

Contacting Us...

The Section 809 Panel interacts regularly with stakeholders inside and outside government. The research teams have met with hundreds of representatives from industry, think tanks, DoD, and other entities in an effort to carefully consider all aspects of the system. Outreach efforts have generated hundreds of ideas for reform that the panel is diligently investigating.

Website

The Section 809 Panel hosts an abundance of information, such as Congressional reports, meeting information, commissioner and staff biographies, and media products, on its website at section809panel.org. To conclude the panel's statutory duties in a timely fashion, the Section 809 Panel will no longer be accepting public comments or suggestions after June 30, 2018. Stakeholder feedback received before that time will be evaluated by the panel, and as appropriate, incorporated into the panel's research. Commissioners and staff will continue to interact with stakeholders as needed as the panel completes its research.

Daily Media Clips

Each business day, the Section 809 Panel publishes news clips that highlight current articles related to defense acquisition.



Social Media

For information related specifically to the panel, stakeholders can follow the Section 809 Panel on Twitter (@Section809Panel) and connect on LinkedIn (Section 809 Panel).



BoldBites Podcast

The Section 809 Panel produces a monthly podcast called Bold Bites. Commissioners and professional staff speak about their latest research, recommendations, and meetings. To listen, go to section809panel.org/media/bold-bites-podcast/.



IN MAY 2017, THE SECTION 809 PANEL submitted its *Interim Report*, which laid out the panel's rationale for streamlining DoD acquisition. The *Volume 1 Report*, published in January 2018, contained recommendations to update the process by which DoD acquires IT business systems, streamline DoD's cumbersome auditing requirements, address challenges in how the small business community and DoD interact, update commercial buying processes, clarify the definitions of personal and nonpersonal services, remove statutory requirements for acquisition-related DoD offices, and repeal acquisition-related statutory reporting requirements. Many of these recommendations have been included in the House-passed FY 2019 NDAA, H.R. 5515.

Volume 1 also included an introduction to the Dynamic Marketplace framework, a model that addresses all of the essential elements of the federally regulated acquisition environment, such as competition, business integrity, process efficiency, and transparency. This new model will include transactional processes that mirror, as appropriate, those in the

commercial market, such as the prevalent use of market intelligence and efficient economic markets. The Dynamic Marketplace represents a bold shift from the current process-centric acquisition system. The panel continues to develop this concept in preparation for Volume 3. This *Volume 2 Report* builds on the Section 809 Panel's previous policy recommendations by offering an introductory paper on the tenets of a viable defense acquisition system aimed at improving the existing over-managed system to more readily meet warfighter needs. This report represents an overview of the state of the system now and offers a vision for the future. It will also guide the panel's specific recommendations for a new defense acquisition vision cemented around portfolio capabilities and tools and resources designed to empower users and product owners to manage programs more effectively, which will be published in *Volume 3*. *Volume 2* also contains recommendations related to the acquisition workforce, commercial source selection, the Cost Accounting Standards Board, and services contracting as well as further discussion of the Dynamic Marketplace concept and a section on decluttering Title 10 of the U.S Code.

Summary of Recommendations Published in *Volume 2*

FRAMEWORK

The introductory paper on the defense acquisition system identifies five key elements that drive the acquisition process and provide a framework for change:

- **Strategy:** the mission and goals of defense acquisition.
- **Structure:** how the defense acquisition enterprise is organized and the roles of stakeholders within the enterprise.
- **Processes and Procedures:** the means by which requirements, resources, procurement, and processes are used to deliver warfighting systems.
- **Resources:** the people, funding, data, and time that serve as the means for defense acquisition to execute against its mission and goals.
- **Culture:** the values and behaviors that shape the environment and practices of defense acquisition.

The Section 809 Panel's recommendations, including those contained in the *Interim Report*, the *Volume 1 Report*, this *Volume 2 Report*, and the upcoming *Volume 3 Report*, address issues related to each of these five elements in an effort to create a cohesive system that optimally serves warfighters.

IMPROVING DEFENSE ACQUISITION

The Defense Acquisition System requires greater speed and ability to be responsive in a dynamic environment. Changing from a program-centric management structure to a portfolio management structure would enable timely delivery of integrated capabilities. Shifting to an effective portfolio capability structure would allow for tighter alignment of acquisition, requirements, and budget processes. It would also provide flexibility and potentially increased warfighter capability. Introducing Capability Portfolio Management would enable analysis and integration of cross-cutting data and create an enterprise view that would support better-informed decision making.

Realigning the acquisition system to place appropriate emphasis on sustainment would bring renewed focus on the state of readiness. The requirements system needs to focus on capabilities instead of predefined materiel solutions. The Section 809 Panel will provide specific recommendations related to enterprise capability portfolio management, portfolio execution, sustainment, and requirements in its *Volume 3 Report*.

ACQUISITION WORKFORCE

The acquisition workforce (AWF) faces challenges that must be overcome to ensure it is capable of implementing needed acquisition reforms. The existing framework of hiring authorities for the AWF fails to support DoD's efforts to address critical skill gaps through the hiring process. The hiring authorities must be streamlined and adapted to support the acquisition workforce. The Acquisition Workforce Personnel Demonstration Project (AcqDemo) to date has been administered under a temporary authority. The program has been successful for the DoD AWF members covered by the authority, and the program should be made permanent and applied to the entire DoD AWF.

