

**DoD Update for the Society of American Military Engineers (SAME)**

**DoD Office of Small Business Programs**

17 November 2017

Last Saturday we celebrated Veterans Day, which began in 1919 to commemorate the armistice, or cessation of hostilities, that effectively ended World War 1 on Nov 11<sup>th</sup>, 1918. Just a couple of weeks prior to this past Nov 11<sup>th</sup>, I was in France standing in a WWI American cemetery about 50 miles east of Paris. There I witnessed a moving memorial to those who perished in that war. The fallen were buried in sweeping curved rows that created an arc shaped formation, as if to symbolize how they had given their all to hold the line from the advance of the enemy. Most of the 2,289 war dead participated in battles in the Marne Valley in the summer of 1918.

I'm sure everyone in the engineering community would appreciate the attention to detail of the groundskeepers and the precise layout of the gravestones. The orderliness of the memorial is a stark contrast to the chaos and uncertainty faced in battle by those buried there. The carnage was so great that 1,060 of the graves are of those deemed Missing in Action and bear the inscription: "Here rests in honored glory an American Soldier known but to God."

My wife and I were there to pay our respects to her Great Uncle. SGT Elza H. Claypool, 18<sup>th</sup> Infantry Regiment, First Infantry Division (the Big Red 1), who fell in battle on July 20<sup>th</sup>, 1918. Today, our deployed troops communicate with their families via skype or facetime. SGT Claypool and his contemporaries relied on letters to communicate. His mother, my wife's great grandmother, sent a letter to him on July 8<sup>th</sup>, 1918. "EH", as he was known to his family, never received that letter. It's marked, "Return to Sender, Killed in Action." His official status is MIA and he rests in one of the graves designated as Unknown. To bring closure to this story, my wife carried the returned letter with us to France and read it to one of the unknown graves.

In the letter to her son, my wife's great grandmother wrote, "we certainly are proud of you and are standing behind you in all things. America is grand in her

achievements and we are praying God's richest blessings on her sons who have gone forth so valiantly." She later continued, "If you have to fight, fight like the devil."

That's good advice for us today – "fight like the devil." Like SGT EH Claypool, we face a challenging and uncertain world that unfortunately has the capacity to slip into chaos. As the military and VA panel reminded us on Wednesday morning, we collectively contribute to the defense of our nation – both the military and industry. That's an important responsibility to prepare our armed forces - if they have to fight - to fight like the devil.

To help you do your part, I'd like to share some insights with you from my vantage point in the Pentagon, within the Office of the Secretary of Defense, and in particular, from the Office of the Undersecretary for Acquisition, Technology and Logistics.

Recently, Secretary of Defense Mattis summarized the challenges facing DoD: "This is our problem statement: how to maintain a safe and secure nuclear deterrent and maintain a decisive conventional force that can also fight irregular warfare."

Based on these challenges, the SECDEF established three priorities for DoD that you've heard throughout the conference:

1. Ensure our military is ready to fight – which he refers to as "lethality"
2. Strengthen our alliances and partnerships
3. Institute reforms throughout the Department

Understanding DoD's third priority – instituting reforms - is important for you to know how to deal with the department. Secretary Mattis went on to say, "We are taking aggressive action to reform the way we do business, and to gain and to hold the trust of the Congress and the American people, that we are responsible stewards of the money allocated to us, and that it translates directly, every dollar, into the defense of our country and what we stand for."

In response to a question about Acquisition Reform, the Secretary said, “I think the most important thing is, one, communications; and, two, the actual organization of the department.” The Secretary continued, “At Congress' direction, one which I completely embrace, we are going to break acquisition, technology and logistics into research and engineering, on the one hand, and then into acquisition and sustainment on the other. The intention here is that we move faster in research and engineering. I've lived out in Silicon Valley for the three years that I was retired, and I've seen what American industry is capable of, from Silicon Valley to Michigan, from Boston to Texas. And we have got to open the communication with them much more robustly.” We're fulfilling the Secretary's guidance this week. This S-A-M-E Small Business Conference is an excellent forum for industry-government communications.

He also mentioned the actual organization of the department. He elaborated on this by saying, “As much as processes bore all of us to tears, if we don't get this acquisition process right, you can throw the best people in the world at it and 9 times out of 10, a bad process is going to win. So we've got to straighten out the process, and I've brought people in from industry to do this. Right now Ellen Lord is the acquisition technology and logistics person, and actually overseeing the breaking apart of that into what Congress has directed. Deputy Secretary Shanahan comes from American industry. He's seen it at its best in a highly competitive industry. We've got people in there that know what they're doing. It's time to roll our sleeves up and get on with it.”

