

# Background

# Research Objective

# Methodology

# Findings

# Recommendations

## Obligations & Expenditures: An Investigation into the Factors that Affect OSD Goals



DoD Approved Survey: Report Control Symbol DD-AT&L(OT)2513



DEFENSE ACQUISITION UNIVERSITY  
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OSD is looking to better understand the obstacles that could be interfering with acquisition programs' ability to meet RDT&E and Procurement obligation and expenditure rate goals. This survey seeks your recommendations for any necessary changes to existing processes and/or policies that would improve programmatic and financial execution while preserving efficiencies and promoting Better Buying Power objectives.

Your responses will be protected and only presented in aggregate. Thanks for your assistance with this survey.

Let's get started.

Click the "Next" button in the bottom right of your screen to continue. Depending on your screen font size, you may need to scroll to the right in your survey window.

**The Challenges in Meeting OSD's Obligation and Expenditure Rate Goals: A Closer Look at Potential Causal Factors, Their Groupings, and How They Modulate**

Col Robert L. Tremaine, USAF (Ret.), and Donna J. Klinegar-Seligman

Meeting an acquisition program in the OSD is a complex process. The challenges are met by finding existing causal factors. Investigations are necessary to help program office managers that overall funding goals over the program span. For program office managers, OSD's Institutional Obligation and Expenditure rate goals are a complex task. For program office managers, OSD's Institutional Obligation and Expenditure rate goals are a complex task. For program office managers, OSD's Institutional Obligation and Expenditure rate goals are a complex task.

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**OSD's Obligation and Expenditure Rate Goals**

An Examination of the Factors Contributing to the Inefficiencies

Robert L. Tremaine • Donna J. Seligman

Several months ago, Dr. Nancy (Small) director of Acquisition Resources and Analysis, Office of the Under Secretary of Defense for Acquisition, Technology and Logistics (OSD AT&L), reached out to the Defense Acquisition University (DAU) to help address the causal factors that could be interfering with attainment of the Obligation and Expenditure rate goals of the Office of the Secretary of Defense (OSD).

DAU's research team, led by Dr. Nancy (Small) director of Acquisition Resources and Analysis, Office of the Under Secretary of Defense for Acquisition, Technology and Logistics (OSD AT&L), reached out to the Defense Acquisition University (DAU) to help address the causal factors that could be interfering with attainment of the Obligation and Expenditure rate goals of the Office of the Secretary of Defense (OSD).

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**OSD's Obligation and Expenditure Rate Goals**

An Examination of the Factors Contributing to the Inefficiencies

Robert L. Tremaine • Donna J. Seligman

This study results were presented to Acquisition Resource and Analysis, Office of the Under Secretary of Defense for Acquisition, Technology and Logistics (OSD AT&L), and other senior OSD personnel. It also reflected the value of the research on the importance of OSD's unobligated funds, which was reported by Under Secretary of Defense (OSD) Small and other OSD personnel. The study results were presented to Acquisition Resource and Analysis, Office of the Under Secretary of Defense for Acquisition, Technology and Logistics (OSD AT&L), and other senior OSD personnel. It also reflected the value of the research on the importance of OSD's unobligated funds, which was reported by Under Secretary of Defense (OSD) Small and other OSD personnel.

Recommendations: To meet OSD's obligation and expenditure rate goals, the study results were presented to Acquisition Resource and Analysis, Office of the Under Secretary of Defense for Acquisition, Technology and Logistics (OSD AT&L), and other senior OSD personnel. It also reflected the value of the research on the importance of OSD's unobligated funds, which was reported by Under Secretary of Defense (OSD) Small and other OSD personnel.

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Rob Tremaine  
Associate Dean  
Mission Assistance

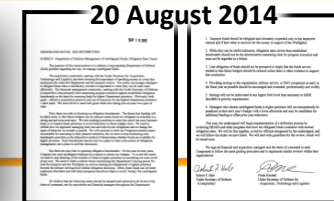


Donna Seligman  
Program  
Analysis Manager

## Background

# Traditionally, DoD Acquisition Organizations have found it difficult to meet established OSD Obligation and Expenditure rate Goals

## Recent USD (Comptroller and & ATL) Guidance



### Obligation and Expenditure Goals

		RDT&E		Procurement		O&M		MILCON	
		Obl.	Exp.	Obl.	Exp.	Obl.	Exp.	Obl.	Exp.
		Office of the Secretary of Defense							
First Year of Availability	Oct	7.5%	4.6%	6.7%	N/A	8.3%	6.3%	5.4%	1.2%
	Nov	15.0%	9.2%	13.3%	N/A	16.7%	12.5%	10.8%	2.3%
	Dec	22.5%	13.8%	20.0%	N/A	25.0%	18.8%	16.3%	3.5%
	Jan	30.0%	18.3%	26.7%	N/A	33.3%	25.0%	21.7%	4.7%
	Feb	37.5%	22.9%	33.3%	N/A	41.7%	31.3%	27.1%	5.8%
	Mar	45.0%	27.5%	40.0%	N/A	50.0%	37.5%	32.5%	7.0%
	Apr	52.5%	32.1%	46.7%	N/A	58.3%	43.8%	37.9%	8.2%
	May	60.0%	36.7%	53.3%	N/A	66.7%	50.0%	43.3%	9.3%
	Jun	67.5%	41.3%	60.0%	N/A	75.0%	56.3%	48.8%	10.5%
Second Year of Availability	Jul	75.0%	45.8%	66.7%	N/A	83.3%	62.5%	54.2%	11.7%
	Aug	82.5%	50.4%	73.3%	N/A	91.7%	68.8%	59.6%	12.8%
	Sep	90.0%	55.0%	80.0%	N/A	100.0%	75.0%	65.0%	14.0%
	Oct	90.8%	57.9%	80.8%	N/A	100.0%	77.1%	67.1%	18.1%
	Nov	91.7%	60.8%	81.7%	N/A	100.0%	79.2%	69.2%	22.2%
	Dec	92.5%	63.8%	82.5%	N/A	100.0%	81.3%	71.3%	26.3%
	Jan	93.3%	66.7%	83.3%	N/A	100.0%	83.3%	73.3%	30.3%
	Feb	94.2%	69.6%	84.2%	N/A	100.0%	85.4%	75.4%	34.4%
	Mar	95.0%	72.5%	85.0%	N/A	100.0%	87.5%	77.5%	38.5%
Third Year of Availability	Apr	95.8%	75.4%	85.8%	N/A	100.0%	89.6%	79.6%	42.6%
	May	96.7%	78.3%	86.7%	N/A	100.0%	91.7%	81.7%	46.7%
	Jun	97.5%	81.3%	87.5%	N/A	100.0%	93.8%	83.8%	50.8%
	Jul	98.3%	84.2%	88.3%	N/A	100.0%	95.8%	85.8%	54.8%
	Aug	99.2%	87.1%	89.2%	N/A	100.0%	97.9%	87.9%	58.9%
	Sep	100.0%	90.0%	90.0%	N/A	100.0%	100.0%	90.0%	63.0%
	Oct	100.0%	90.8%	90.8%	N/A	100.0%	100.0%	90.4%	65.5%
	Nov	100.0%	91.7%	91.7%	N/A	100.0%	100.0%	90.8%	68.1%
	Dec	100.0%	92.5%	92.5%	N/A	100.0%	100.0%	91.3%	70.6%
Fourth Year of Availability	Jan	100.0%	93.3%	93.3%	N/A	100.0%	100.0%	91.7%	73.2%
	Feb	100.0%	94.2%	94.2%	N/A	100.0%	100.0%	92.1%	75.7%
	Mar	100.0%	95.0%	95.0%	N/A	100.0%	100.0%	92.5%	78.3%
	Apr	100.0%	95.8%	95.8%	N/A	100.0%	100.0%	92.9%	80.8%
	May	100.0%	96.7%	96.7%	N/A	100.0%	100.0%	93.3%	83.3%
	Jun	100.0%	97.5%	97.5%	N/A	100.0%	100.0%	93.8%	85.9%
	Jul	100.0%	98.3%	98.3%	N/A	100.0%	100.0%	94.2%	88.4%
	Aug	100.0%	99.2%	99.2%	N/A	100.0%	100.0%	94.6%	91.0%
	Sep	100.0%	100.0%	100.0%	N/A	100.0%	100.0%	95.0%	93.5%

