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ASSET MANAGEMENT

SPECIAL REPORT: CONTRACTING & ACQUISITION

MEETING THE NEEDS OF OUR PROFESSION

Asset management and contracting excellence are two hot topics in the Department of Defense (DOD), and SAME provides outstanding support to these initiatives.

Several years ago, when the U.S. Air Force began a major transformation to implement a new asset management strategy encompassing all natural and manmade resources at our installations, we studied how other large organizations in the private sector managed their physical resources and found ways to help the Air Force achieve greater installation support efficiencies.

In an effort to comply with recent presidential executive orders and various other initiatives focused on improving environmental stewardship, strengthening energy security, reducing consumption and limiting carbon emissions, DOD and other federal agencies are looking for ways to meet aggressive energy-reduction requirements. The military services are engaged in initiatives ranging from installing solar arrays and waste-to-energy plants at our bases to exploring alternative fuels for our vehicle and aircraft fleets. What's more, we are working with our partners in industry to achieve these goals. For example, the Air Force partnered with the Edison Electric Institute and electric utility companies to develop a joint approach for comprehensive energy conservation, renewable energy and energy security strategy for our installations.

SAME promotes and supports these asset management principles in several ways. For instance, each summer SAME co-hosts with the International Facility Management Association a Facilities Management Workshop, where asset management, sustainability and energy are on the agenda. SAME also established within the national SAME Facilities Asset Management Committee a Sustainability Subcommittee that will help SAME focus on sustainability. In the fall, SAME University will offer courses on Leadership in Energy and Environmental Design for new construction as well as developing sustainable solutions for existing buildings. Lastly, the 2011 Joint Engineer Training Conference & Expo (JETC) will feature an entire track of sessions devoted to energy.

The acquisition and contracting environment within DOD and the federal government also is experiencing several trends. Contracting staffs are constantly challenged by the imposition of new rules and regulations promoting fair and open competition. Requests for proposals (RFP) for procurement are being standardized to reduce the cost of contractor proposals whenever possible. Finally, we are still experiencing a high number of proposals for most solicitations. The Air Force, along with our colleagues in the U.S. Army Corps of Engineers and the Naval Facilities Engineering Command are working hard to execute a record number of projects and provide installations with high-quality facilities to support our nation's warfighters. This is a monumental task, and we leverage our partnerships with professional design and construction firms to get the job done.

In the Air Force, we are using strategic sourcing concepts and leveraging our buying power to purchase services and materials that will make us leaner and more efficient. The Air Force Center for Engineering and the Environment (AFCEE) Acquisition and Contracting division will be realigning to gain economies of scale and combined buying power. The operational intent is for the transition to appear seamless to customers and industry.

As with asset management, SAME provides valuable contracting education through our Best Value Source Selection Course, a contracting track at our upcoming Executive Forum in New Orleans, La., and a new track at the 2011 JETC focused on contracting. These opportunities will provide insight from government and industry into how best value RFPs should be prepared and how industry can best respond to them.

This issue of *The Military Engineer* features a number of valuable articles that touch upon asset management and contracting initiatives within DOD. After you've finished reading them, I urge each of you to take advantage of all of SAME's resources—including training—that address these subjects.

I look forward to seeing many of you at the Northwest and Pacific Regional Conference in Seattle, Wash., in October and at the SAME Small Business Conference for DOD Engineering, Construction and Environmental Programs in Grapevine, Texas, in December. Thanks for all you do to help Build SAME to Last!

Maj. Gen. Timothy A. Byers, FSAME, USAF
SAME President 2010-2011



Integrated Order Contracting

By Peter Cholakis, M.S.A.M.E.

Department of Defense (DOD) construction, repair, renovation, sustainability and management activities are required to demonstrate greater efficiencies and to link buildings and associated financial requirements to mission criticality.

