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PROCUREMENT PROGRAMS OF MARSHALL SPACE FLIGHT
CENTER AS RELATED TO DOD PROCUREMENT AND CONTRACT
ADMINISTRATION SUPPORT BY DOD ACTIVITIES

SATURN HISTORY DOCUMENT
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It is my pleasure to address you colleagues who also participate

"Black Art" of administering government contracts and to again

meet with Aldon Brown with whom I attended a government course at

WPAFB in 1966.

The sharing of experiences through organizations such as the
federal Government Accountants Association is certainly an effective

means to *forward the establishment of* ~~establish~~ the procurement and contract administration

~~activities~~ as a practicing science, in lieu of the aforementioned

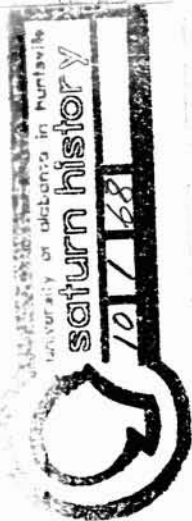
"Black Art."

There are many unpublished chapters between the lines of
government procurement regulations that a government administrator

must develop himself from on-the-job experience and the experiences

of others for practical application to his role in the administration

of contracts.



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I am sure the members here, have as I myself, frequently been frustrated by the "text book solutions" that apply more often to off-the-shelf non-complex procurements rather than to the day by day real life research and developments business questions that arise.

If I may, I would like to concentrate my discussion tonight primarily to the administration of Research and Development contracts, ^{to} with which my experience has been limited ^{to} for the past 10 years.

Since my assignment to NASA in 1965 I have had the pleasure of being a member of the Dr. von Braun team in procuring the major SATURN Launch Vehicle systems including boosters, engines and guidance systems. More recently the Center has awarded major procurements for the APOLLO Applications Program, following the ^{LUNAR} ~~Lumus~~ mission, which include development of the Orbital Workshop, Apollo Telescope Mount for earth orbital experiments. Each of these procurements has been complex and due to the dynamic program nature subjected to frequent contract changes. As in the DOD missile programs, definitization of a large backlog of contract changes is the present challenge facing our procurement organization.

Since NASA is government^{ed} by the same procurement law as DOD and both agencies deal to a considerable extent with the same segment of industry, it is NASA stated policy to prescribe procurement regulations, which to the maximum practicable extent are consistent with policies and procedures adopted by the DOD in the ASPR. In addition, by agreement with GSA NASA participates in the Federal Procurement Regulation publication program and NASA PR's are published in the Code of Federal Regulations.

Consequently, the procurement and contract administration practices of NASA are quite similar to DOD. There are some significant differences however, for example:

1. Payment of cost reimbursement and fee vouchers requires certification by a NASA certifying officer. Other government agencies, particularly DOD may delegate this function to a DCAA audit office.
2. Value Engineering is not a program at this time that NASA participates in with industry. However, NASA is studying the possibility of contracting for a Value Engineering program of some type.

3. Weighted Guidelines are not applied by NASA to the determination of contractor fees or profits. Similar guidelines are provided by NASA PR's but not the specific weighting that ASPR prescribe.

4. The award fee contract has grown most popular in NASA and application is being expanded beyond the initial support type contracts, to which this concept was initially applied.

Recently NASA procurement policies have been revised to accept more and more of the DOD concept. This has been particularly noticeable in the Contract Administration function. Current directives require maximum delegations of contract administration to DOD activities. NASA has joined with DOD in development of a joint Incentive Contracting Guide. Last year NASA adopted ABPR Appendix B for administration of government property in possession of contractors but still places the responsibility for determination of loss of property upon the PCO and requires screening of excess property valued over \$100, as compared to the \$300 DOD baseline.

MSFC RELATIONSHIPS WITH GOVERNMENT AUDITORS
AND
CONTRACT PRICE ANALYSTS

As you are I am sure well aware DOD and NASA Procurement Policies, Procedures and directives, have recently emphasized ;more the role DOD Audit should and can play in the contract pricing phase of contract development. When one looks down the long list of special requirements, laid down for performing effective evaluations and the pricing-out of contractor's proposals one must recognize that both the auditor's and price analyst's roles are ambitious ones. It is becoming more apparent, as we suffer greater reductions in manpower allotments, that the government auditor and the Contracting Officer's Price Analysts establish a closer communication link and abolish stereotype methods if all these important pricing requirements are to be met.

Speaking for Industrial Operations, Contracts Office, MSFC, we feel that good communications and working relationships have been

established with the DCAA Offices cognizant of our mainstream Saturn contractors. We are effectively using and relying on DCAA services. However, there are complications which preclude our delegations of the complete price analysis function.

For the most part, the contracts awarded and administered by our Industrial Operations Contracts Office are largely multi-million dollar contracts with Aerospace firms and extend over several years duration. As you might expect these contracts are of the most complex R&D nature and susceptible to frequent modification and change. The technical management of these contracts must necessarily be retained at the Center level. Obviously, under the above environment, the Contracting Officer must retain a competent team of Contract Specialists, Price Analysts and Contract Administrators in order to coordinate the technical and Program Management considerations with cost and business aspects to insure a successful contract performance at a reasonable cost.

Before listing areas in which Government Auditor's can be of better service to Contracting Officer and his negotiating team, it is best we acknowledge the differences between conventional auditing and price and cost analysis. In a conventional sense, auditing involves the examination and evaluation of recorded data or established systems and procedures, whereas, cost and pricing functions involve working with a continuation of historical data, but to a greater degree with prospective judgement.

The many proposal evaluations rendered to MSFC by DCAA over the past two (2) years, have run the gauntlet from poor to excellent quality. I am happy to say however, that the overall quality of the services are improving steadily. As we continue to establish our communications links and the DCAA becomes better acquainted with our NASA contracts this improvement should continue.

The following is a list of deficiencies in (if I might so classify) which are frequently troublesome to the primary negotiating team.

1. The reports are frequently geared to the Contracting Officer's needs, that is, the evaluator has not geared his considerations prospectively but, rather, has retained his audit that and placed sole significance in the contractor's past performance.

2. All too frequently the auditor takes exception to large segments of proposal cost solely on the basis of inadequate visibility, without exploring avenues for obtaining adequate support either through his own audit agency or by direct consultation with responsible contractor personnel.

3. Audit reports are frequently received by the Contracting Officer simultaneously with scheduled negotiations dates. Accordingly, exception items based on the above premise only present a serious handicap to negotiations.

4. In many instances the auditor is prone to exercise his judgement in to what constitute adequate or inadequate contractor cost support. More frequently the auditor is prone to withhold analysis of the judgement used by the contractor. As an example, the auditors

accept or nonacceptance of the contractor's consideration of program and sales volume on cost elements expected to be incurred in future periods.

5. A complicating factor which frequently causes the audit reports to be of limited use, is Marshall Center's inability to provide DCAA sufficient and timely technical input (i. e. , Technical Evaluations). Unfortunately the critical time phasing of our procurement cycle is dictated by the urgency of the Space Program and our need to adapt a procurement schedule responsive to Program needs. In the absence of definitive technical evaluations, however, there are many technical areas in which we believe DCAA has considerable visibility and can render a greater service to contract negotiators. Included are such areas as:

1. Scrap and Rework
2. Factored labor applications
3. Learning curve applications
4. Variable and Fixed Cost Analysis