

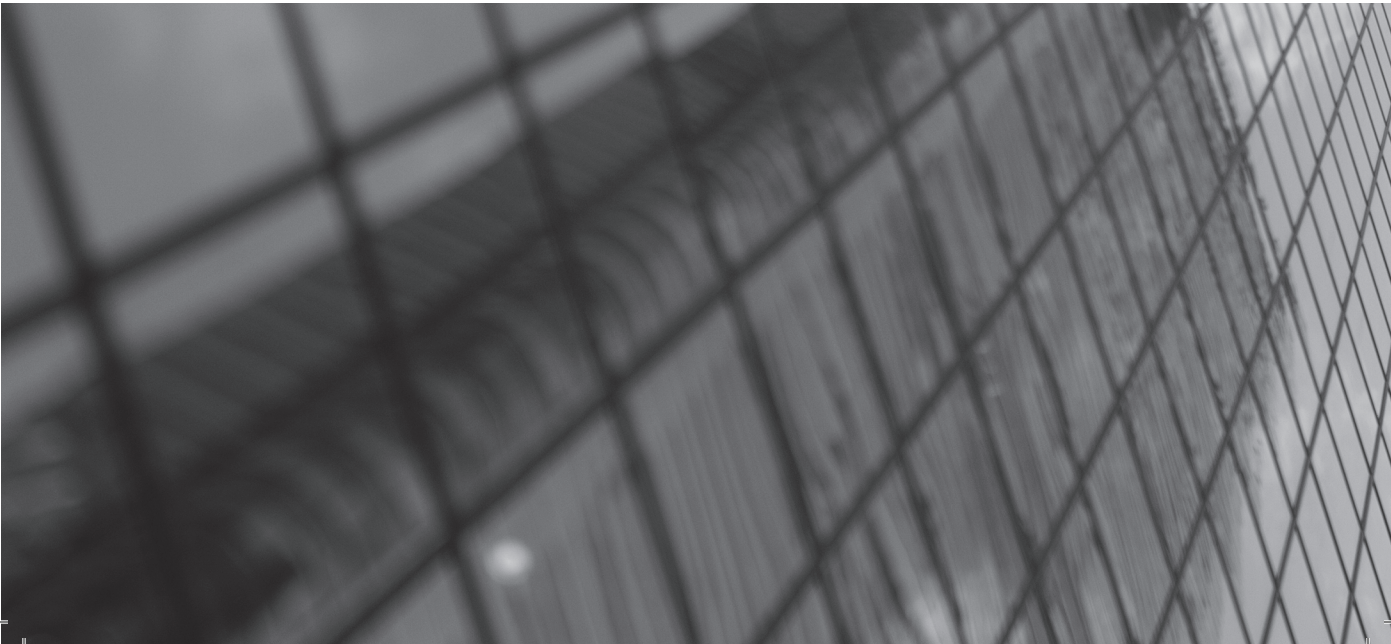


ANNUAL REVIEW OF GOVERNMENT CONTRACTING

2015 edition



Bloomberg
GOVERNMENT



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Introduction

Welcome to the *Annual Review of Government Contracting, 2015 edition*, brought to you by the National Contract Management Association (NCMA) and Bloomberg Government. This latest version brings you a collection of the latest data, trends, and analyses in government contracting. New this year is the addition of two commentaries from prominent figures in contract management: Lt. Gen. Wendy Masiello (USAF) of the Defense Contract Management Agency; and Robert Burton, former deputy administrator of the Office of Federal Procurement Policy. Also included is the perspective of the National Association of State Procurement Officials.

NCMA is the world's leading professional resource for those in the field of contract management. This report serves as an example of the increased involvement of NCMA in implementing its mission of advancing the ever-growing and dynamic profession of contract management through collaboration with senior acquisition leaders within academia, industry, and the executive and legislative branches of government. Special thanks are due to our partners at Bloomberg Government for their support in providing the data and design for this report.

We trust that by reviewing this annual report, you will better understand and adapt to the ongoing changes occurring within government contracting and our profession, from the strategies and approaches being used to develop, award, and manage government contracts to the trends of who is developing, awarding, and receiving those contracts.



Michael Fischetti
NCMA Executive Director

About NCMA



The National Contract Management Association (NCMA) is the world's leading professional resource for those in the field of contract management. The organization, which has over 20,000 members, is dedicated to the professional growth and educational advancement of procurement and acquisition personnel worldwide. NCMA strives to serve and inform the profession it represents and to offer opportunities for the open exchange of ideas in neutral forums.

NCMA is committed to principled professional conduct and achievement as dictated by our Code of Ethics. The organization understands the challenges our members face and NCMA provides the tools, resources, and leadership opportunities to enhance each member of the profession's performance, career, and accomplishments. Through more than 40 programs and services, NCMA provides value to members.

You are invited to learn more by visiting www.ncmahq.org.

About Bloomberg Government

Bloomberg GOVERNMENT

Bloomberg Government is a comprehensive intelligence service that helps government contracting professionals get a competitive edge. Bloomberg Government's clients include top federal defense and technology contractors, business development executives and federal agencies.

Business leaders rely on Bloomberg Government's suite of analytical tools and data Contract Intelligence, Bid Tracker, Opportunities Search, Partner Finder, and more to win more business. Through rich data, in-depth analysis, and breaking news, Bloomberg Government helps government contractors stay at the top of their game.

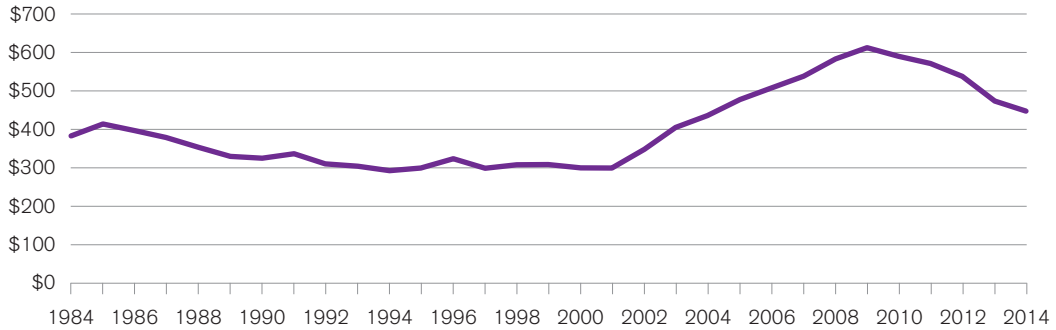
Learn more at bgov.com.

U.S. Government Contracting on the Decline

Since its wartime peak in 2009, U.S. government prime contract obligations have been falling. The overseas drawdown and spending caps enacted in the 2011 Budget Control Act have driven the decline.

U.S. Government Prime Contract Spending

In billions of constant 2014 dollars, by fiscal year



Source: Federal procurement data compiled by Bloomberg Government

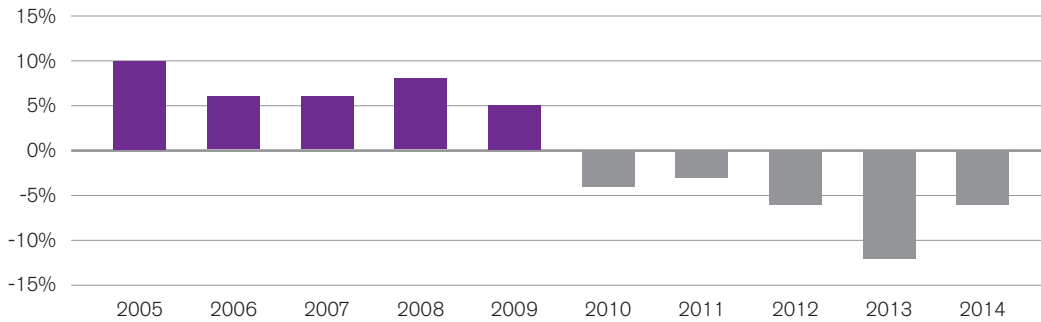
Year	Then-Year Dollars	Inflation-Adjusted Dollars
1984	\$168,101,724,000.00	\$383,019,535,446.24
1985	\$188,189,177,000.00	\$414,044,172,920.74
1986	\$183,681,583,000.00	\$396,752,219,280.00
1987	\$181,752,068,000.00	\$378,761,070,158.87
1988	\$176,601,516,000.00	\$353,406,056,566.15
1989	\$172,671,625,000.00	\$329,657,982,387.10
1990	\$179,408,812,000.00	\$324,961,932,040.03
1991	\$193,671,272,000.00	\$336,629,678,767.93
1992	\$183,898,252,000.00	\$310,301,757,558.60
1993	\$185,717,040,000.00	\$304,262,347,276.40
1994	\$183,242,774,000.00	\$292,713,639,309.47
1995	\$192,829,564,000.00	\$299,538,711,700.16
1996	\$214,537,508,000.00	\$323,701,411,688.26
1997	\$202,639,122,000.00	\$298,890,811,126.43
1998	\$212,073,812,324.00	\$308,009,239,474.45
1999	\$217,079,996,532.00	\$308,467,287,268.91