2. ...obligation rates lower than established benchmarks should not be the determinative measuring stick for program execution and must not be regarded as a failure .
3. Late obligation of funds should not be presumed to imply that the funds are not needed or that future budgets should be reduced unless there is other evidence to support that conclusion. **It may, however, indicate a need to examine whether rephasing funding is appropriate to more properly align with actual program execution.**
4. Providing savings to the organization, military service, or DoD component as early in the fiscal year as possible should be encouraged and rewarded, professionally and visibly.
5. Savings will not be reallocated at any higher DoD level than necessary to fulfill shortfalls in priority requirements.
6. Managers who release unobligated funds to higher priorities will not automatically be penalized in their next year's budget with a lower allocation and may be candidates for additional funding to offset prior year reductions.

# What Factors Matter the Most?



This research set out to assess the contributing factors that could be inhibiting/interfering with a Program's ability to meet OSD's goals through a more comprehensive analysis of field experiences and current processes.



# Opinio<sup>®</sup> Survey Instrument

## Methodology

**ACQUISITION EFFECTIVENESS**

26. How did the negotiated contract costs compare with the costs projected in the PB exhibits (e.g. R-ZA Planned Programs) for the program's largest FY12 RDT&E requirements in the Primary Account?

**CONTRACTING**

22. Rate the level of adverse impact of the following factors on your program's ability to meet OSD's End-of-Year Obligation and Expenditure goals.

**PROGRAM PLANS AND ACQUISITION AUTHORITY**

18. Rate the level of adverse impact of the following factors on your program's ability to meet OSD's End-of-Year Obligation and Expenditure goals.

**RESOURCE AVAILABILITY**

14. Rate the level of adverse impact of the following factors on your program's ability to meet OSD's End-of-Year Obligation and Expenditure goals.

**BUSINESS PLAN**

20. Rate the level of adverse impact of the following factors on your program's ability to meet OSD's End-of-Year Obligation and Expenditure goals.

**EXECUTION**

24. What mean respondent

25. To what extent costs/schedule

**DEFENSE ACQUISITION UNIVERSITY**

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**Let's get started.**

1. Your Affiliation:

Army  Navy  Air Force  DoD Agency  Other

2. Select position that best describes your role:

Program Manager/Deputy  Program BFM/Deputy  PCO  PEO/Deputy

PEO-Level CFO (or equivalent)  HQ FM Senior Staff  SAE Senior Staff  Other

3. Your Rank or Grade:

O-5  O-6  GS-14  GS-15  Flag Officer  SES  Other

4. Your ACAT Program (select the highest program you manage):

ID  IC  IAM  IAC  II

III  III (AIS)  IVT  IVM

5. Your Program Phase (if concurrent, check all that apply):

Tech Development  Engineering Manufacturing Development (EMD)  Post-FDD (AIS)

Production & Deployment (LRIP)  Production & Deployment (FRP)  Operations and Support (O&S)

**PROGRAM DETAILS**

6. Primary RDT&E Account:

2040A (Army)  1319N (Navy)  0107D, 0130D, 0390D, 0400D or 0460D (Defense-Wide)

3600 (AF)  N/A  Other

7. Secondary RDT&E Account (if greater than 20% of annual funding):

2040A (Army)  1319N (Navy)  0107D, 0130D, 0390D, 0400D or 0460D (Defense-Wide)

3600 (AF)  N/A  Other



## Survey Key Features

- Customized branching—more efficient for respondent and data analysts
- Used 1-7 Likert scale
- Questions mostly quantitative
- Matrix reduced respondent time
- Non-attribution promised... confidentiality maintained
- Some key questions open-ended

### Open-ended Questions

1. How could OSD and DoD Components better measure and/or incentivize program execution while promoting efficiencies and acquisition effectiveness?
2. How could PMs be incentivized to return excess or early-to-need funds?
3. What metrics are useful to manage obligation of funds?
4. Any recommendations to help meet OSD's obligation and expenditure goals?
5. Any recommendations to PMs/BFMs to improve obligation/expenditure rates?
6. Any Requirements issues?
7. Any Insufficient personnel resources?
8. Any Program plan issues?
9. Any Program Management office issues?
10. Any Acquisition Authority issues?
11. Causes of uneven burn rate?
12. Any Contractual issues?
13. Other actions affecting under execution?