To help us all “get on with it”, I'd like to elaborate on a few things the SECDEF said about these changes within the department.

To align with the SECDEFs top three priorities – lethality, partnerships and reform – the DoD acquisition community is addressing seven major activities.

1. **Reorganize** the USD(AT&L) into USD(A&S) and USD(R&E) by identifying roles, clarifying responsibilities, determining the workforce skills needed and implementing the concept of operations to acquire products and services faster and more efficiently than today, while developing innovative capabilities that enable us to stay ahead of potential adversaries.

2. **Address major procurements** by focusing on the top investments in terms of costs, strategic impact and congressional guidance; and, reducing the Procurement Administrative Lead Time associated with the major defense acquisition programs.
3. **Transform sustainment** by addressing standardization, cost, speed of delivery and implementing enterprise integration where feasible.
4. **Increase Industrial Competitiveness** by addressing cost, speed, information technology and contracting processes to increase industry's ability to provide DoD with technology advantages over potential adversaries.
5. **Improve asset utilization** of military installations, information technology and other DoD assets.
6. **Improve talent management** by putting the right people in the right jobs.
7. **Expand Developmental Capabilities** across strategic domains such as Hypersonics, Microelectronics, Directed Energy, and Advanced Computing.

While the department is changing how it operates. The entire federal government is also undergoing change. The past two Presidential Administrations emphasized the use of Strategic Sourcing and Category Management to promote efficiency and effectiveness in government procurement.

The current administration is also advocating Category Management, which is a strategic practice where Federal contracting for common goods and services is managed by categories of spending across the Government and supported by teams of experts. The Office of Management and Budget and the General Services Administration in particular view Category Management as an effective business practice for reducing duplication in contracting, better leveraging the government's buying power, and promoting the use of best in class solutions government-wide.

Among the ten government-wide categories are: Professional Services, Facilities and Construction, Transportation and Logistics and Information Technology. Many of the products and services represented on the S-A-M-E Tradeshow floor could be candidates for Category Management.

What this means to those of you who want to sell to the government is that you have to go beyond just identifying what capabilities the government is seeking and who is actually doing the buying for the government. You have to also know what contract vehicle they will be using. And, if it's a government-wide vehicle, you have to figure out if you want to put the effort into getting on the vehicle as a supplier and what requirements the vehicle may expect you to achieve, such as certifications or past performance.

What this means to the government buyer is that your industrial base may shift. If you must use a government-wide Best in Class contract vehicle, the local businesses outside of your facility may not be available for prime contracting as they have been in the past.

My federal colleagues and I in the government Small Business community are providing feedback to OMB about the impact of Category Management on the Small Business industrial base. Although the Best in Class contracts include small business goals, we're concerned the playing field will shrink substantially as a limited number of small businesses will be available for prime contracting. We requested and received membership on the government teams that will manage the categories. We intend to help shape the categories to ensure that, when appropriate, they are set aside for small business, have a partial set aside or have the proper level of subcontracting in the full and open portion. We'll monitor and influence how high the government may set the bar to get onto a category management vehicle, how the government sets the timing and criteria for "on and off ramps" and how the government may set a bridge from the small business set aside to the full and open contracts.

Given these considerations voiced by small business professionals inside the government, the draft guidance associated with Category Management is evolving to preserve federal agencies' efforts to shape their industrial base by giving them the leeway to conduct procurements outside of Category Management when dictated by the mission.

Through the National Defense Authorization Acts, Congress too plays a major role in evolving the DoD Acquisition Process. The FY2016 NDAA, section 809, directed

DoD to form an independent advisory panel to find ways to streamline and improve defense acquisition. Congress is concerned that DoD needs to change to adapt to adversaries that are rapidly modernizing to exploit US vulnerabilities or negate traditional US advantages. The Section 809 panel will make recommendations to deal with the pace of change and a changing marketplace. In particular, the panel will make recommendations to amend or repeal regulations to:

- Establish and administer an appropriate buyer and seller relationship in the procurement system,
- Improve the functioning of the acquisition system
- Ensure the continuing financial and ethical integrity of defense procurement programs,
- Protect the best interests of the Department of Defense, and
- Eliminate any regulations that are unnecessary for the above purposes.

Anyone can provide input to the Section 809 panel by simply searching for their website ([section809panel.org](http://section809panel.org)) in a search engine and clicking on the Contact Us link.