Year	Then-Year Dollars	Inflation-Adjusted Dollars
2000	\$218,152,090,972.72	\$299,909,717,819.50
2001	\$224,153,755,318.14	\$299,634,463,122.50
2002	\$264,650,367,500.24	\$348,261,642,026.33
2003	\$314,828,540,348.27	\$405,061,137,651.57
2004	\$347,760,152,236.86	\$435,825,025,939.36
2005	\$394,021,529,697.30	\$477,619,461,620.17
2006	\$432,699,677,314.93	\$508,113,049,646.96
2007	\$471,359,702,408.62	\$538,182,377,470.11
2008	\$530,320,546,511.06	\$583,112,938,040.08
2009	\$555,015,702,031.43	\$612,445,392,804.56
2010	\$543,422,710,479.74	\$589,975,597,039.90
2011	\$542,843,146,044.35	\$571,312,733,772.07
2012	\$521,561,828,322.82	\$537,786,096,282.27
2013	\$466,010,467,247.86	\$473,570,032,127.77
2014	\$447,474,451,718.38	\$447,474,451,718

Contracting Decline Eases

The rate of federal contract spending decline tempered in 2014 as the impact of the one-time 2013 budget sequester wore off. Contract spending will likely continue to fall due to budget caps and the continuing military drawdown in Afghanistan.

Year-over-Year Contract Spending Change



Source: Federal procurement data compiled by Bloomberg Government

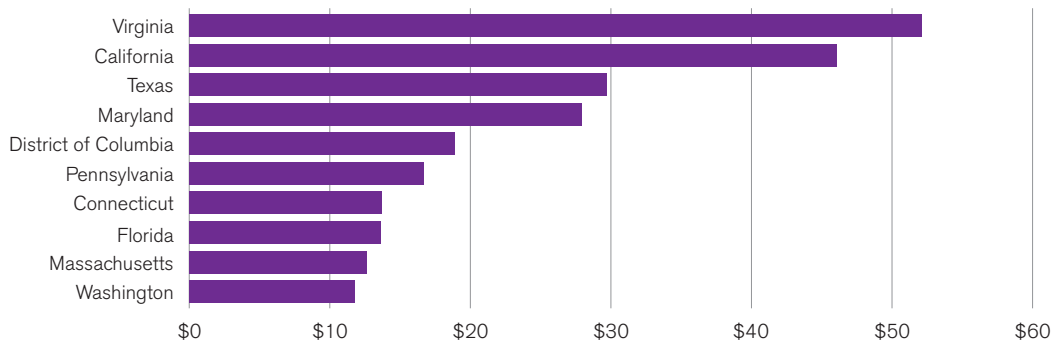
Year	Inflation-Adjusted Dollars	Year-Over-Year Change
2004	\$435,825,025,939.36	—
2005	\$477,619,461,620.17	10%
2006	\$508,113,049,646.96	6%
2007	\$538,182,377,470.11	6%
2008	\$583,112,938,040.08	8%
2009	\$612,445,392,804.56	5%
2010	\$589,975,597,039.90	-4%
2011	\$571,312,733,772.07	-3%
2012	\$537,786,096,282.27	-6%
2013	\$473,570,032,127.77	-12%
2014	\$447,474,451,718	-6%

The Old Dominion Leads States in Federal Contracting

Federal contract spending in Virginia increased nearly \$1 billion in 2014 over 2013, even as overall federal procurement obligations fell. Contract dollars in the Old Dominion are concentrated near the Pentagon in Northern Virginia and in the Navy hub of Hampton Roads.

Top States for Federal Contracts

FY 2014, in \$ billions



Source: Federal procurement data compiled by Bloomberg Government

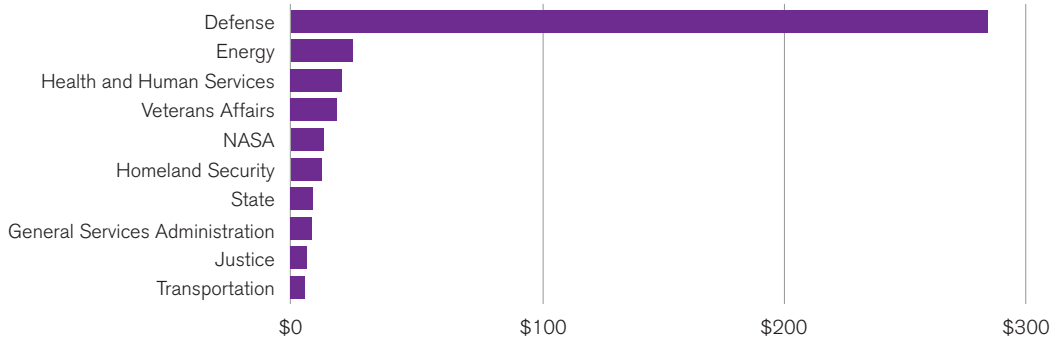
State	2014 Contracts
Washington	\$11,808,619,802
Massachusetts	\$12,641,418,324
Florida	\$13,596,342,481
Connecticut	\$13,692,385,462
Pennsylvania	\$16,686,843,261
District Of Columbia	\$18,902,106,041
Maryland	\$27,910,563,319
Texas	\$29,711,291,767
California	\$46,143,366,197
Virginia	\$52,137,955,870

Defense Dominates Contracting Agencies

The Defense Department accounts for about two-thirds of federal contracts. Energy has long led civilian contracting agencies.

Top 10 Contracting Agencies, 2014

In billions



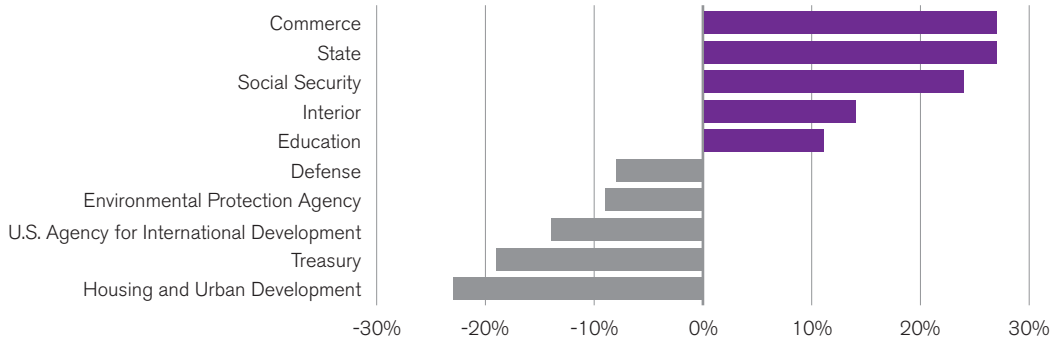
Source: Federal procurement data compiled by Bloomberg Government

Rank	Agency	2014 Contract Obligations
10	Transportation	\$5,918,379,184
9	Justice	\$6,819,372,016
8	General Services Administration	\$8,824,531,808
7	State	\$9,074,055,708
6	Homeland Security	\$12,618,184,440
5	NASA	\$13,481,607,776
4	Veterans Affairs	\$19,026,701,090
3	Health and Human Services	\$20,923,568,816
2	Energy	\$25,373,845,667
1	Defense	\$284,526,436,790

User Fees and Mandatory Spending Propel Contract Growth

Agencies with non-appropriated funding sources such as Commerce's Patent and Trademark Office and the Social Security Administration increased contract spending from 2013 to 2014.

Year-over-Year Contract Agency Spending Change



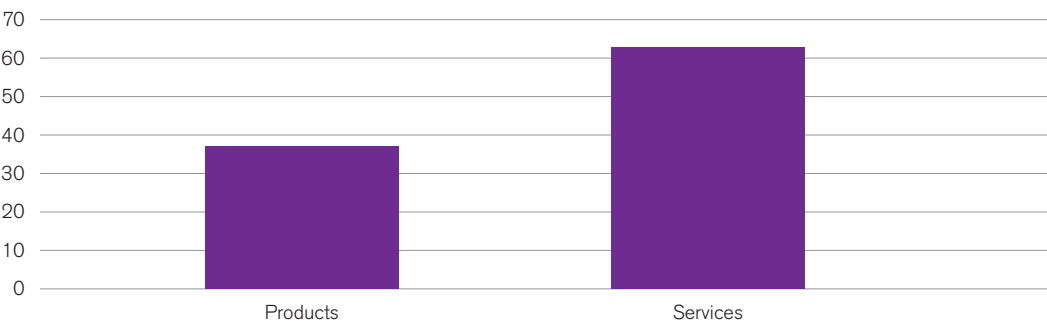
Source: Federal procurement data compiled by Bloomberg Government

Agency	2013-2014 Contracting Change
Housing and Urban Development	-23%
Treasury	-19%
U.S. Agency for International Development	-14%
Environmental Protection Agency	-9%
Defense	-8%
Education	11%
Interior	14%
Social Security	24%
State	27%
Commerce	27%

Brains over Bullets and Butter

Nearly two-thirds of government contract obligations are spent on services such as IT support and facilities management rather than on products such as ammunition and food.