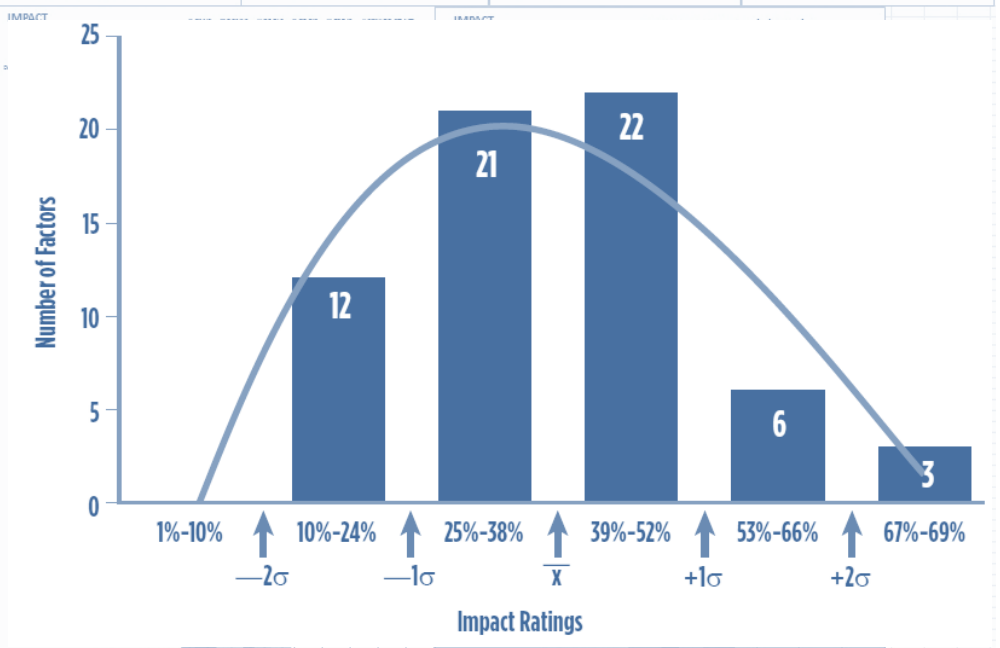
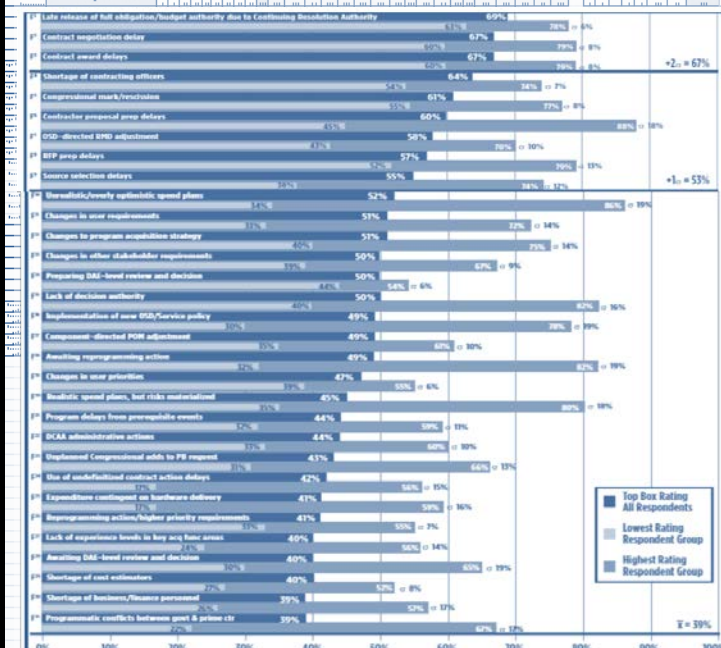


# What did the Data Say?

## Findings

### Survey Respondent Details

ACAT Levels			Respondent Groups			TOTALS		
I	II	III	Program Office	PEO	Senior Staff	Responses	Queried	Response Rate
91	28	23	142	63	24	229	698	33%



# TOP-BOX SCORING

## Explanation

### Methodology

Factors rated with regard to their respective programs

#### REQUIREMENTS

10. Rate the level of adverse impact of the following factors on your program's ability to meet OSD's End-of-Year Obligation and Expenditure goals. Also, if this factor occurs periodically, indicate frequency. If not, select N/A.

N/A=Not Applicable; DK=Don't Know; D=Daily; W=Weekly; M=Monthly; Q=Quarterly; SA=Semi Annually; A=Annually

	No Impact.....			Significant Impact				Select Frequency								
	1	2	3	4	5	6	7	N/A	DK	D	W	M	Q	SA	A	N/A
Changes in user requirements	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Changes in user priorities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Changes in other stakeholder requirements	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Changes in system specifications (i.e. ECP's)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Redirection of contractor efforts to other priorities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

- 7 point Likert scale for rating the level of adverse “Impacts” and sometimes “Frequency”
- Top-Box 3 combines the top 3 Likert scores and divides by the total responses
- Used to quickly assess results in stand-alone studies
- Used in the absence of benchmark or historical data
- Less focus on passive responses
- Responses grouped by the highest impact and the most frequent



# Impact Factors Above $\bar{x}$ Descending Order

## Findings

Factors (F1-F16)	ALL	Respondent Groups			
		Low	High	$\bar{x}$	$\sigma$
1. Late release of full obligation/ budget authority due to CRA	69%	63%	78%	71%	6%
2. Contract negotiations delays	67%	60%	79%	70%	8%
3. Contract award delays	67%	60%	79%	68%	8%
<b>+2<math>\sigma</math></b>					
4. Shortage of Contracting Officers	64%	54%	74%	64%	7%
5. Congressional mark	61%	55%	77%	63%	8%
6. Contractor proposal prep delays	60%	45%	88%	65%	18%
7. OSD directed RMD adjustment	58%	43%	70%	60%	10%
8. RFP prep delays	57%	52%	79%	59%	13%
9. Source selection delays	55%	38%	74%	58%	12%
<b>+1<math>\sigma</math></b>					
10. Unrealistic/overly optimistic spend plans	52%	34%	86%	58%	19%
11. Changes in user requirements	51%	33%	72%	56%	14%
12. Changes to program acquisition strategy	51%	40%	75%	54%	14%
13. Changes in other stakeholder requirements	50%	39%	67%	51%	9%
14. Preparing DAE level review and decision	50%	44%	54%	50%	6%
15. Lack of decision authority at expected levels	50%	40%	82%	52%	16%
16. Implementation of new OSD/Service policy	49%	30%	78%	55%	19%

