMC buy actions where the requirement pertains solely to a weapon system contained within the PEO or product center DAC portfolio, the PEO or DAC will be named as the SSA. However, the PEO or DAC is authorized and encouraged to delegate source selection authority to an individual who constitutes a "natural fit" with the DMC buy action.

For DMC candidate programs that do not fall under PEO or DAC authority, the AFMC Commander will delegate source selection authority through a Product Center Commander for redelegation to an individual representing the "natural fit" for each DMC candidate program. Any redelegation must, of course, avoid a real or apparent conflict of interest.

The source selection process for a DMC is followed either by the award of a contract to a private firm or the signing of a Workload Assignment Document (WAD) to one of our Depots. The WAD will contain all the applicable terms and conditions set out in the solicitation, including the final price and schedule committed to by the Depot. The WAD is normally signed by the Product Management Division Chief, who represents the requirement activity, and the Production Division Chief or the repair line manager responsible for execution of the WAD. In addition, the PCO endorses the initial WAD to guarantee that the WAD is comparable to the contract which would have been executed with a private firm. Regardless of the outcome of the competition, most physical aspects of the DMC Wall come down after the source selection is made. Personnel assignments of Government employees return to normal, thus allowing for the flow of people to any job for which they are qualified.

However, two notable exceptions to this return to normalcy exist. First, the rules of procurement integrity continue to apply. Thus, no one on the buyer side may ever reveal procurement information to anyone without specific approval as detailed in the source selection regulations. In addition, should the same requirement be re-competed within two years, individuals who had significant involvement on the original buyer side of the wall will not be assigned conflicting duties for that specific acquisition on the seller side for the new competition.

A second exception to the postaward disassembly of the DMC Wall comes in the management of the WAD. The oversight process for the WAD is based on the procedures established for the administration of organic workload which are set forth in AFMC Regulation 65-17. However, we are revising this regulation to broaden the duties of the Project Administration Officer (PAO) and emphasize their independence from the repair line manager's organization. The revised guide will be used by the PAOs to monitor execution of the WAD. In order to ensure complete objectivity in the WAD oversight process, the repair line PAO reports to, and is supervised by, a newly established Center PAO. This individual, normally a GM-15, is supported by a small staff and reports directly to the Center Commander. The Center PAO draws from Center-wide resources to ensure the repair line PAOs receive all the support they require to do their job. From this central office, the repair line PAOs are colocated with the appropriate Product Management Division to independently monitor execution of the WAD.

In general, PAOs are not new. Their functions are based upon organic procedures that have been in place for some time. Their duties include, but are not limited to, oversight of scheduling, workload programming, quality control, and flight test. The PAO must also approve, negotiate, and document the execution of all over and above requirements. In addition, the PAO has the right to stop the repair line if he or she observes technical or management problems which are endangering the successful execution of the WAD. The new guide will expand and enhance the responsibility of the PAO in the areas of quality assurance and file documentation. Documentation must be sufficient to constitute a complete history of the transactions relating to the WAD. The file documentation to be maintained by the PAO will provide cost, schedule, and quality information for reviews, audits, and investigations. It will also provide the complete background of the basis for informed business decisions at each step of WAD performance. For DMC, the PAO's administration file will include the WAD and all modifications to the WAD. The file will contain the Post Award Administration Memorandum of Agreement between the Product Management Division Chief and the Production Division Chief or repair line manager. The administration file will also include pricing data and other supporting documentation for actions executed by the PAO.

Along with post award oversight comes the concern for the management of cost performance of the WAD. To some in private industry, it might appear that a government depot has no postaward risk of loss either to its management or to the financial health of the organization. This is not a true perception. We have taken steps to ensure that what begins as a fixed-priced arrangement does not function as a cost reimbursable contract for the organic depot. Our post award process is comparable to private industry in that it includes penalties if the organic activity loses money on the competitive workload. A rigorous process is essential. The WAD is a fixed price commitment by the Depot repair line to the operational command who was the source of the requirement and the funding. Regardless of performance problems, the user will pay no more than the fixed WAD value, unless scope changes are negotiated and associated funding added.

When an organic Depot Maintenance activity wins a competition, we institute a process that establishes a cost baseline and tracks performance progress against that baseline. The baseline is established for the length of the award, including any option years. The cost baseline document is signed by the Product Management Division Chief and the Production Division Chief or repair line manager. Our process provides sufficient detail by element of cost for specific time frames to allow tracking of the project progress for monthly reviews.

In our process, we track the "cum to date" cost and schedule actuals and the estimated cost at completion (EAC) for the project. This information is then compared to the baseline to determine any program variances. Monthly reviews

are made of the project progress. If a potential loss is identified, we conduct an investigation to determine the reason for the potential loss. If the cause is the result of actions taken by the buyer, a formal claim will be filed. However, if the seller is responsible for the potential loss, we have established several courses of action to follow. First, written variance analysis is required for cum to date variances which exceed 10 percent and EAC variances which exceed 5 percent. These variance reports are utilized by the PAO, product management, and repair line management to track and monitor WAD execution. In addition, if the EAC variance reaches 15 percent, the written variance analysis is forwarded up the chain to the PEO or DAC with an informational copy sent to HQ AFMC/LG.

In response to any variance, repair line management will review repair processes and overhead costs to identify potential areas for cost reductions. If they determine that cost savings are available, they will implement the necessary changes and revise the EAC. If these actions prove to be unsuccessful, personnel actions or other management steps may be required.

In the event management action fails to resolve the problem, an overrun on a WAD will negatively impact the long-term competitiveness of the depot in at least three ways. First, losses at a depot must be recouped on other workloads by adjusting future rates at that depot, thus making the depot a more expensive supplier for all of its organic workload. Second, if the overrun results from a low initial estimate of direct labor or material, future proposals drawn from this experience will have a higher direct cost baseline. Finally, any poor depot performance will be documented in a Contractor Performance Assessment Report in the same manner as for private contractors, which will be used by future buyer teams in source selection.

In extreme situations where the potential WAD losses are expected to exceed 15 percent and problems cannot be solved at the Center, the project status will be elevated to HQ AFMC for resolution. If efforts at HQ AFMC do not resolve the potential loss problem, the AFMC Commander may, in consultation with the appropriate PEO or DAC and user, direct or recommend for PEO or DAC programs the buyer terminate the WAD and initiate immediate action to re compete the DMC workload. We will allow the organic Depot Maintenance activity to continue the project until a new contractor can begin performance.

In summary, we believe we have taken positive steps to ensure that the Depot Maintenance Competition preaward process mirrors our normal competitive acquisition procedures. We have also strengthened our postaward processes to ensure Air Force activities who win depot maintenance competitions are held accountable during the execution phases. Specifically,:

- We are carefully choosing our SSAs to ensure that we avoid a real or apparent conflict of interest.

- We are purposefully ensuring functional and management separation of our buyer and seller teams and extending that separation throughout the ALC chain of command.

- Once a project is identified as a DMC project, seller teams receive information using our open early industry involvement philosophy, in a manner consistent with the way industry is treated. This makes all project procurement information available equally to all interested parties - public and private.

- In the postaward phase, as we return to a normal contract or WAD oversight process, we take steps to ensure protection of procurement information related to the last acquisition.

- Finally, our enhanced cost reporting and monitoring procedures, along with the structural change we have made to establish the Center level PAO organization, ensure that the repair line manager is held accountable for complying with the WAD's terms and conditions.

Therefore, we believe we have created an environment which is comparable to the impartial arms length relationship which historically has existed between Air Force buying organizations and the defense industry.