Products vs Services



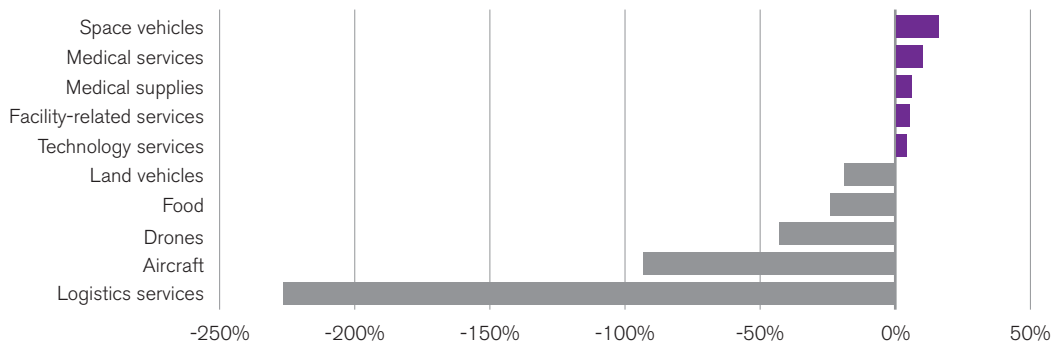
Source: Federal procurement data compiled by Bloomberg Government

Category	Spending	Percent
Products	\$164,117,542,904	37%
Services	\$283,437,488,287	63%
Total	\$447,555,031,191	

War Gives Way to Health

War-related contracting categories such as logistics services and food fell the most from 2013 to 2014. Health categories had increases despite an overall decline in federal contracting.

Year-over-Year Contract Category Spending Change



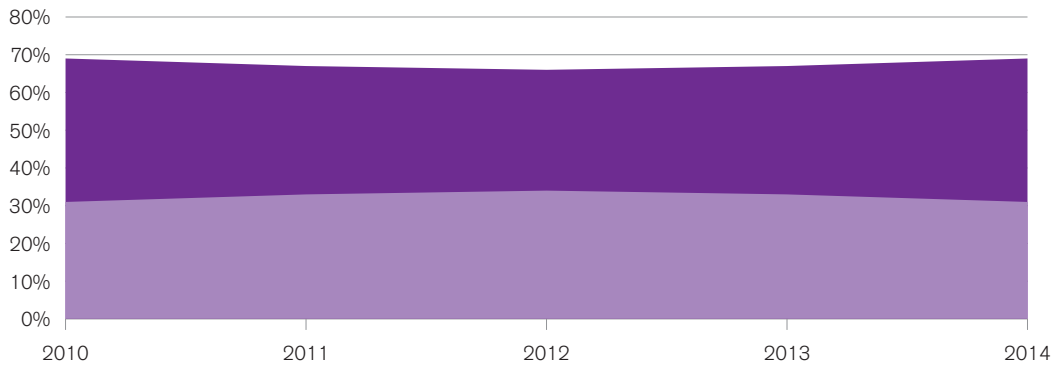
Source: Federal procurement data compiled by Bloomberg Government

Category	2013-2014 Change
Logistics services	-226%
Aircraft	-93%
Drones	-43%
Food	-24%
Land vehicles	-19%
Technology services	4%
Facility-related services	5%
Medical supplies	6%
Medical services	10%
Space vehicles	16%

Uptick in Competition

The percentage of federal contract dollars awarded competitively rebounded slightly in 2014. Nearly 7 in 10 dollars were awarded after competition.

Extent of competition, trend



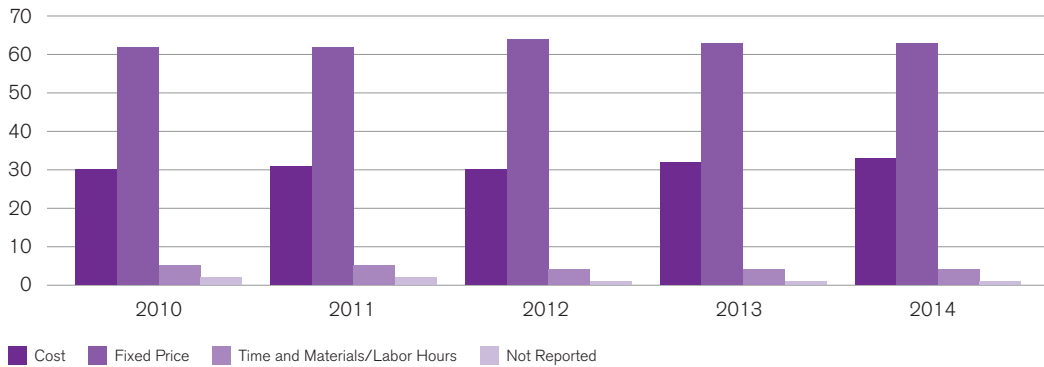
Source: Federal procurement data compiled by Bloomberg Government

	2010	2011	2012	2013	2014
Competed	69%	67%	66%	67%	69%
Not Competed	31%	33%	34%	33%	31%

Cost Contracts Edge Up

The share of federal contracts awarded as cost-type edged up slightly in 2014, partly as agencies continued to improve their reporting of contract type. Fixed price contract dollars fell the most among contract types but still remain the dominant contract type.

Contract type, trend



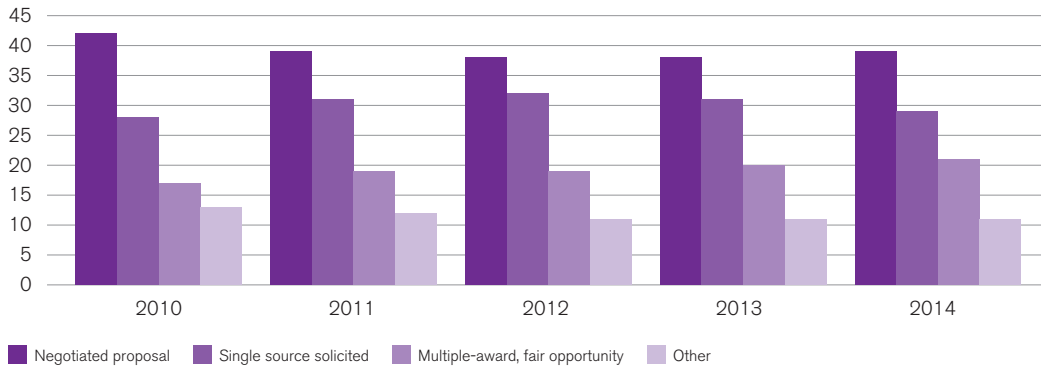
Source: Federal procurement data compiled by Bloomberg Government

	2010	2011	2012	2013	2014
Cost	30%	31%	30%	32%	33%
Fixed Price	62%	62%	64%	63%	63%
Time & Materials/Labor Hours	5%	5%	4%	4%	4%
Not Reported	2%	2%	1%	1%	1%

Multiple-Award Trend Continues

Multiple-award, fair-opportunity solicitation procedures are being used for an increasing share of federal contract dollars. Single source solicitations dropped slightly from 2013 to 2014.

Solicitation procedure, trend



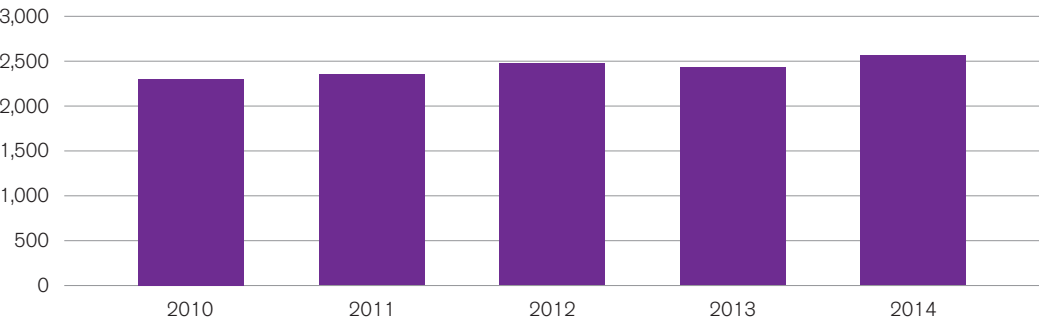
Source: Federal procurement data compiled by Bloomberg Government

	2010	2011	2012	2013	2014
Negotiated proposal	42%	39%	38%	38%	39%
Single source solicited	28%	31%	32%	31%	29%
Multiple-award, fair opportunity	17%	19%	19%	20%	21%
Other	13%	12%	11%	11%	11%

Protests Rising

Protest filings rose in 2014 after falling for the first time in five years in 2013. With contract spending falling, the rise in protests means a greater share of contracts are being challenged. GAO estimates that 43% of protests are effective in that the agency either voluntarily takes corrective action or the office sustains the protest.