Factors (F17-F31)	ALL	Respondent Groups			
		Low	High	$\bar{x}$	$\sigma$
17. Component directed POM adjustment	49%	35%	61%	48%	10%
18. Awaiting reprogramming	49%	32%	82%	51%	19%
19. Changes in user priorities	47%	39%	55%	49%	6%
20. Realistic spend plans but risks materialized	45%	35%	80%	48%	18%
21. Program delays resulting from additional development, testing or other prerequisite events	44%	32%	59%	46%	11%
22. DCAA administrative actions	44%	33%	60%	45%	10%
23. Unplanned Congressional adds to PB request	43%	31%	66%	44%	13%
24. Use of undefinitized contract action delays	42%	17%	56%	43%	15%
25. Expenditure contingent on hardware delivery	41%	17%	59%	42%	16%
26. Loss of funding through reprogramming action to higher priority req'ts to PEO portfolio	41%	33%	55%	43%	7%
27. Lack of Experience levels in key acquisition functional areas	40%	24%	56%	44%	14%
28. Awaiting DAE level review and decision	40%	30%	65%	44%	19%
29. Shortage of Cost Estimators	40%	27%	52%	41%	8%
30. Shortage of Business/finance personnel	39%	26%	57%	43%	12%
31. Programmatic conflicts between govt and prime contractor	39%	22%	67%	44%	17%

$\bar{x}$



# Four Open-Ended Questions

## Findings

### 1. What metrics have you found most useful in managing the obligation of funds?

**151 Recommendations:** real-time monitoring...frequent reviews...tight coupling to contractor actions and milestones...realistic spend plans with inches...traceability...

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### 2. What other recommendations would you make to meet OSD's Obs/Exps goals?

**123 Recommendations:** include a CRA duration variable...realistic plans...funding stability...reduce bureaucratic obstacles...synchronize processes and accounting systems...

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### 3. What would you recommend to PMs/BFMs to improve OBLIGATION rates?

**149 Recommendations:** Better Planning (82)...Realistic schedules(31)...

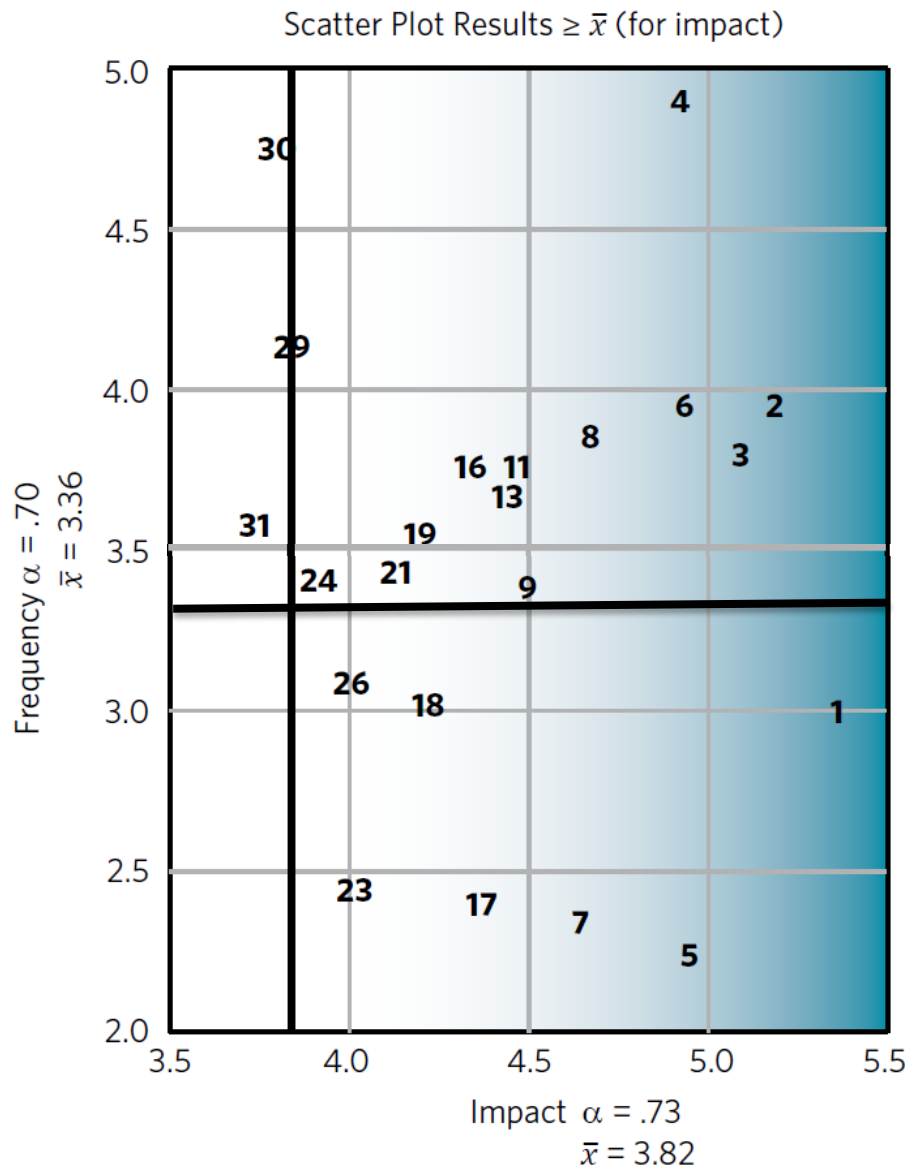
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### 4. What would you recommend to PMs/BFMs to improve EXPENDITURE rates?

**158 recommendations:** realistic goals...streamlined processes... government/industry cooperation... accountability... proactive workforce...

