



Homeland Security

Synopsis of The Department of Homeland Security's Office of the Chief Procurement Officer "Reverse Industry Day 2016"

May 26, 2016 – Washington Marriott Wardman Park – Washington D.C.

Keynote Remarks

Speaker: Russ Deyo, Under Secretary for Management, Department of Homeland Security

Department of Homeland Security (DHS) Under Secretary for Management (USM) Russ Deyo provided the keynote remarks focusing on the interdependence of government and industry. Government and industry have a shared responsibility for homeland security and must work together to effectively protect our country and keep our people safe. Forums like the Reverse Industry Day (RID) are a critical opportunity for us to hear from industry and take valuable knowledge back to the Department. RID is one of a number of Learning events under the Acquisition Innovations in Motion (AIiM) umbrella that bring industry and government together to discuss business processes, identify barriers and challenges, and promote better understanding how various processes work and why they operate the way they do. It was designed specifically to improve DHS's understanding of industry practices related to identifying, tracking, pricing, bidding, winning, and performing on DHS contracts. This event was a follow-up to the Department's initial and highly successful RID held on November 12, 2015. We have incorporated specific information from the 2015 RID into numerous activities at DHS, including our Learning Cafes, projects and webinars under our Procurement Innovation Lab (PIL), as well as several other training activities for DHS staff. Lessons learned at RID will be critical to advancing the Department, and we will incorporate ideas from your conversations into our future work at DHS.

Chief Procurement Officer Soraya Correa continues to support the initiative by increasing industry engagement, updating policies and procedures, establishing periodic roundtables, and implementing the PIL. To assist with our goals, we have also been reaching out to groundbreaking innovators in the private sector. Our DHS Silicon Valley Office was established to keep pace with the entrepreneurial community and tackle the hardest problems faced by DHS's operational missions. DHS will continue reaching out to innovation communities across the country to harness the commercial research and development ecosystem for government applications, co-invest in ideas, and accelerate transition-to-market.

The summaries for the panel sessions below have been provided by the moderators for each session. DHS would like to take this opportunity to thank the moderators and panelists for the time, effort, and quality of conversation that was provided for the event.

Plenary Session I: Demystification of the Private Sector

Speakers: Andrew McCann, Dell Services Federal Government (moderator); Jay Bokulic, VMWare, Inc.; Amina Elgouacem, NEOSTEK; Linda Metz, Booz Allen Hamilton; Todd Morris, Attain

The business development process for industry runs in parallel to the government acquisition lifecycle. Companies strive to be as knowledgeable as they can be about an agency and pending acquisitions in order to respond with an offer that best achieves the government's objectives. The earlier industry can engage and communicate with the government the more likely it is that there will be multiple bids. Some factors that come into industry's decision making include access to agency officials, contract vehicle, contract type (e.g., Fixed Price (FP), Cost Plus Fixed Fee (CPFF), Time and Materials (T&M)], best value vs. lowest price technically acceptable (LPTA)), and expected number of competitors, to name a few.

Early engagement is funded out of overhead or profit, which makes each of these decisions critical when trying to balance the entire federal market. The earlier industry engages and invests the greater the likelihood of establishing a "win-win" for both parties. Whether to prime or sub plays out over time as requirements become more defined. As does consideration for an acquisition to be done under a small business (or other) category.

Both large and small companies desire to make good decisions for their stakeholders. Whether or not to invest in a particular market has great implications to the future of an enterprise, just as the successful execution of a program with a government client can be meaningful for years to come.

Plenary Session II: How Industry Decides to Bid (or Not): Industry's View of the Procurement Lifecycle

Panelists: Carol Miller, Trowbridge & Trowbridge, LLC (moderator); Lynn Ann Casey, Arc Aspicio; Marlin Edwards, ManTech International Corp.; Suzanne Petrie Liscouski, NCI Inc.; Ed Yost, Citizen Services Serco, Inc.

Each firm, whether small, mid-sized, or large, faces the same decision at some point – whether to bid or not bid on an opportunity. All firms maintain a pipeline of potential opportunities and use that as a gauge as to whether an opportunity should move up the ladder within the organization. Many firms are faced with budgetary or bandwidth

constraints and other larger firms are faced with competing opportunities from different business development leads and different agencies, each trying to push the opportunity through the internal system and obtain the dollars and support needed to respond to a request for proposal (RFP). All firms, some more than others, use a “gate review process” to initiate interest in potential bids from senior management and as a knowledge base when additional information has been obtained. Additionally, some firms use a more qualitative methodology in analyzing whether to bid while others use a more intel-based process.