Protest cases filed



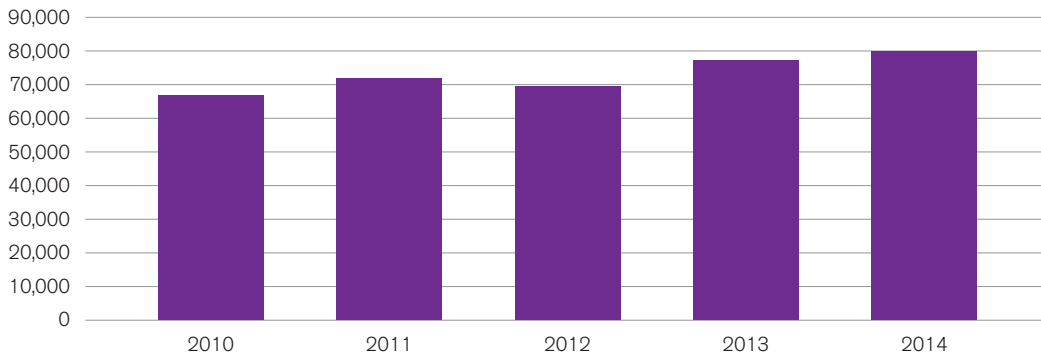
Source: Federal procurement data compiled by Bloomberg Government

Fiscal Year	Protest cases filed
2010	2299
2011	2353
2012	2475
2013	2429
2014	2561

More RFPs

The number of solicitations posted on FedBizOpps, the government's central opportunities site, has trended upward during the last five fiscal years even as contract dollars have fallen.

Solicitations by fiscal year



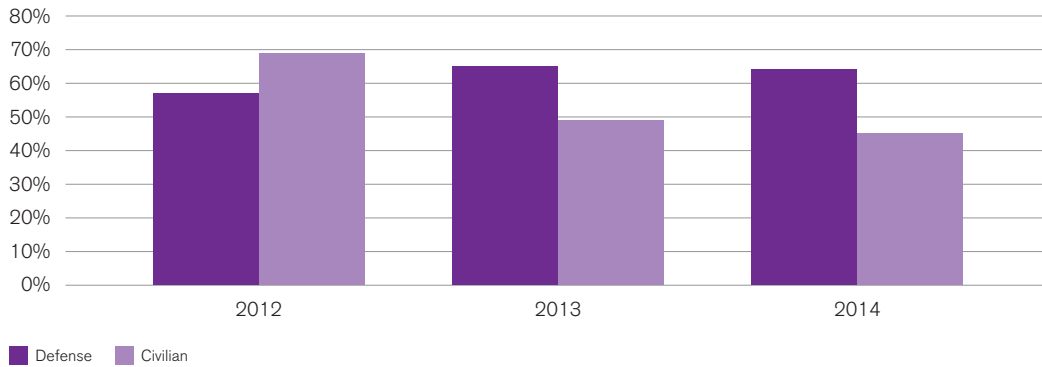
Source: Federal procurement data compiled by Bloomberg Government

Year	Solicitations Posted on FBO
2010	66,610
2011	71,790
2012	69,472
2013	77,218
2014	79,985

Civilian Incumbents Falling

Challengers had more success unseating incumbents for single-award contracts worth more than \$100 million at civilian agencies than at Defense in 2013 and 2014. Contract restructuring is an indicator of incumbent risk.

Incumbent win rate on procurements over \$100 million



Source: Federal procurement data compiled by Bloomberg Government

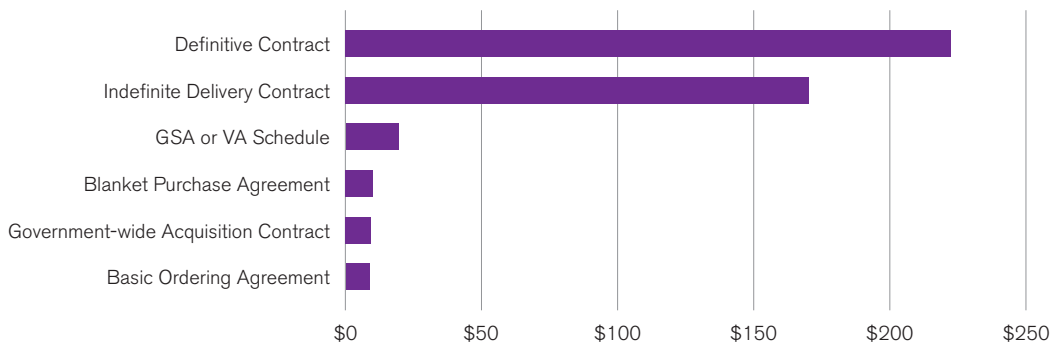
	2012	2013	2014
Defense	57%	65%	64%
Civilian	69%	49%	45%

Half Definitive, Half Indefinite

Indefinite delivery contracts accounted for 49% of 2014 obligations reported to the Federal Procurement Data System. Government-wide Acquisition Contracts, used for IT purchases, surpassed basic ordering agreements in popularity in 2014.

IDV Type

FY 2014, in \$ billions



Source: Federal procurement data compiled by Bloomberg Government

IDV Type	2014 Contracts (in \$ billions)
Basic Ordering Agreement	\$8.70
Government-wide Acquisition Contract	\$9.24
Blanket Purchase Agreement	\$10.14
GSA or VA Schedule	\$19.43
Indefinite Delivery Contract	\$170.34
Definitive Contract	\$222.46

IT, Construction MACs Rising

The fastest growing multiple-award contracts in 2014---those with the highest year-over-year growth rate surpassing \$100 million in obligations for the first time--reflect shifting buying patterns. Contracts for minor construction, technology consolidation and program evaluation had the highest growth rate compared to 2013.

Fastest growing multiple-award contracts

FY 2014, in millions



Source: Federal procurement data compiled by Bloomberg Government

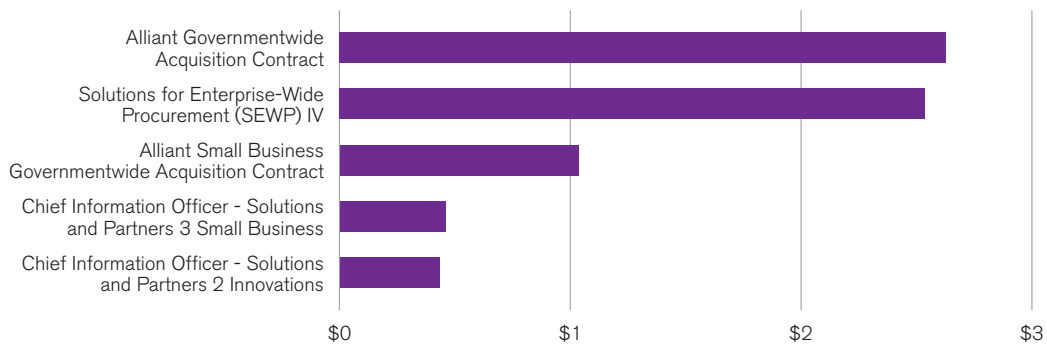
MAC	2014 Orders
Medicaid and Children's Health Insurance Program Policy Implications and Evaluations	\$100,227,719
Naval MACC DC Area	\$105,485,188
S/R&M Acquisition and Task Order Contract	\$113,148,729
DTIC Software, Networks, Information, Modeling And Simulation Technical Area Tasks	\$130,757,939
Air Force Enterprise BPA	\$157,859,087

Alliant Takes the Lead

Federal agencies used GWACs for about \$9 billion in orders in 2014. The top GWAC was Alliant Large Business, surpassing NASA's Solutions for Enterprise-Wide Procurement, IV, or SEWP IV, for the first time.