# Contributing Factors (Frequency vs Impact)

## Findings

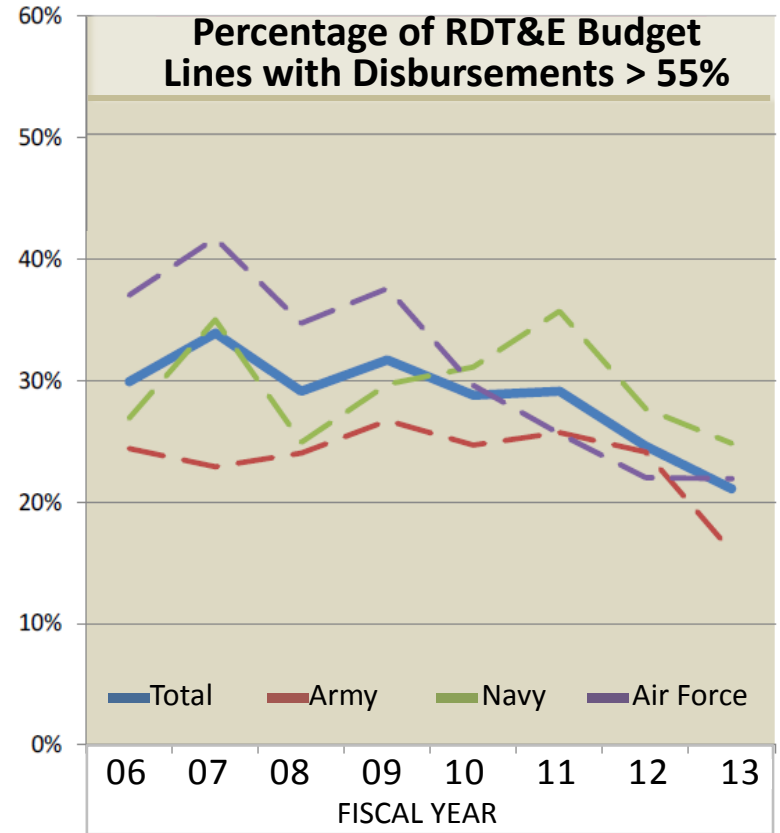
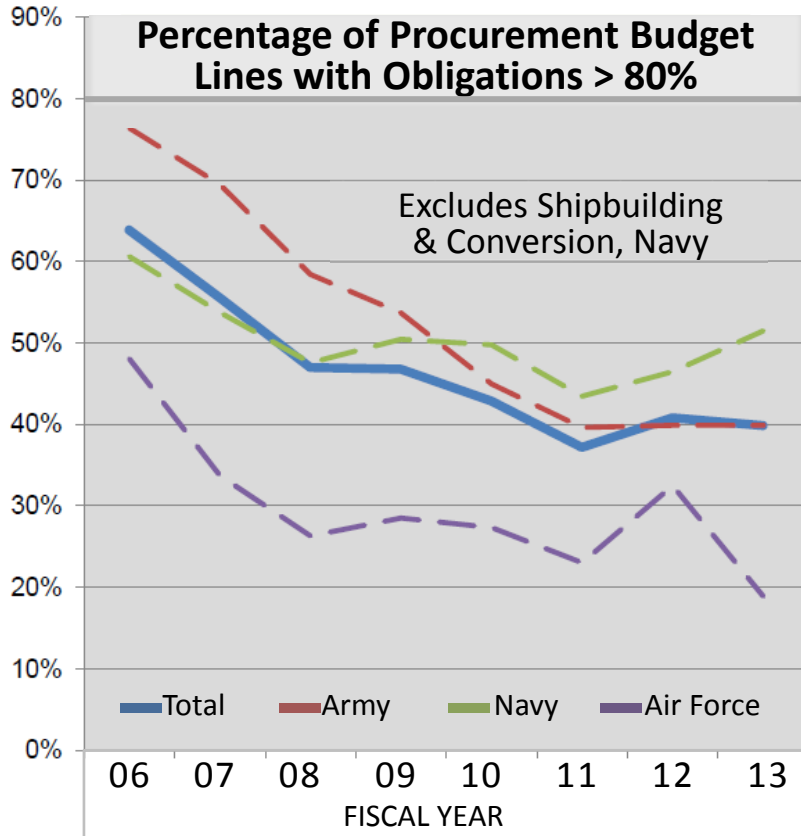


- 1 **\*\*** Late release of full obligation/budget authority due to CRA
- 2 **\*\*** Contract negotiation delays
- 3 **\*\*** Contract award delays
- 4 **\*\*** Shortage of Contracting Officers
- 5 **\*\*** Congressional mark
- 6 **\*\*** Contractor proposal prep delays
- 7 **\*\*** OSD directed RMD adjustment
- 8 **\*\*** RFP prep delays
- 9 **\*\*** Source selection delays
- 10 **\*** *Unrealistic/overly optimistic spend plans<sup>1</sup>*
- 11 **\*** Changes in user requirements
- 12 **\*** *Changes to program acquisition strategy<sup>1</sup>*
- 13 **\*** Changes in other stakeholder requirements
- 14 **\*** *Preparing DAE level review and decision<sup>1</sup>*
- 15 **\*** *Lack of decision authority at expected levels<sup>1</sup>*
- 16 **\*** Implementation of new OSD/Service policy
- 17 **\*** Component directed POM adjustment
- 18 **\*** Awaiting reprogramming action
- 19 **\*** Changes in user priorities
- 20 **\*** *Realistic spend plans but risks materialized<sup>1</sup>*
- 21 **\*** Program delays from additional development, testing or other prerequisite events
- 22 **\*** *DCAA administrative actions<sup>1</sup>*
- 23 **\*** Unplanned Congressional adds to PB request
- 24 **\*** Use of undefinitized contract action delays
- 25 **\*** *Expenditure contingent on hardware delivery<sup>1</sup>*
- 26 **\*** Loss of funding through reprogramming action to higher priority requirements to PEO portfolio
- 27 **\*** *Lack of Experience levels in key acquisition functional areas<sup>1</sup>*
- 28 **\*** *Awaiting DAE level review and decision<sup>1</sup>*
- 29 **\*** Shortage of Cost Estimators
- 30 **\*** Shortage of Business/finance personnel
- 31 **\*** Programmatic conflicts between gov't and prime contractor

**\*\***  $\geq +2\sigma$   
**\*\***  $\geq +1\sigma$   
**\***  $\geq \bar{x}$   
<sup>1</sup> Impact without Frequency

## Findings

### Obligations or Disbursement Rates in the First Year of the Availability of Funds



**Overall DOD Execution Rates for 2006 and 2013**

	2006	2013
Procurement Obligations	78%	72%
RDT&E Disbursements	57%	47%



### Focus: To Identify Root Causes of Under-Execution of Funds

- AH-64 Apache Helicopter
- Aircraft Energy Conservation Program
- Armored Multi-Purpose Vehicle
- C-130J Hercules Transport Aircraft
- CH-47F Chinook Helicopter
- Combat Vehicle Improvement Program
- Defense Enterprise Accounting and Management System
- EA-18G Growler Electronic Warfare Aircraft
- Integrated Aircrew Ensemble
- Joint Land Attack Cruise Missile Defense Elevated Netted Sensor System
- Joint Primary Aircraft Training System
- Joint Tactical Radio System
- KC-46A Tanker Aircraft
- M1A2 Abrams Tank Mod Program
- M2A3/M3A3 Bradley Fighting Vehicle Mod Programs
- Multiple Launcher Rocket System Improvement Program
- MQ-4 Triton Unmanned Aircraft System
- MQ-8 Fire Scout Vertical Takeoff and Landing Tactical Unmanned Aerial Vehicle
- MQ-9 Reaper Unmanned Aircraft System
- Navy Multiband Terminals
- Navy Standard Integrated Personnel System
- Patriot and MEADS (Medium Extended Air Defense System)
- Satellite Communications: Mobile User Objective System
- Warfighter Information Network – Tactical
- Wheeled Vehicle Protection Kits