Many of the panelists want to have more intelligence before deciding whether to bid and most will shy away from a “bluebird” opportunity, one that a company has done very little or no pre-marketing or is not familiar with the agency or RFP, but has capabilities similar to the listed requirements . Smaller firms will try to marry the requirements to their firm’s capabilities and go forward in bidding if they feel they can position the firm, have the staff to write, and even more importantly have the key staff to bid.

With the government requesting shorter turnaround times, each firm is faced with a shorter period of time to make decisions, gather writers, engage the proposal staff, seek approval from the executive team, secure partners, obtain resumes, and determine pricing. All of these activities must be done when responding, taking staff resources away from other activities.

In summary, the panel discussion focused on a preference for clear and straightforward RFP requirements; faster response times to questions asked of the government; a clearer understanding of the timeframe the RFP will be released to allow for better preparation, and a better understanding of when the award will be made. Additionally, industry would also like more in-person technical presentations to demonstrate what their firms are really capable of performing versus just content from many firms who all say they can perform all of the requirements where in reality they may not be able to. All firms are interested in responding to RFPs with a quality response and just want to find a way to “make it a simpler process.”

Breakout Session I: How Industry Interprets and Responds to Evaluation Criteria and Contract Type in Making a Bid Decision

Panelists: Jim Grimm, HeiTech Services Inc. (moderator); Frank Kennaisty, Motorola Solutions Inc.; Adrian Rich, Simple Technology Solutions Inc.; Patricia Todaro Bolin, XLA; Jared Townshend, Deloitte.

The level of engagement from the audience made it clear the impetus among both the agency procurement staff and contractors is to craft a mutually beneficial solution in response to a need. Although simple in concept, the balancing of conflicting drivers makes for a delicate and often challenging process. Budgetary pressures, changing

business needs, procurement requirements, industry pressures, and the element of time converge to create an environment where compromise is often the lesson of the day. Communication among all stakeholders is fundamental, and the concern for accurate information throughout the procurement process cannot be overlooked. It was made clear that as information changes throughout the procurement process, it is often difficult to define specific requirements early in the procurement that remain static. Therefore early communication can often lead to misinformation. It was discussed that pre-work is done by industry as early as 12 to 18 months before a procurement is released making it clear that early information exchange is critical. The panel did emphasize that all types of procurement information are not equal. For example, early communication of the type of contract to be used (indefinite delivery/ indefinite quantity (IDIQ) contract, set-aside, etc.) and a clear statement of the work to be performed is more important than how industry will be paid. Lastly, the importance of appropriately coupling performance monitoring (metrics) and reporting with the type of service to be performed is key. Performance-based services should be measured against outcomes. Equipment buys should be measured against specifications. Staff augmentations services should be measured against personnel qualifications and number of staff.

Breakout Session 1: Factors Affecting Innovation and the Participation of Non-Traditional Vendors

Panelists: Dan Chenok, IBM Global Business Services (moderator); Jonathan Aberman, TandemNSI; Richard Beutel, Cyrrus Analytics LLC; Mary Clare Gumbleton, The Wolverine Group Inc.

Attracting non-traditional, entrepreneurial companies to the government market has always been a challenge, given the complex procurement rules and processes that new entrants have to learn. This can run the gambit from small innovators to large companies introducing innovations in their business lines, and can limit interest both from particular regions where innovators come together in ecosystems across the country.

The Federal Government has taken steps to attract new entrants for agencies, including Department of Defense (DOD) and DHS setting up offices in Silicon Valley, or the Office of Federal Procurement Policy (OFPP) promoting innovation labs in agencies (DHS being farther along than most in this initiative). In addition, effective use of “Other Transaction Authority” (OTA) might enable access to research and development (R&D), given that OTs do not have to comply with most procurement rules; and a shift to services-based acquisition models, particularly cloud service based capabilities, might attract outside interest as this matches trends in the commercial world.