The Defense Acquisition Workforce Development Fund (DAWDF) has supported DoD's ability to recruit and retain qualified acquisition personnel, yet faces three key challenges: (a) determining the most efficient approach to operational funding, (b) determining the proper allocation method, and (c) addressing ongoing management by Human Capital Initiatives. DAWDF should be resourced and managed as a multiyear fund from expiring-year, unobligated dollars at no less than \$450 million annually.



- **Rec. 25:** Streamline and adapt hiring authorities to support the acquisition workforce.
- **Rec. 26:** Convert the Civilian Acquisition Workforce Personnel Demonstration Project (AcqDemo) from an indefinite demonstration project to a permanent personnel system.
- **Rec. 27:** Improve resourcing, allocation, and management of the Defense Acquisition Workforce Development Fund (DAWDF).

SIMPLIFIED COMMERCIAL SOURCE SELECTION

Despite numerous revisions to statutes and regulations, selecting sources for commercial products and services continues to take too long and involve unnecessarily complex procedures for buyers and sellers. Statutory changes aimed at expanding the applicability of the special streamlined acquisition pro-

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cedures and updating the requirement to publish notices to reflect current technology would simplify selection of sources for commercial products and services. Improving guidance in the FAR, emphasizing the use of simplified acquisition procedures, revising the FAR to make it easier to locate procedures for using simplified acquisition procedures for commercial products and services, and defining streamlining-related terms in the FAR would also simplify commercial selection.

- **Rec. 28: Simplify the selection of sources for commercial products and services.**

COST ACCOUNTING STANDARDS

The Cost Accounting Standards Board (CASB) and cost accounting standards (CAS) need to be restructured to provide necessary guidance and minimize the burden for government and contractors. The CASB should be reinvigorated by extracting it from the Office of Federal Procurement Policy and making it an independent Executive branch organization. The CAS program requirements should be modified to include raising the thresholds for full CAS coverage and the disclosure statement and adding guidance for CAS applicability to hybrid contracts and indefinite delivery contract vehicles.

- **Rec. 29: Revise 41 U.S.C. §§ 101-1506 to designate the Cost Accounting Standards Board as an independent federal organization within the Executive Branch.**
- **Rec. 30: Reshape CAS program requirements to function better in a changed acquisition environment.**

SERVICES CONTRACTING

The regulatory and statutory distinctions between personal and nonpersonal services are outdated and inconsistent with the multisector workforce management approaches used by DoD and other federal agencies. Eliminating the statutory and regulatory distinctions between personal services contracts and nonpersonal services contracts will facilitate a multisector workforce needed to achieve and maintain national, strategic, and operational objectives and provide for managerial flexibility in determining how to fulfill service requirements.

- **Rec. 31: Eliminate the statutory and regulatory distinction between personal services contracts (PSC) and nonpersonal services (NPS) contracts.**

ADDITIONAL STREAMLINING RECOMMENDATIONS

The Federal Retail Excise Tax (FRET) distorts DoD vehicle-buying decisions, increases administrative costs, and conflicts with current contract-pricing policy and governmentwide regulations limiting passthrough charges. DoD

should be exempt from paying FRET. FAR Part 32.805, Procedures specifies outdated procedures for the assignment of claims to contract payment that require a physical impress of the corporate seal of the assignor as well as original documentation related to corporate authority to execute assignment. The FAR should be updated to reflect the use of modern technology.

- **Rec. 32: Exempt DoD from paying the Federal Retail Excise Tax.**
- **Rec. 33: Update the Assignment of Claims procedures under FAR Part 32.805.**

TITLE 10 REORGANIZATION

In the 60 years since Title 10 was enacted, the acquisition-related part of the Code has expanded and the once organized structure now contains myriad note sections, making acquisition law challenging to navigate. Repealing certain Title 10 sections and note sections, creating a new Part V under Subtitle A of Title 10, and redesignating sections in Subtitles B-D to make room for Part V will support a more logical organization of Title 10 and facilitate greater ease of use.

- **Rec. 34: Repeal certain Title 10 sections and notes, create a new Part V under Subtitle A of Title 10, and redesignate sections in Subtitles B-D to make room for Part V to support a more logical organization and greater ease of use.**

OPERATIONALIZING THE DYNAMIC MARKETPLACE

The Section 809 Panel has continued to examine the Dynamic Marketplace concept as an avenue for bold changes to the cost-centric and inflexible system used today that values process perfection over operational output. In working to translate this concept into transaction rules, it has become apparent that there are three operational lanes—rather than four, as described in the *Volume 1 Report*. Lane 1 pertains to readily available items that can be purchased with no customization or can be purchased with customization that is part of the normal course of business. Lane 2 pertains to items readily available to the private-sector but require customization that is consistent with existing private-sector practices to meet DoD needs. Lane 3 pertains to defense-unique items or development.



For detailed analysis, see the Section 809 Panel's Volume 2 Report at section809panel.org

Report of the Advisory Panel on Streamlining and Codifying Acquisition Regulations

Volume 2 of 3 June 2018



Summary of Recommendations