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New OMB guidance calls for better contract planning

By [ELISE CASTELLI](#)

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The Office of Management and Budget on Tuesday called on agencies to define more thoroughly their contract projects and provide vendors more time and information before awarding contracts as a way to lower contract costs and improve competition and performance.

In long-awaited guidance that fleshes out details of procurement-reform goals announced in March by President Barack Obama, OMB urges agencies to:

- Hold competitions for contracts that involve more vendors.
- Award contracts that are more fixed-price and less cost-plus.
- Define more thoroughly the requirements of a contract.



In the Oct. 27 [memo](#), Lesley Field, deputy OMB procurement policy administrator, said better upfront planning is the key to reducing risk and increasing competition in government contracting. Too often agencies do not provide contractors with enough information or enough time to respond to a solicitation, artificially limiting the pool from which government will ultimately select a vendor, Field said.

Contracting officers and procurement officers should work together from the start to develop a clear description of what is needed to ensure that vendors know what they're bidding on, she said. By better defining what is needed before a contract is let will also allow federal agencies to minimize the use of risky cost-based contracts that reimburse contractors based on the actual cost incurred to provide a service, rather than at a fixed price. Vendors will agree to a fixed-price on a project only when they know what they're getting into, she said.

Field's boss, OMB's deputy director for management Jeffrey Zients, will appear before the Senate Homeland Security and Governmental Affairs subcommittee on contracting oversight on Oct. 28 to explain how the new guidance will assist agencies in meeting Obama's goal of cutting contract spending by \$40 billion.

The memo also directs agencies to reach out to the private sector to ensure that government knows what's available in the market and at what cost. Feedback from vendors during requirements development may help government better define what it needs and help identify competitors, expanding the vendor pool and ensuring that government can pick the least risky type of contract for that task, Field wrote.

Contracting officers should also use existing contracts to benefit from bulk purchase discounts vendors offer, Field wrote. When using multiple award contracts, however, vendors on the contract should be given ample opportunity to respond to the government's request in order to ensure taxpayer dollars are spent wisely, she said.

Agencies also need to minimize risk in cases where requirements cannot be clearly defined, Field wrote. For example, in an emergency or when buying a complex system, agencies often cannot accurately define the time, quantity or function of what they're buying, Field wrote. That means a vendor may be unable to set a price before the contract is finalized. In these cases, it is appropriate to reimburse the contractor for the actual costs incurred under a cost reimbursement or time and materials contract, she said.

But the government must protect taxpayers when using these riskier contracts, Field said. When using cost-based contracts, agencies should employ objective incentive fees to hold the vendors to their prices and delivery schedules, Field wrote. In addition, contracting officers should convert the cost-based contract to a fixed-price contract when requirements and other terms become clear, Field wrote.


Finally, when it is acceptable to award a contract without competition — such as in an emergency — contracting officers must ensure a vendor's price is fair and the contract ends when the immediate need is met, she said.

Bigger, well-trained staffs

To achieve these goals, however, OMB recognizes agencies need acquisition staffs that are well trained and properly sized. These staffs include program managers who assist contracting officers with defining requirements and contracting officers technical representatives (COTRs) who oversee contractor performance.

In a separate [memo](#) also issued Oct. 27, Field directs non-Defense agencies to submit the first annual Acquisition Workforce Development Strategic Plan on March 31. The plan will cover hiring and training plans for fiscal 2010 through 2014, and be updated annually.

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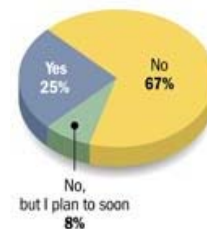
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The plan should include more than short-term hiring needs, Field wrote. It should also include plans to tap career internship programs to help produce and hire acquisition personnel, she said.

In addition, OMB's procurement policy office is establishing three panels to oversee the certification processes for contracting officers and specialists, program and project managers, and COTRs, Field wrote. The boards will tweak the training and requirements in each of these fields as the government's needs and workloads evolve, she said.

The Federal Acquisition Institute, which provides training to civilian agency acquisition personnel, will also expand the tools it offers to assist agencies with their acquisition workforce planning. Starting this fiscal year, FAI will:

- Conduct biennial surveys of workforce competencies.
- Collect acquisition workforce data to identify where to target training and certification.
- Collaborate with the Office of Personnel Management to identify members of the acquisition workforce.
- Develop methods agencies can use to analyze their current acquisition capabilities and project future needs as far as hiring and training are concerned.

OMB also was expected to clarify the definition of "inherently governmental" work, which cannot be done by contractors. But OMB did not released that. OMB spokesman Tom Gavin said the agency will "have more to say on inherently governmental functions before the year's end."

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