Specific to DOD construction, estimators and project managers must partner with contractors, subcontractors and architect-engineers to rapidly and accurately conceptualize, create, cost, prioritize, start and report upon construction projects. Integrated order contracting (IOC) is a concept that integrates all collaborative DOD contracting mechanisms, as well as the integrated components of integrated project delivery. The IOC framework includes and serves as a foundation for Job Order Contracting (JOC), Simplified Acquisition Indefinite-Delivery Indefinite-Quantity Contract (IDIQ), Multiple Award Construction Contract (MACC), Multiple Award Task Order Contract (MATOC), Single Award Task Order Contract (SATOC) and others.

Many DOD agencies need to simultaneously use several of these contracting and project delivery methods. Unless the processes for each are embedded within a supporting technology enabling effective communication and collaboration among those involved, the challenge can be daunting.

Background

IOC can be viewed as a process framework supported by an enabling software technology backbone. The combination embeds workflow; reference cost databases and cost guides; document management; web, cloud and desktop software; and the collabora-

tive aspects various contracting and acquisition methods to meet the demands for rapid project deployment, enhanced professionalism, efficiency and transparency. The ability of IOC to efficiently and accurately consolidate the management of multiple contracting methods is critical to DOD initiatives. IOC embeds multiple competitively-negotiated, fixed unit prices and indefinite-quantity contract construction project procurement methods in a single collaborative resource.

Departments and agencies can enter competitively-bid contracts with IOC contractors for specified time durations and values with procurement processes established when the IOC programs are put into place. The duration and value of various IOCs vary from single one-year projects to three- to five-year projects, with annual volumes from \$1 million to more than \$100 million.

Complete design and specifications may not be required; thus negotiations may be necessary to define processes required to accomplish a specific construction task. A construction cost database of detailed and priced tasks span-

The IOC framework allows for expedited starts on DOD construction projects while providing enhanced cost efficiency and transparency.

Integrated order contracting software includes localized, standardized cost guides that enable planners to develop highly-accurate cost estimates for construction projects.

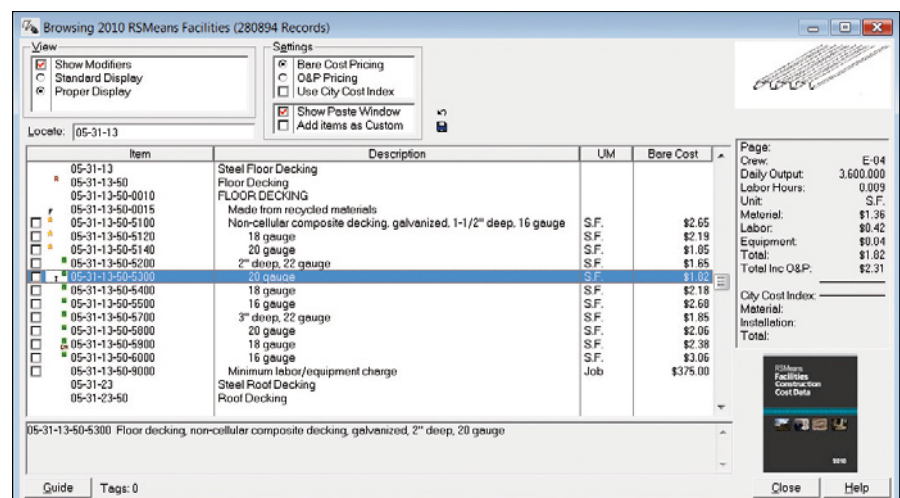


Image courtesy 4Clicks Solutions

ning a variety of facilities construction, maintenance, repair and renovation work items is a core component within IOC. The cost guide and associated priced tasks form the basis for defining and negotiating task orders and projects.

The Benefits of IOC

A professionally-developed and managed IOC program encourages collaborative communication, and leverages and expedites DOD construction repair, renovation, sustainable project planning, procurement, and delivery processes while enabling higher visibility into costs.