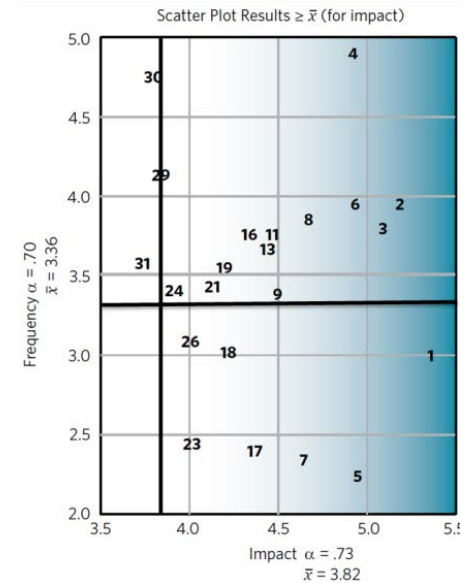
**Kathy Conley**  
Staff Member and  
Team Lead  
Institute for Defense  
Analyses

**Interviews Conducted**  
18 February - 10 June 2014

**Kathy M. Conley**  
**James R. Dominy**  
**R. Royce Kneece**  
**Jay Mandelbaum**  
**Susan K. Whitehead**

# Insights from IDA Investigation of Individual Programs and Connections to Previous DAU Study Factors (F)

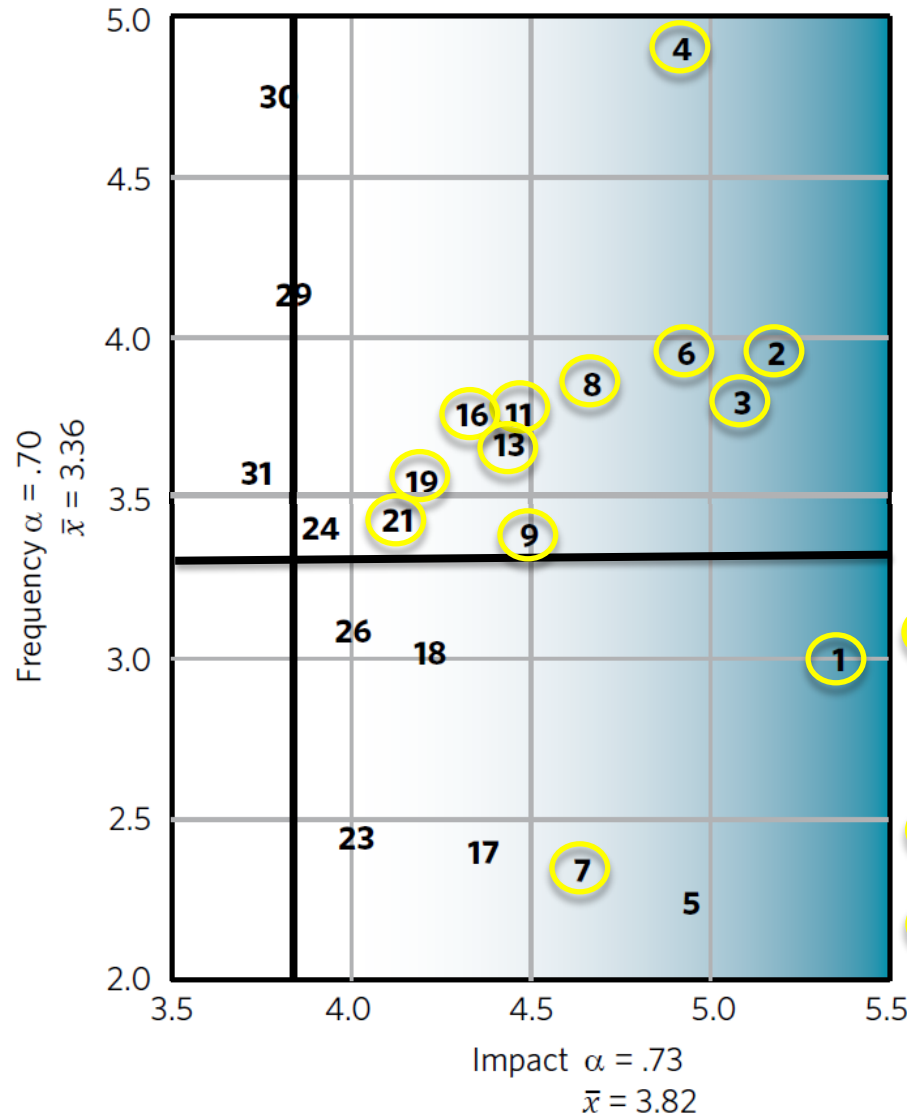
- *Contracting issues* **F<sup>9</sup>**
  - Personnel shortages and inexperience **F<sup>4</sup>**
  - Award protests **F<sup>3,9</sup>**
  - Peer reviews of contracting process documentation **F<sup>8,9,21</sup>**
  - Negotiation delays **F<sup>2</sup>**
- *Congressional actions*
  - Additions and reductions to requested funding **F<sup>7</sup>**
  - Continuing resolutions(CRs) **F<sup>1</sup>**
  - Sequestration
- *Management actions and program events*
  - Changes to requirements, contract type, schedule, responses to operational needs, technical and testing problems, and slow contractor billing **F<sup>6,11,13,19</sup>**
  - *Policy choices* **F<sup>16</sup>**
  - *Use of execution benchmarks* **F<sup>25,20</sup>**
  - Withholding funding by Services under CRs **F<sup>1</sup>**
- *Program office personnel shortages and experience levels* **F<sup>6,27</sup>**



# Contributing Factors (Frequency Vs Impact)

## Findings

Scatter Plot Results  $\geq \bar{x}$  (for impact)