GWACs

In billions



Source: Federal procurement data compiled by Bloomberg Government

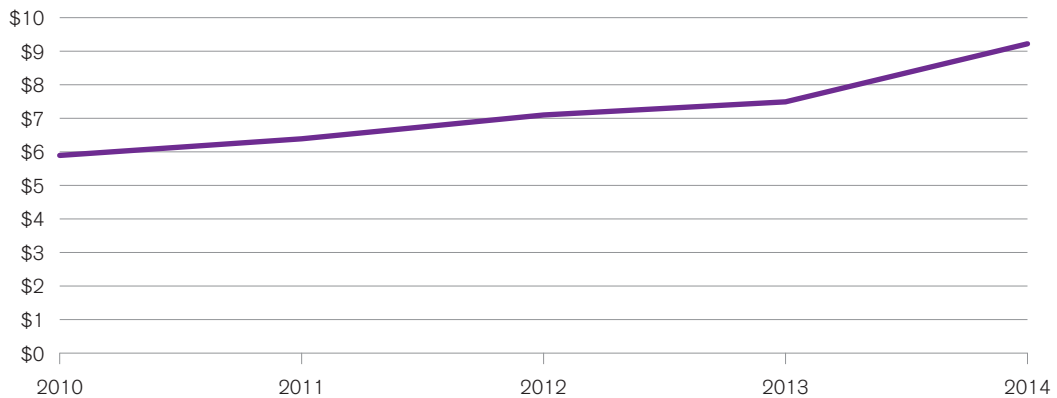
GWAC	2014 Contracts
Chief Information Officer - Solutions and Partners 2 Innovations	\$433,151,044
Chief Information Officer - Solutions and Partners 3 Small Business	\$459,000,879
Alliant Small Business Governmentwide Acquisition Contract	\$1,036,130,894
Solutions for Enterprise-Wide Procurement (SEWP) IV	\$2,541,693,688
Alliant Governmentwide Acquisition Contract	\$2,631,700,547

IT Consolidating on GWACs

Agencies have reported increased usage of government-wide acquisition contracts every year since 2010 even as overall federal contract spending has declined. GWACs are used for IT services and products purchases.

GWACs Trend

In billions



Source: Federal procurement data compiled by Bloomberg Government

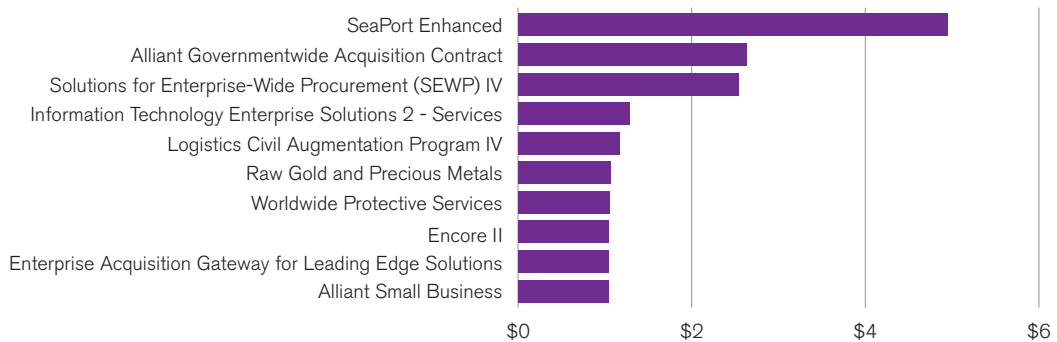
	2010	2011	2012	2013	2014
GWAC Usage	\$5,893,334,008	\$6,389,092,065	\$7,099,296,688	\$7,491,101,089	\$9,240,697,269

Top 10 Non-Schedule Multiple-Award Contracts, by Dollars Obligated

Information technology and professional services vehicles were the most-used non-schedule multiple-award contracts in 2014. The Navy's Seaport-Enhanced for professional services had the highest level of obligations.

Top 10 Non-Schedule Multiple-Award Contracts

Dollars obligated, in billions



Source: Federal procurement data compiled by Bloomberg Government

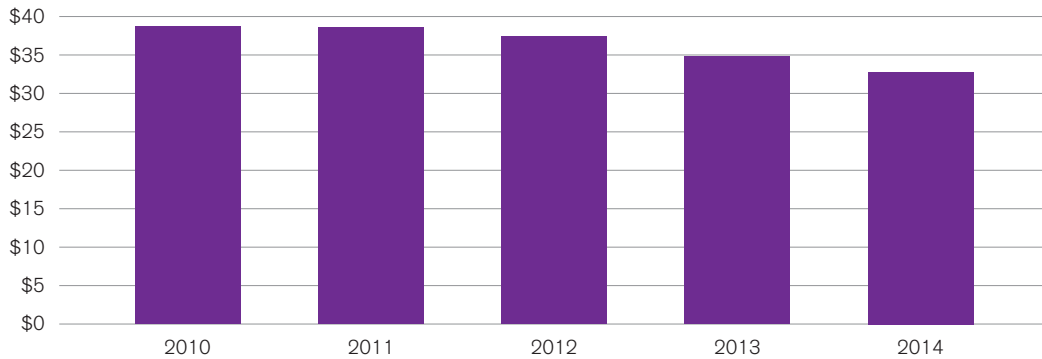
MAC	2014 Dollars Obligated
Alliant Small Business	\$1,036,130,894
Enterprise Acquisition Gateway for Leading Edge Solutions (EAGLE I)	\$1,040,029,251
Encore II	\$1,044,797,513
Worldwide Protective Services	\$1,048,427,130
Raw Gold and Precious Metals	\$1,063,256,265
Logistics Civil Augmentation Program IV	\$1,165,987,691
Information Technology Enterprise Solutions 2 (ITES-2S) - Services	\$1,286,875,261
Solutions for Enterprise-Wide Procurement (SEWP) IV	\$2,541,693,688
Alliant Governmentwide Acquisition Contract	\$2,631,700,547
SeaPort Enhanced	\$4,937,531,422

GSA Schedules Declining

GSA compiles sales data from Schedule vendors that includes micro-purchases not reported to the Federal Procurement Data System. GSA's data shows schedule sales have been declining since a 2010 peak of \$38.8 billion, with the biggest drop of 7% in 2013 as sequestration took effect.

GSA Schedule Spending by fiscal year

In billions



Source: Federal procurement data compiled by Bloomberg Government

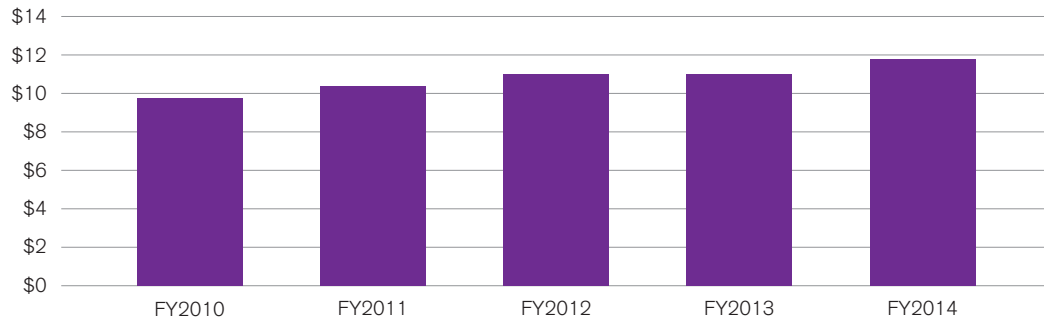
2009	2010	2011	2012	2013	2014
\$37,458,488,958	\$38,808,709,365	\$38,591,532,579	\$37,469,603,822	\$34,816,300,621	\$32,842,659,165
	4%	-1%	-3%	-7%	-6%

VA Schedule Sales Rising

Most sales through the Veterans Affairs schedules for pharmaceuticals, medical equipment and medical services are not reported to the federal procurement data system. VA Schedule sales have been trending upward as the VA budget has grown.

Veterans Affairs Schedule Sales

In billions



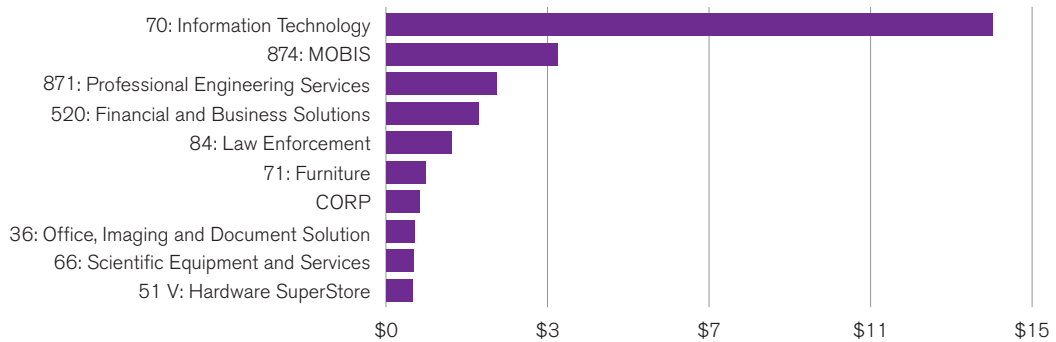
Source: Federal procurement data compiled by Bloomberg Government

IT and Consulting Lead GSA Schedule Sales

IT Schedule 70 is the dominant GSA schedule by sales. MOBIS, a management and professional services program, was second.