Expedited Project Starts. The IOC framework allows DOD to begin construction projects in weeks rather than months. Project work orders spanning multiple project types can be assigned without bidding out each project. A higher percentage of construction funds are used for work projects rather than procurement costs. Whether JOC, SABER, IDIQ, MATOC, or SATOC, the IOC framework coordinates multiple projects and requires less time to start a project than the conventional design-bid-build, design-build or Construction Manager at Risk construction methods.

One of several time-saving features within IOC is the side-by-side technical evaluation function. Contractor estimates can be compared side-by-side at a highly detailed level to locate inconsistencies or areas that may require further negotiations or clarification. This feature saves time while reducing the chance of an error or omission.

Standardized Cost Guides. IOC supports and leverages construction costs generated using standardized cost guides. These reference cost databases are specifically established for the types and locations of construction projects included in the IOC contract. Industry experts regard the use of a reference cost database as a best practice, and proper use cannot be under-emphasized. Standardized price guides also help to mitigate errors by providing a shopping list of detailed unit price line items to be included.

IOC employs an averaging approach that applies a coefficient equally to "unit price items" from established

price guides and unit cost books. Although some of the unit prices in the reference database may be higher or lower than the regional or local market, the averaging process provides a very accurate construction cost estimate.

IOC also empowers greater accuracy through its ability to localize costs. Examples of this include the City Cost Index global, regional, or local cost factor for materials, labor, or equipment, and the U.S. Army Corps of Engineers localized cost factors. Contractors can adjust for major variances using the coefficient, and owners can easily monitor and verify any changes.

Expedited Facility Management. The repair, renovation, maintenance and renewal components are critical to sustainability. The value of implementing Leadership in Energy and Environmental Design (LEED) and other green certification processes cannot be achieved without the ability to manage a facility portfolio's wide range and high frequency of construction projects. IOC expedites the facility management process by minimizing associated procurement costs and costly construction delays.

The need to improve the performance of existing buildings is well known. IOC can be readily applied to expedite the deployment of HVAC, exterior shell, lighting, building automation and similar construction projects needed to achieve high-performance building targets or mandates per LEED for Existing Buildings and similar guidelines.

Performance Based. On-time and on-budget performance can be more readily monitored and becomes the norm through IOC. Contractors are motivated to meet and exceed owner expectations in order to receive additional task and delivery orders.

In the process of awarding these types of contracts, past performance is normally evaluated and is a primary factor for contractor selection. Examples of standardized contractor performance rating systems are the Construction Contractor Appraisal Support System (CCASS) and the Contractors Performance Assessment Reporting System. CCASS is a web-enabled application that supports the completion, distribution and retrieval of construction

contract performance evaluations. The evaluation assesses a contractor's performance and provides a record, both positive and negative, on a given contract. Each evaluation is based on objective facts and supported by contract management data, such as contract performance elements that evaluate quality, timely performance, effectiveness of management, and compliance with contract terms, labor standards, and safety requirements. Similar systems provide appraisals for A/E/C firms.

Higher Return on Investment. Collaborative, predefined IOC processes and defined accountability better integrate all project participants and mitigate change orders and legal claims. An IOC contractor may assume full responsibility for errors, omissions, execution of the design, or the contractual relationship may be with an A/E/C firm. Projects also can be started quicker, often enabling dramatic cost savings. Lower administration and procurement costs allow owners to focus scarce resources on projects. Design costs also are mitigated as the technical specifications are defined and included as part of the basic JOC contract, and a significant percentage of JOC projects can be scoped without full design documents. Economies of scale can be achieved as grouping of multiple small or similar projects can spread out indirect costs, general conditions and overhead costs.

Focused on Results

The IOC framework supports processes that more efficiently conceptualize, create, cost, prioritize, start and report on projects. IOC helps overcome the inefficient components of some traditional methods while adding a higher level of transparency and accountability.

In construction and facility maintenance, IOC emphasizes partnership and teamwork, and contractors are selected based on qualifications, performance and best value rather than low price or low bid alone. As a result, IOC brings higher-level performance, reliability and dependability to projects with a focus on results, from initial concept through final project close out. **TME**

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