- 1 \*Late release of full obligation/budget authority due to CRA
- 2 \*Contract negotiation delays
- 3 \*Contract award delays
- 4 \*Shortage of Contracting Officers
- 5 \*Congressional mark
- 6 \*Contractor proposal prep delays
- 7 \*OSD directed RMD adjustment
- 8 \*RFP prep delays
- 9 \*Source selection delays
- 10 *Unrealistic/overly optimistic spend plans<sup>1</sup>*
- 11 Changes in user requirements
- 12 *Changes to program acquisition strategy<sup>1</sup>*
- 13 Changes in other stakeholder requirements
- 14 *Preparing DAE level review and decision<sup>1</sup>*
- 15 *Lack of decision authority at expected levels<sup>1</sup>*
- 16 Implementation of new OSD/Service policy
- 17 Component directed POM adjustment
- 18 Awaiting reprogramming action
- 19 Changes in user priorities
- 20 *Realistic spend plans but risks materialized<sup>1</sup>*
- 21 Program delays from additional development, testing or other prerequisite events
- 22 *DCAA administrative actions<sup>1</sup>*
- 23 Unplanned Congressional adds to PB request
- 24 Use of undefinitized contract action delays
- 25 *Expenditure contingent on hardware delivery<sup>1</sup>*
- 26 Loss of funding through reprogramming action to higher priority requirements to PEO portfolio
- 27 *Lack of Experience levels in key acquisition functional areas<sup>1</sup>*
- 28 *Awaiting DAE level review and decision<sup>1</sup>*
- 29 Shortage of Cost Estimators
- 30 Shortage of Business/finance personnel
- 31 Programmatic conflicts between gov't and prime contractor

\*  $\geq +2\sigma$

\*  $\geq +1\sigma$

<sup>1</sup> Impact without Frequency

○ IDA



# Factor Impacts and Associated Correlations

## Findings

r	r <sup>2</sup> *	STRONGEST CORRELATION COEFFICIENTS	WEAKEST CORRELATION
.77 .74	59% 55%	<b>Slower Burn Rate than Expected due to:</b> 60 Favorable CPI & 41 Unfavorable SPI 54 Effect of Contract Type on Outlay Rates & 53 Deferred Payments for Scheduling ....Earning Fees, Progress Payments or Performance Based Payments	1: Late release of full obligation/budget authority due to CRA 4: Shortage of Contracting Officers 5: Congressional Mark/Recission 8: RFP prep delays 10: Unrealistic/overly optimistic spend plans 12: Changes to program acq strategy 16: Implementation of new OSD/Service policy 18: Awaiting reprogramming action 20: Realistic spend plans but risks materialized 21: Program delays from prerequisite events 23: Unplanned Congressional adds to PB request 25: Expenditure contingent on hardware delivery 26: Funding Loss: reprogramming action to higher priority requirements to PEO portfolio 29: Shortage of Cost Estimators 30: Shortage of Business/finance personnel 31: Programmatic conflicts between govt and prime contractor 33: Delays in contractor payment due to late invoices 34: Unobligated prior year funding not adequately factored 39: Shortage of Tech/Eng/Test personnel 40: Shortage of Auditors 44: Recission 49: Shortage of Managers 51: Shortage of Staff 55: Materiel/Systems Command Comptroller Withhold 61: PEO Withhold
.84 .78 .66 .63 .68	71% 61% 44% 40% 46%	<b>Experience and Training and Tenure:</b> 27 Key Acquisition Experience Levels & 48 Inadequate Training 27 Key Acquisition Experience Levels & 46 Tenure of PM and Other Key Positions 48 Inadequate Training & 58 Insufficient Workplace Tools/Apps 15: Lack of decision authority & 48 Inadequate Training 48 Inadequate Training & 46 Tenure of PM and Other Key Positions	
.81	66%	<b>Administrative Actions:</b> 36 DCMA & 22 DCAA	
.82 .66 .70	67% 44% 49%	<b>Changes In Content:</b> 11 User Requirements & 19 User Priorities 45 Systems Specs & 37 Redirection of Contractor Efforts 19 User Priorities & 13 Stakeholder requirements	
.68	46%	<b>Programming and Reprograming:</b> 59 PEO Directed Programming & 43 SAE/CAE/Component Directed Reprogramming	
.82	67%	<b>Industry Issues:</b> 52 Contractor Rework & 63 Production Line Issues & 64 Labor Disputes	
.73 .68	53% 46%	<b>Funding Actions:</b> 38 OSD Comptroller Withhold & 35 Component Comptroller Withhold 17 Component Directed POM Adjustment & 7 OSD Directed RMD Adjustment	
.73 .71 .69 .65	53% 50% 48% 42%	<b>Contract Chain:</b> 6 Contractor Proposal Delay & 2 Contract Negotiations Delays 3 Contract Award Delays & 2 Contract Negotiations Delays 3 Contract Award Delays & 9 Source selection delays 6 Contractor Proposal Delay & 24 Use of undefinitized contract action delays	

\* The higher the % the stronger the direction and strength of the linear relationship between the variables

Factors # 1 – 3 ≥ +2σ; Factors # 4 – 9 ≥ +1σ Factors # 10 – 31 ≥  $\bar{x}$

## Similar Recommendations

**DAU**

**IDA**

Institute Baseline Funding Delay Adjustment, then <b>measure...</b>	Make Funds available on a <b>timely</b> basis
<b>Review</b> the entire contracting action <b>value chain</b>	Ensuring contracting support is tightly linked with program management for <b>effective</b> working relationships
Establish a recurring communication forum among key stakeholders--eliminate <b>perception gaps</b>	Co-locate contracting and program management offices
Track requirement changes throughout a program’s life; look more <b>strategically</b> at effects on program execution and accompanying Acquisition Program Baselines	Adjustments in funding for individual programs should be made only after a <b>thorough investigation</b> of the implications
Review the program review cycle and <b>streamline</b> wherever possible	Streamlining review processes— <b>eliminate unnecessary</b> levels of review; <b>enforce</b> tight deadlines
Build and maintain <b>realistic</b> spend plans, measure against them, account for contingencies, and make adjustments with required frequency due to real world realities	Use automated <b>collaboration</b> processes and decision support tools to track obligations and disbursements and keep spending plans current
Validate key personnel shortage areas and recognize time it takes to rebuild <b>experience</b> levels. Nurture <b>experience</b> in key functional areas with strong catalysts such as disciplined on-the-job training, programs, mentoring	Providing <b>sufficient personnel</b> with the appropriate <b>expertise</b> to program offices and contracting activities, as well as to conduct required reviews
Evaluate the real effects of reprogramming action or realignment of <b>future</b> budget decisions before any corrective action is taken	Identify excess funds early for reprogramming or POM submission—better <b>aligns</b> funding profiles with ability to obligate funds. Broaden authority to reprogram funds without prior congressional approval
Conduct a wholesale review of the program execution metrics currently in place and determine their usefulness and <b>effectiveness</b> . How are metrics used?	Conduct <b>reviews</b> of acquisition programs by Military Department comptrollers—permits acquisition managers to convey full effects of reducing funds for under-execution
Encourage <b>innovation</b> and avoid “bookkeeping process” as RAND Corporation found in a recent study that could be limiting improvements championed by PMs	<b>Automated</b> program management <b>tools—already</b> in use in some program offices, appear to be particularly helpful in achieving unity of effort