Top 10 GSA Schedules in FY 2014

By total sales, in billions



Source: Federal procurement data compiled by Bloomberg Government

GSA Schedule	2014 Sales
51 V: Hardware SuperStore	\$624,225,647
66: Scientific Equipment and Services	\$629,402,484
36: Office, Imaging, and Document Solution	\$672,950,625
CORP	\$778,790,895
71: Furniture	\$917,003,542
84: Law Enforcement	\$1,538,574,418
520: Financial and Business Solutions	\$2,156,524,184
871: Professional Engineering Services	\$2,586,602,131
874: MOBIS	\$3,998,377,838
70: Information Technology	\$14,148,750,018

Pharmaceuticals Lead VA Schedule Sales

Pharmaceuticals make up 74% of Veterans Affairs schedule sales. Medical equipment and professional medical services are the next most used among the nine schedules maintained by the VA.

VA Schedules by 2014 Sales

In millions

65IB	\$8,761
65IIA	\$1,752
621I	\$433
66III	\$287
65VII	\$159
65IIF	\$144
65IIC	\$124
621II	\$97
65VA	\$3

Source: Federal procurement data compiled by Bloomberg Government

VA Schedule	2014 Sales
65VA (X-ray Equipment and Supplies)	\$3,478,299
621II (Medical Laboratory Testing and Analysis Services)	\$96,706,358
65IIC (Dental Supplies)	\$124,210,867
65IIF (Wheelchairs)	\$144,413,062
65VII (Invitro Diag, Reagents)	\$158,644,271
66III (Cost per Test)	\$287,265,283
621I (Professional Medical Healthcare Services)	\$433,437,285
65IIA (Medical Equipment and Supplies)	\$1,752,364,021
65IB (Pharmaceuticals)	\$8,761,179,889

Debt Collection Fastest Growing SIN

GSA organizes the Schedules into Special Item Numbers that provide more insight into the products or services procured. The fastest growing SIN among the top 10 SINS in 2014 was debt collection.

Rank	SIN	SIN Description	Schedule	FY2014 Sales
1	132 51	Information Technology Professional Services	70: IT	\$6,668,684,650
2	874 1	Integrated Consulting Services	874: MOBIS	\$2,675,438,082
3	132 33	Perpetual Software License	70: IT	\$2,573,317,012
4	520 4	Debt Collection	520: FABS	\$1,097,409,675
5	132 8	Purchase of New Equipment	70: IT	\$1,071,517,882
6	132 34	Maintenance of Software as a Service	70: IT	\$1,069,599,099
7	871 6	Acquisition and Life Cycle Management	871: Professional Engineering Services	\$824,050,911
8	871 3	System Design, Engineering and Integration	871: Professional Engineering Services	\$658,706,695
9	874 7	Construction Management	874: MOBIS	\$615,788,670
10	246 54	Protective Service Occupations	84: Law Enforcement	\$464,421,029

Source: Federal procurement data compiled by Bloomberg Government

Lockheed Leads Top Contractors

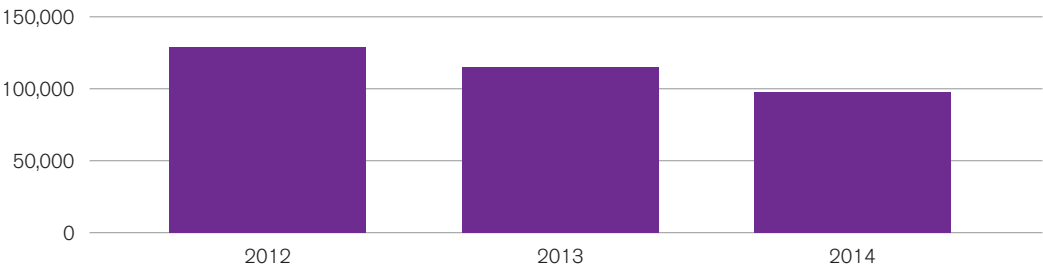
Lockheed Martin has been the No. 1 U.S. government contractor by annual dollars obligated since its formation in 1995. Defense contractors hold nine of the top spots. The Veterans Affairs Department's top pharmaceutical distributor is No. 7.

Rank	Contractor	2013 Contracts
1	Lockheed Martin Corp.	\$32,584,866,106
2	Boeing Co.	\$18,366,346,342
3	General Dynamics Corp.	\$15,479,399,017
4	Raytheon Co.	\$12,246,241,943
5	Northrop Grumman Corp.	\$10,547,514,407
6	United Technologies Corp.	\$6,532,105,276
7	McKesson Corp.	\$6,206,619,914
8	L-3 Communications Holdings Inc.	\$5,745,427,303
9	BAE Systems PLC	\$5,058,792,790
10	Huntington Ingalls Industries Inc.	\$4,673,979,899

Federal Contractor Base Shrinking

The number of contractors winning federal dollars is declining as the government turns to the private sector for fewer goods and services.

Contractors Winning Federal Dollars



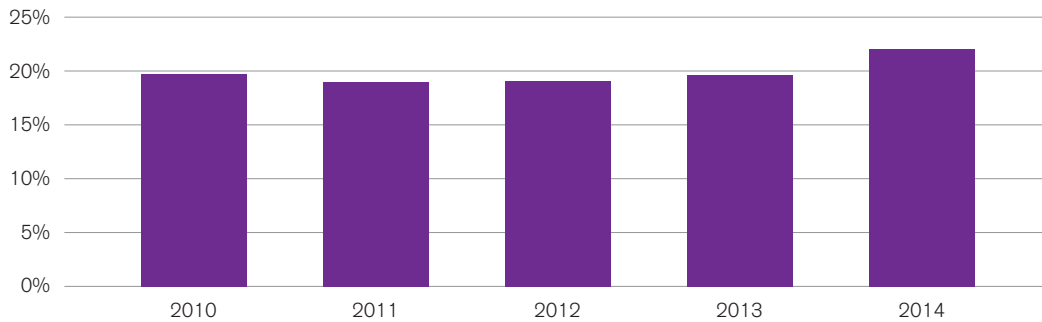
Source: Federal procurement data compiled by Bloomberg Government

Fiscal Year	Contractors Winning Federal Dollars
2012	128,642
2013	114,520
2014	97,012

Small Business Spike

The Federal Procurement Data System identifies vendors as small business or “other than” small business. Using that lens, small business contracting share showed a noticeable increase in 2014, possibly as agencies awarded more work via set-asides encouraged by the 2010 Small Business Jobs Act.

Small business contracting percentage



Source: Federal procurement data compiled by Bloomberg Government

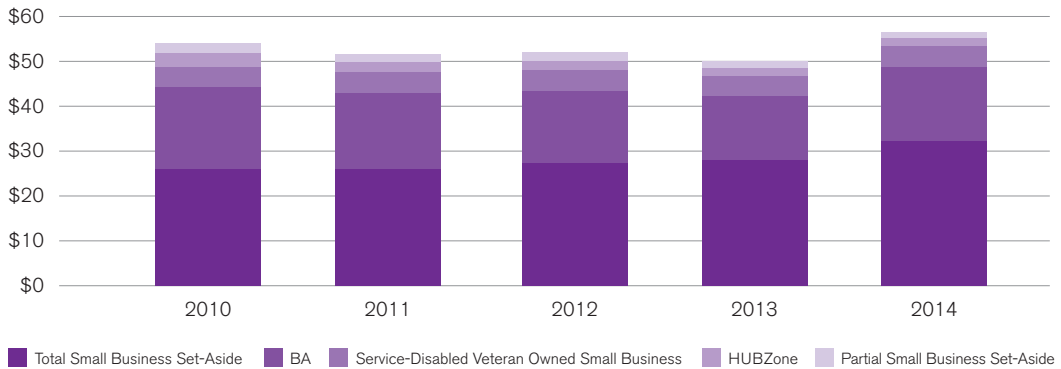
	2010	2011	2012	2013	2014
Small Business	\$105,562,730,493	\$101,751,431,735	\$98,216,852,002	\$90,036,579,201	\$96,695,014,399
Total	\$535,930,129,460	\$535,555,055,728	\$514,419,289,743	\$459,766,365,587	\$440,310,476,542
%	19.7%	19.0%	19.1%	19.6%	22.0%

Set-Asides on the Rise

Small business set aside usage is growing, helping agencies meet their small business contracting goals. Dollars set aside for 8A and Service Disabled Veteran Owned Small Businesses both grew from 2013 to 2014 even as total contracting dollars fell.