Government can also incentivize access to new innovators through industry teaming arrangements, where prime contractors have greater freedom to identify innovative partners, where new entrants have incentives to approach primes. This requires

overcoming certain challenges to bringing in new entrepreneurial partners that are present in the current procurement system, such as focusing on legal compliance rather than performance, or giving preference to past work for government over innovation in the commercial space.

Even if policies and processes are changed to open the acquisition aperture, a cultural shift will be needed that enables agencies to engage in nontraditional market research, while allowing innovators and new entrants to take risks without fear of failure and to increase use of new tools like “sandboxes” where apps are built using devops and agile. This cultural change must extend beyond the core acquisition community and into program offices, so that agencies bring innovators to the table in multiple ways to help solve their challenges.

Breakout Session 2: Factors Affecting a Proposed Solution

Panelists: John Kreger, Mitre Corporation (moderator); Michael Bruce, General Dynamics Mission Systems; Douglas Cheek, CSRA; Amanda Sramek, DELTA Resources Inc.

This session focused on the impact of contract type, subcontracting goals, requirements definition and government’s risk tolerance of a contractor’s proposed solution. A key component to improving a proposed solution is the contractor’s understanding of the government’s requirements, which can best be accomplished by face-to-face meetings. One suggestion is to use mechanisms like requests for information (RFI) to down select the contractors that get to have face-to-face conversations.

Another important point that contractors consider is the amount of innovation the government is looking for as part of the selection. If it is clear the requirements limit innovation or alternative solutions, the government may be limiting more cost effective solutions. LPTA contract vehicles mean less innovation, which could result in bare minimum solution and may require more modifications and result in a higher overall cost.

A third important consideration is industry’s risk tolerance. Solicitation respondents determine the level of risk by assessing the level of investment dollars (e.g., Internal R&D, Bid & Proposal Expense, etc.) required; resources (technical, management, pricing, contracts, procurement, etc.) required to market and bid; and the ability to meet and discuss needs with appropriate federal program management and acquisitions officials. The following helps industry to assess risk and author better RFP/RFQ responses:

- Be clear to industry that you desire a Solution vs An Approach/Method
- Enable industry to begin work early on solutions via conferences, RFIs, market research and other outreach processes

- Enable industry access to program and support organizations to test and refine solutions
- Respond to RFI, broad agency announcement (BAA) responses, etc. received from industry

Finally, other factors that affect industry's proposed solutions include place of performance (government site cost is lower); larger subcontracting goal affects solution prime is going to offer; facility – acquiring a new space will increase costs (price factor); and security requirements – clearances needed on day one will skew solutions to incumbent firms or resources.

Breakout Session II: Industry Pricing Models and Factors that Determine Bid Price

Panelists: Tony Constable, CAI/SISCO (moderator); Mark Bonatucci, FLIR Systems-Surveillance; Robert Martin, Aveshka; Pamela Rothka, Buchanan & Edwards Inc; Sudha Venkateswaran, Inersso

This session provided an opportunity for industry to identify and discuss pricing issues that have improvement potential. The pricing panelists represented a diverse set of companies and, to cover this complex subject, each participant was asked to develop and speak to a specific pricing issue that has potential to improve DHS/industry understanding.

On the industry side of the contracting divide, the focus is on the “opportunity.” An opportunity makes it into a firm's strategic business plan far in advance of the opportunity's major time milestones and only when the work, the contract type, and the timing of the acquisition align with corporate financial objectives (e.g., the need to backfill what would otherwise be an eroding backlog of work). As the characteristics of targeted opportunities change, firms re-assess their priorities, win probabilities, and their propensity to invest in a full-scale capture campaign may change, since other opportunities are competing for the finite, time-phased pursuit funds (i.e., investment and B&P pools).

To industry time is money, but to government time is often just time. If capture campaigns could be made more predictable and less time-elastic they would become less expensive to mount, thereby increasing competition. Additionally, the benefits of more and earlier down-selects are that they winnow out “technologically unacceptable” offerors, helping industry conserve its precious pursuit funds.

Bid pricing is always dependent on a bidder's perception of an opportunity and its requirements. Inevitably bidders will have questions, but, too often, there are long delays before questions are answered. From industry's point of view developing responses to

industry questions should be a very high priority for DHS; one that is driven by an extreme reluctance to extend proposal due dates.

As DHS absorbs some of industry's ideas and suggestions that were aired at this RID, new approaches are likely to emerge that address some of these issues.