# Back-ups



### CONTROL COST THROUGHOUT THE PRODUCT LIFE CYCLE

- **Continue to instill cost consciousness of the DoD AT&L workforce – change the culture**

**METRIC** Expansion of RFP development and negotiating experts available to support DoD-wide contracting actions

- **Institute a system to measure the productivity and cost performance of acquisition programs and institutions...**

**METRIC** Improved ability to measure the effectiveness of policies and processes, Long-term improvements in cost, schedule, and technical performance of acquisitions

- **Build stronger partnerships with the req'ts community to control costs**

**METRIC** A more affordable total force construct and more flexible req'ts processes enabling efficient and responsive Acquisition

### INCENTIVIZE PRODUCTIVITY & INNOVATION IN INDUSTRY AND GOVERNMENT

- **Define value of “capability” in “best value” competitions**

**METRIC** RFPs can be measured objectively to determine whether the value of capability is being objectively and clearly articulated

- **When LPTA is used, define Technically Acceptable to ensure needed quality**

**METRIC** More competition. Fewer protests, and Less revisit of contracts

- **Reduce backlog of DCAA audits without compromising effectiveness**

**METRIC** Increase DCAA achievement against inventory reduction goals; Increase DoD achievement of improved contract closeout and de-obligation of expired/canceled funds

### ELIMINATE UNPRODUCTIVE PROCESSES AND BUREAUCRACY

- **Reduce cycle times while ensuring quality of acquisition processes and decision-making**

**METRIC** Timely decisions based on original plan, Cost avoidance, Retention of program schedule

- **Re-emphasize AE, PEO and PM direct lines of accountability to MDA**

**METRIC** PM, PEO, CAE and stakeholder feedback, improved DRM/DAB exchange on issues, and reduced timelines for programs

# Institute for Defense Analyses

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- Spend plans
  - How are program “spend plans” developed?
  - How kept current?
  - What is the approval process?
- Execution benchmarks
  - What funds execution benchmarks are used?
  - If different from OSD(C)’s, why?
  - How is execution monitored against the benchmarks?
  - What is the role of the PEO and higher headquarters?
  - What action is taken if it becomes apparent that benchmarks will not be achieved?
    - Are excess funds identified for reallocation? If so, at what level? What is the process?
- Causes of funds under execution—primary and secondary
  - Delays in receipt of funds
  - Contracting issues
  - Congressional actions
  - Technical and testing issues
- Reductions based on under execution
  - Have reductions been imposed on your program because of funds under execution?
  - If so, what was the impact?
  - Were funds re-phased (i.e., restored in later years)? If so, with what effect?
- Impact of Congressional actions
  - Continuing Resolutions
  - Funding adds and reductions
  - Sequestration
  - Re-programming request delayed or denied
- Contracting process
  - Sole source contracts
  - Peer reviews
  - Negotiations
  - Pricing and availability data
  - Audit
  - Undefined contract actions (UCAs)
- Impact of Better Buying Power and WSARA
- Identify best practices and tools used to manage the execution of funds

## Related Study Conducted by IDA...and Questions

# All Factors by Impact in Descending Order

- 1 **\*\*Late release of full obligation/budget authority due to CRA**
- 2 **\*\*Contract negotiations delays**
- 3 **\*\*Contract award delays**
- 4 **\*\*Shortage of Contracting Officers**
- 5 **\*\*Congressional mark/recission**
- 6 **\*\*Contractor proposal prep delays**
- 7 **\*\*OSD directed RMD adjustment**
- 8 **\*\*RFP prep delays**
- 9 **\*\*Source selection delays**
- 10 ***\*Unrealistic/overly optimistic spend plans***
- 11 **\*Changes in user requirements**
- 12 ***\*Changes to program acq strategy***
- 13 **\*Changes in other stakeholder requirements**
- 14 ***\*Preparing DAE level review and decision***
- 15 ***\*Lack of decision authority***
- 16 **\*Implementation of new OSD/Service policy**
- 17 **\*Component directed POM adjustment**
- 18 **\*Awaiting reprogramming action**
- 19 **\*Changes in user priorities**
- 20 ***\*Realistic spend plans but risks materialized***
- 21 **\*Program delays from prerequisite events**
- 22 ***\*DCAA administrative actions***
- 23 **\*Unplanned Congressional adds to PB request**
- 24 **\*Use of undefinitized contract action delays**
- 25 ***\*Expenditure contingent on hardware delivery***
- 26 **\*Funding Loss: reprogramming action to higher priority requirements to PEO portfolio**
- 27 ***\*Lack of Experience levels in key acq func areas***
- 28 ***\*Awaiting DAE level review and decision***
- 29 **\*Shortage of Cost Estimators**
- 30 **\*Shortage of Business/finance personnel**
- 31 **\*Programmatic conflicts between govt and prime contractor**
- 32 ***Preparing SAE/CAE level review and decision***
- 33 ***Delays in contractor payment due to late invoices***
- 34 **Unobligated prior year funding not adequately factored**
- 35 **Component Comptroller Withhold**
- 36 ***DCMA administrative actions***
- 37 **Redirection of contractor efforts**
- 38 **OSD Comptroller Withhold**
- 39 **Shortage of Tech/Eng/Test personnel**
- 40 **Shortage of Auditors**
- 41 ***Slower burn rate than expected due to unfavorable SPI***
- 42 ***Awaiting SAE/CAE level review and decision***
- 43 **SAE/CAE/Component directed reprogramming**
- 44 **Recission**
- 45 **Changes in systems specs**
- 46 ***Tenure of PM and others in key positions***
- 47 **Holding award/incentive fees in commitment for future obligation**
- 48 ***Inadequate training***
- 49 **Shortage of Managers**
- 50 **Insufficiently planned OCO funding**
- 51 **Shortage of Staff**
- 52 ***Contractor rework***
- 53 ***Deferred payments for scheduling earning fees, progress payments or performance based payments***
- 54 ***Effect of contract type on outlay rates***
- 55 **Matériel/Systems Command Comptroller Withhold**
- 56 ***Awaiting PEO level review and decision***
- 57 **Termination Liability**
- 58 ***Insufficient workplace tools/apps***
- 59 **PEO directed programming**
- 60 ***Slower burn rate than expected due to favorable CPI***
- 61 **PEO Withhold**
- 62 ***Preparing PEO level review and decision***
- 63 ***Production line issues***
- 64 ***Labor disputes***



# Contributing Factors

## Findings