Set-Aside Trend

In billions



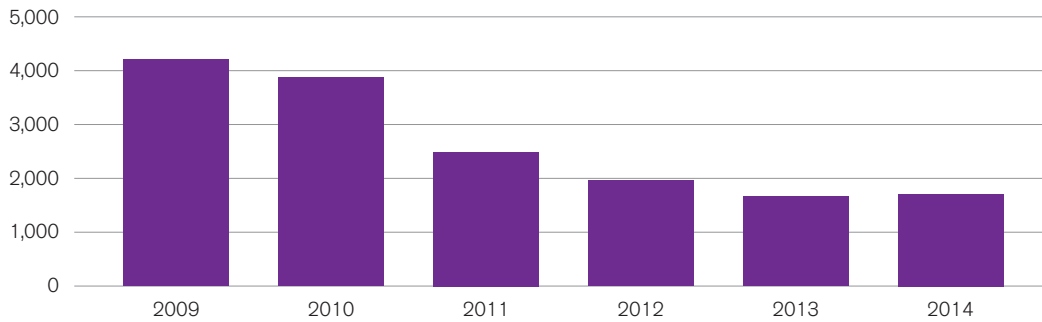
Source: Federal procurement data compiled by Bloomberg Government

	Total Small Business Set-Aside	8A	Service-Disabled Veteran Owned Small Business	HUBZone	Partial Small Business Set-Aside
2010	\$26,107,935,003.80	\$18,377,893,472.34	\$4,621,118,216.86	\$3,167,913,270.44	\$2,154,699,830.32
2011	\$26,139,372,638.29	\$16,997,745,076.47	\$4,615,101,272.34	\$2,642,646,374.42	\$1,599,790,410.55
2012	\$27,645,569,917.13	\$16,171,634,195.78	\$4,650,168,739.72	\$2,087,672,237.29	\$1,955,183,470.90
2013	\$28,094,642,976.89	\$14,189,434,821.73	\$4,565,606,927.50	\$1,758,932,553.38	\$1,390,339,666.77
2014	\$32,486,876,807.62	\$16,593,921,976.42	\$4,817,978,512.79	\$1,692,447,133.26	\$1,219,413,330.39

Contracting Professionals Hiring Slows

The federal government ramped up hiring of series 1102 contracting professionals in 2009 and 2010. Hiring leveled off from 2011 through 2014.

1102 Hires Trend



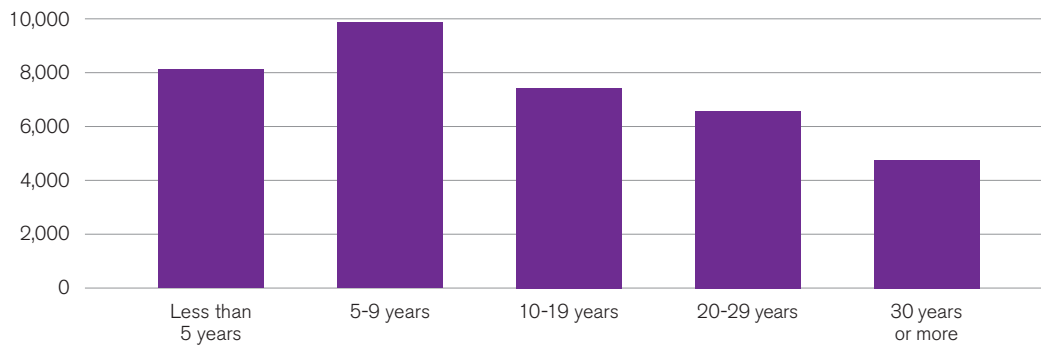
Source: Federal procurement data compiled by Bloomberg Government

Year	1102s Hires
2009	4,209
2010	3,869
2011	2,492
2012	1,962
2013	1,663
2014	1,716

Gaining Experience

The hiring boom at the start of the Obama administration has led to an increasingly experienced 1102 workforce, with the largest category of professionals having 5 to 9 years of experience.

Length of service for 1102s as of September 2014



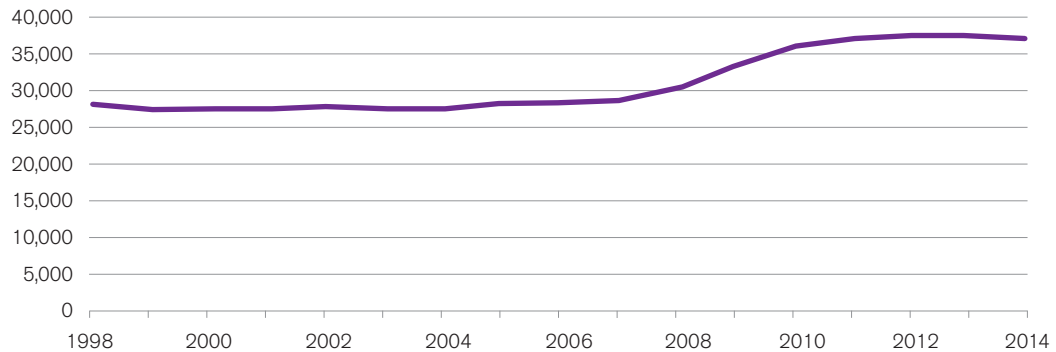
Source: Federal procurement data compiled by Bloomberg Government

Length of Service	Number of 1102s
Less than 5 years	8,157
5-9 years	9,893
10-19 years	7,449
20-29 years	6,609
30 or more years	4,771
Total	36,879

Stable Contracting Workforce

After remaining flat at about 28,000 for a decade, the number of 1102 series contracting professionals in the U.S. federal government began climbing noticeably in 2008. There are now 29% more 1102 series employees than there were in 2007 even accounting for a dip in 2014.

Total number of 1102s



Source: Federal procurement data compiled by Bloomberg Government

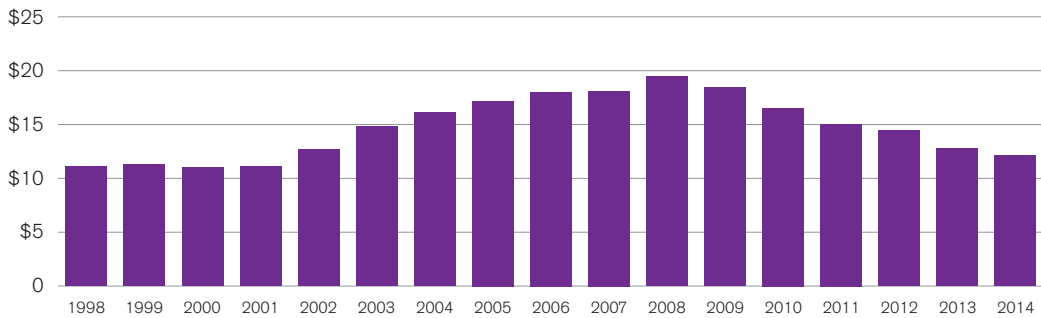
Year	Number of 1102s
1998	27817
1999	27233
2000	27230
2001	27141
2002	27409
2003	27285
2004	27068
2005	27709
2006	28096
2007	28607
2008	29928
2009	33155
2010	35855
2011	36841
2012	37128
2013	37109
2014	36879

Easing Burden

With federal contract spending rising dramatically from 1998 through 2008 even as the number of contracting professionals remained flat, the volume of work as measured by constant 2014 dollars obligated per 1102 series professional grew 76%. Even with a recent hiring surge, the volume of work by that measure is higher per employee now than it was in 1998.

Avg number of contract dollars obligated per 1102

In millions, constant 2014 dollars



Source: Federal procurement data compiled by Bloomberg Government

Year	1102s	Contract Dollars
1998	27817	\$11,072,698
1999	27233	\$11,326,967
2000	27230	\$11,013,945
2001	27141	\$11,039,920
2002	27409	\$12,706,105
2003	27285	\$14,845,561
2004	27068	\$16,101,117
2005	27709	\$17,236,979
2006	28096	\$18,084,889
2007	28607	\$18,812,961
2008	29,928	\$19,483,859
2009	33155	\$18,472,188
2010	35855	\$16,454,486
2011	36841	\$15,507,525
2012	37128	\$14,484,650
2013	37109	\$12,761,595
2014	36879	\$12,133,584

State Procurement Summary: Transformation of IT Procurement to Address Rapidly Changing Market Trends

State procurement has been affected by the continued growth of IT, data, and managing limited resources. Increased focus on metrics, performance measures, and data ownership and usage, along with the expansion of eProcurement and enterprise resource management (ERP) systems, remain on an upward trend.