Two Executive Orders from the new administration are also guiding the Executive Branch to reduce the regulatory burden on contractors. Executive Order 13771 "Reducing Regulation and Controlling Regulatory Costs" established the requirement for agencies to repeal two existing regulations for each new one. This order applies to public facing rules such as the Federal Acquisition Regulations, but not to internal agency rules or regulations. Executive Order 13777 "Enforcing the Regulatory Reform Agenda" directed federal agencies to establish Regulatory Reform Task Forces to review and evaluate existing regulations and to make recommendations to repeal, replace or modify them.

Regulations that will not go away are those related to cybersecurity. There is a DFARS clause that essentially requires contractors and subcontractors to safeguard Covered Defense Information on their networks and report cyber incidents related to this information. What this means is that DoD contractors and subcontractors subject to the DFARS clause must implement practices like dual factor authentication on their business computers, like the government CAC

and Pin system. This applies when you're dealing with information that could compromise government missions or interests, such as controlled technical information, personally identifiable Information or operational information designated as Controlled Unclassified Information. Contractors will have to comply with a number of requirements, such as auditing their systems, providing continuous monitoring, and training their people in good cyber hygiene. And if they're hacked, they have to report the breach to DoD.

These rules go into effect at the end of next month. Some of the larger prime contractors are helping small business subcontractors to understand and comply with the cybersecurity regulations. Hackers will probe the supply chain until they find a weak point to exploit. That's why the cybersecurity clause flows down to subcontractors.

Potential challenges with implementation of the cybersecurity regulations is that contractors self-report their compliance, and the government has little ability to inspect contractor networks. Nevertheless, there is an active effort by DoD to educate contractors about the cybersecurity requirements. There was a breakout session here on Wednesday that is part of that ongoing outreach.

As you wandered through the tradeshow, you may have encountered some of the DoD Small Business Professionals. They work internally with the government team to shape acquisition strategies based on their market research of the small business industrial base. Those are some of the folks you want to get to know if you're a small business trying to find government opportunities. They are exceptional team members who help to create the opportunities for small businesses to work with DoD.

If you're new to the government market, find your nearest Procurement Technical Assistance Center (PTAC) or SBA Small Business Development Center for advice. If you're a small business looking for assistance from a more experienced firm, look into the Mentor Protégé Program. If you want to propose a new innovative technology, check out the Small Business Innovation Research (SBIR) program. If you have an innovative solution that could quickly move into an existing program to enhance a military capability or reduce technical risk, look into the Rapid

Innovation Fund. These are some of the portfolio of small business programs available to you. You can learn more about them at [business.defense.gov](http://business.defense.gov).

The federal government has these programs in place to help us achieve our statutory small business goals. Most of the attention goes to the federal 23% small business prime contracting goal. To help achieve that, the SBA assigned DoD a 22% goal both last year and for FY18. Unofficially, DoD exceeded the goal for FY17. That translates to \$60.8B in prime contracting to small businesses out of \$269.4B that small businesses could compete for. Additionally, DoD has a 33% subcontracting goal for FY18. That means 33% of all subcontracting conducted through DoD prime contracts should go to small businesses.

This past year the SBA adjusted how it measures the small business procurement performance of federal agencies. The old scorecard placed most of the emphasis on prime contracting to small businesses. The new scorecard increases emphasis on subcontracting and also includes a measure of the number of small businesses participating in federal procurement. This headcount metric does not align well with the concept of streamlined supply chains through Category Management. Instead, the metric to increase the number of small businesses in the industrial base reflects the will of Congress to enable all constituents to have the opportunity to compete for federal contracts.

As you may have heard, the House and Senate both passed the FY18 NDAA and it will go to the President to be signed into law. Although Congress authorized roughly \$700B in defense spending, DoD's actual budget authority comes from appropriations bills, which are still under development. A major impact of the FY18 NDAA is to authorize new policies, such as setting up an online marketplace for DoD procurement from Amazon or Walmart, implementing new oversight of Services contracts, and revising the regulations for contract auditing.

Of course, we all look forward to the passage of a budget to end the limitations and uncertainties of continuing resolutions.

Today I attempted to provide you with some perspective that aligns with and compliments the insights shared at this excellent gathering over the past three days. If I instilled a little fear in you, then remember what Isaac Lidsky advised us to ask ourselves, “What precisely is my problem now? What precisely can I do about it?” And while you’re answering those questions, keep in mind what SGT EH Claypool’s mother said, “If you have to fight, fight like the devil.”

Thank you