In 2014, the majority of state central procurement offices (68 percent) have implemented eProcurement systems. This number is up slightly from 63 percent in 2012.¹ Anticipated outcomes of eProcurement include increased transparency, achieving value, promoting competition, expanding the supplier base, increased financial control and measurement of performance, as well as promoting efficiency in workflow and approval. Consequently, states are implementing ERP and eProcurement systems more widely.²

As state governments look to provide better services with shrinking budgets, the emergence of IT as a service has shifted technology hosting from a physical to a cloud environment. As this trend is somewhat newly forming, historic trends data is not available; however, in 2015, 79.41 percent of states had adopted software as a service, 44.12 percent implemented infrastructure, and 41.18 percent implemented platforms in cloud service models. While various pricing models are available to support cloud services, most states purchase these services through subscription (58.82 percent).³

Spend Analytics and Greater Procurement Oversight and Efficiency

State central procurement offices recognized growth in moving toward innovative procurement methods as a way to produce greater efficiency and use analytics to maximize state expenditures. Methods such as total cost of ownership (3.17-percent increase) grew in use between 2012 and 2014. Additionally, over half of state central procurement offices have implemented strategic sourcing programs. State governments also continue to look to maximize the effectiveness of spending by strategically leveraging spend through the use of cooperative contracting methods.

Contract administration and management also saw growth. In 2009, only 29.27 percent of states required training in contract management and administration, as opposed to 76.6 percent in 2014. Development of guidelines and manuals in these areas are trending up from 42.5 percent in 2009 to 48.94 percent in 2014.⁴

Procurement Preferences and Socioeconomic Policies

The use of vendor preferences to meet socioeconomic goals saw an overall increase in 2014 from 2012. Adoption of veteran-owned (9.58 percent increase), women-owned (12.14 percent increase), and minority-owned (9.87 percent increase) business preferences saw the largest growth, with increases also seen for small businesses (2.64 percent increase). Sheltered workshops remained steady, while correctional industries programs decreased by 14.86 percent.⁵

State Procurement Workforce

Workforce recruitment and retention continue to be seen as challenges for state central procurement offices. In a recent research paper by NASPO, state workforce demographics show that the majority of state procurement professionals are between 30 and 50 years of age (52 percent), followed closely by those more than 50 years of age (36 percent), with the smallest employment category being under 30 years of age (12 percent). Also, the average state procurement professional is retained between three and seven years.

In 2013, “40 percent of state central procurement offices described their offices as understaffed.”⁶ Major challenges to hiring included the limited pool of qualified candidates, noncompetitive salaries, and budget constraints.⁷ In 2015, NASPO identified training, training management systems, and certification as focal areas to combat the challenges created by recruitment and retention issues.⁸

About the National Association of State Procurement Officials (NASPO)

NASPO is a nonprofit association dedicated to advancing public procurement through leadership, excellence, and integrity. It is made up of the directors of the central purchasing offices in each of the 50 states, the District of Columbia, and the territories of the United States. NASPO is an organization that helps its members achieve success as public procurement leaders through promotion of best practices, education, professional development, research, and innovative procurement strategies.

For more information on state procurement, contact NASPO at 859-514-9159 or visit www.naspo.org.

Endnotes

1. National Association of State Procurement Officials (NASPO), “Rising to the Challenge: Recruitment and Retention in State Procurement Offices” (2014).
2. NASPO, “ERP and eProcurement Systems” (2013).
3. NASPO, “Has State Government Moved to the Cloud?” (Survey).
4. NASPO, “Survey of State Procurement Practices” (2014).
5. Ibid.
6. Ibid.
7. Ibid.
8. NASPO, “Top 10 Focus Areas for State Procurement” (2015).

Analysis of Trends in 2014 Government Contracting

BY LT. GEN. WENDY MASIELLO

We are at a critical time in the defense acquisition community. Budget uncertainty, headquarters staffing reductions, and large numbers of employee retirements are taking their toll. To ensure the Defense Contract Management Agency (DCMA) remains successful and continues to exceed customer expectations, we took a close look at our mission, our vision, and the strategic goals we set for ourselves.

We carefully examined the overarching Department of Defense (DOD) strategic guidance, including the "Quadrennial Defense Review," the "DOD Strategic Management Plan," and the "Better Buying Power" initiatives. As a result of our work, we unveiled a new mission statement: "We are the independent eyes and ears of DOD and its partners, delivering actionable acquisition insight from the factory floor to the front line...around the world."

These 27 words get to the heart of what DCMA is about. We are uniquely poised on the factory floor to front line continuum to provide insight to our program partners so they can make the best decisions about their contracts and the products and services that result. Focusing on this mission leads to our new vision:

"One team, one voice delivering global acquisition insight that matters."

This vision means we will integrate our efforts, analyze our data, and provide one unified message our customers can use to the benefit of today's contracts and those in the future. To help us achieve our vision, we identified four broad goals that will be the foundation of our agency strategic plan for fiscal years 2015–2020. Our four strategic goals are:

- Inform and contribute to affordability decisions.
- Optimize mission execution to support the acquisition enterprise through agile business practices.
- Create an agile learning organization and culture to support future customer requirements.
- Achieve and sustain audit readiness for ourselves and our customers.

The agency's senior leadership team and I will continue to refine these goals, identify objectives and initiatives for each, and create metrics that assess our progress.

An aspect of affordability many overlook is understanding the post-award demands once a contract is in place. DCMA sees the good, the bad, and the ugly of those arrangements every day. Over the next couple of years, we plan to address affordability issues in our control. Our target areas include:

- DCMA cost to industry (beginning with the earned value management system and contractor purchasing system reviews). How can we better reshape these reviews to be more focused and effective in today's electronic age?
- Partnering with pre-award teams to help better shape contracts for post-award execution.
- Partner with the director of defense pricing to better understand commercial sectors and enable more consistent commercial item decisions across DOD.

The DCMA workforce is located around the globe, and is often co-located with our industry partners at the places of production. This gives us unique abilities to be the "eyes and ears" for DOD and other customers. We are committed to leveraging this advantage for our customers, work closely with our industry partners, support the implementation of best practices to strengthen DOD's buying power, and improve industry productivity as they work to provide affordable, value-added military capability to the warfighter.

LT. GEN. WENDY MASIELLO (USAF) is the director of the Defense Contract Management Agency. She assumed this position in June 2014. Prior to this, she served as the deputy assistant secretary (contracting) for the Office of the Assistant Secretary of the Air Force for Acquisition.

The Rise of Bid Protests – A Continuing Trend

BY ROBERT A. BURTON

According to the Government Accountability Office (GAO), bid protests were up five percent in fiscal year 2014, continuing an upward trend every year since fiscal year 2010 (except for a slight decrease in fiscal year 2013). The five-percent increase is not insignificant, especially when you consider the decrease in federal spending and contract awards.

What is particularly interesting about GAO's fiscal year 2014 bid protest statistics is that the "effectiveness rate" has remained virtually the same at 43 percent since fiscal year 2010. The effectiveness rate is defined by GAO as "obtaining some form of relief from the agency, either as a result of voluntary agency corrective action or GAO sustaining the protest." The most significant takeaway from GAO's fiscal year 2014 bid protest statistics is that the number of agency corrective actions is increasing. The vast majority of "effective" bid protest outcomes were through agency corrective actions, and not GAO-sustained decisions. The GAO protest sustain rate actually decreased from 17 percent to 13 percent last year.

The growing increase in agency corrective actions should be viewed with a cautious eye. In some cases, agencies are taking credit for prompt corrective actions, but are merely using the corrective actions to reevaluate contractor proposals for the purpose of bolstering the rationale for the agency's original award decision. To the extent agencies are using this approach to "resolve" bid protests, the efficacy of the government's bid protest system is at risk.

Contracting officers are increasingly concerned about the rising number of bid protests, even though they constitute a very small percentage of the total number of contract awards, because protests delay contract performance and create additional work for agency procurement personnel. Agencies can reduce the incidence of bid protests by simply providing more detailed and transparent post-award debriefings for unsuccessful bidders.

Contracting officers and agency attorneys generally believe that the less information provided in a debriefing will protect the government's interests. However, the opposite is true. If contractors have a complete and accurate understanding of the agency's award decision, they are less likely to file a protest. For example, after an agency recently provided one of my clients with a verbal debriefing, the agency counsel invited me to review the agency record in his office and answered additional questions regarding the agency's basis for award. This transparency led to my client's decision to forego a bid protest. All agencies should adopt this practice. If agencies are overly secretive and unwilling to share award information, it creates the impression that the agency has something to hide and encourages the filing of a bid protest. If the number of informative post-award debriefings increases in fiscal year 2015, we should witness a corresponding decrease in the number of bid protests next year.

ROBERT BURTON is a partner at the Venable law firm in Washington, DC. Previously, he served as the deputy administrator of the Office of Federal Procurement Policy in the Executive Office of the President. He is also a former member of the NCMA Board of Directors and a current member of the NCMA Board of Advisors.

Notes

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