

**ACQUISITION STRATEGY
for the
OFFICE of STUDENT FINANCIAL
ASSISTANCE (SFA)**

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ACQUISITION STRATEGY

for the

OFFICE OF STUDENT FINANCIAL ASSISTANCE (SFA)

PURPOSE This document describes the Acquisition Strategy of the Office of Student Financial Assistance (SFA). Consistent with the Modernization Blueprint this Acquisition Strategy is focused on supporting the SFA modernization objectives of:

- reducing cost;
- improving customer and employee satisfaction; and,
- transforming SFA into a Performance Based Organization.

OVERVIEW

The US Department of Education (ED), Office of Student Financial Assistance is responsible for managing and administering Title IV student financial assistance programs under the Higher Education Act of 1965. Under the Higher Education Amendments of 1998, SFA was transformed into a Performance Based Organization (PBO) to enhance government services through increased flexibility and performance incentives in exchange for greater accountability for results. This transformation legislation also provides SFA with special flexibilities (see Attachment I for a synopsis of the flexibilities) to execute procurements related to the PBO's operation and to the delivery of services to SFA's customers.

The SFA has developed an acquisition strategy that will allow it to achieve the modernization objectives outlined above. This strategy will be implemented through a three pronged approach that includes:

- Re-engineering contract management.
- Instituting performance-based contracts for delivery of all goods and services.
- Leveraging legacy IT systems and implementing new state-of-the-art technology while reducing the cost of delivering services.

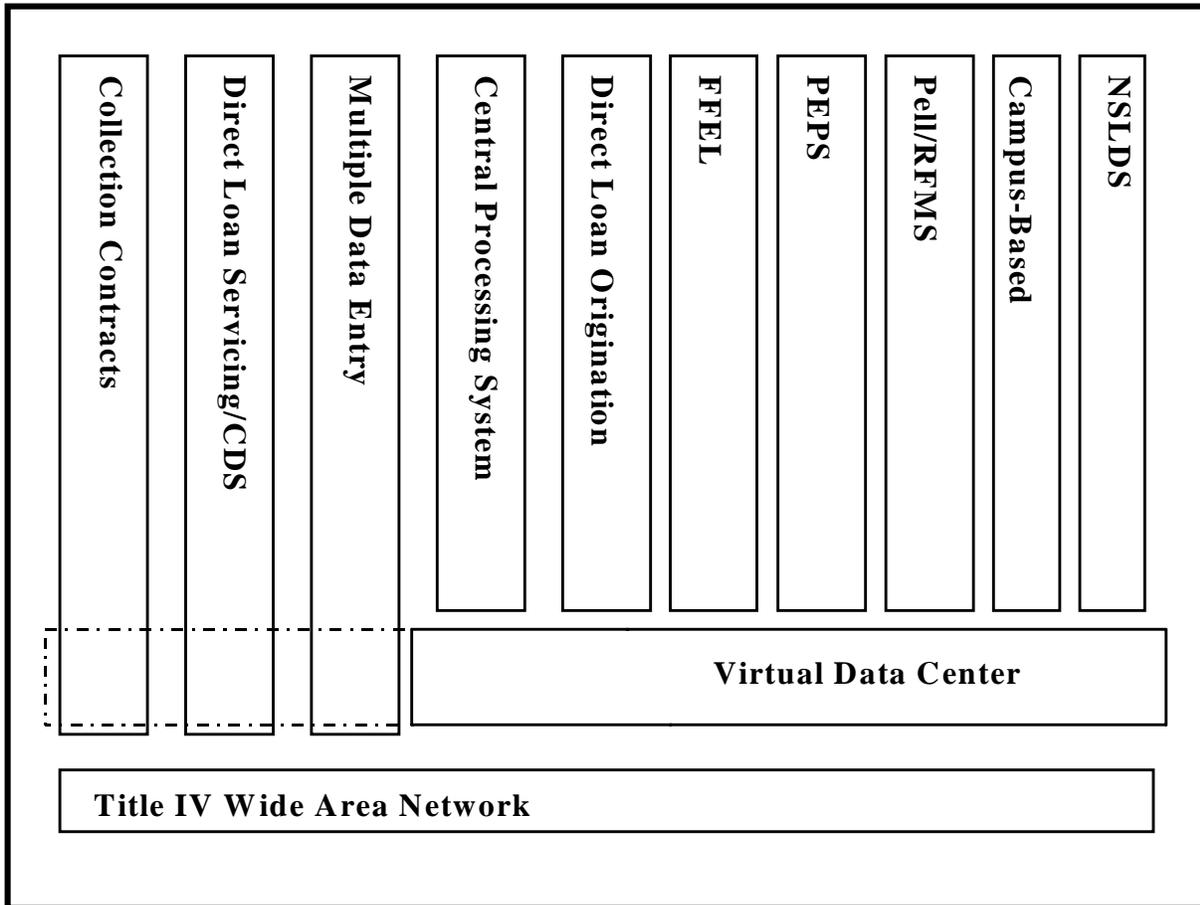
SFA has established an Office of Acquisitions and Contract Performance. This office works closely with the program offices throughout the entire acquisition life-cycle. It will make maximum use of existing contracting vehicles that allow for innovative contracting approaches, as well as relying on other contracting organizations which have a proven record of efficient and effective service. The SFA will also employ a "Modernization Partner" to re-engineer SFA programs and their supporting contracts.

BACKGROUND

The SFA currently obtains many of the services required to support Title IV systems through 11 contracts. These contracts fall into three categories:

- Virtual Data Center (VDC)
- Contracts for comprehensive integrated support for a single program or function
- Contracts that split underlying technical infrastructure from other services:

In addition to the Title IV systems contracts, SFA currently utilizes contracts to provide needed business services. Several contracts not administered by the SFA are also used to support both SFA and Title IV programs. The contract current contract architecture is “stovepiped” by contract as depicted in Figure 1 below (a detailed discussion is at Attachment II):



NEW FUNCTION/CONTRACT STRUCTURE

While the current contract architecture has served SFA adequately for many years, improvements are needed in order for the SFA to achieve its mandate to enhance government services delivered in support of Title IV programs. Under the current structure, each contract has historically operated independently although it may have contained many of the same functions provided by other contracts. The result was a maze of overlapping and duplicate requirements, functions and independent databases. Inefficiencies abounded through actions as simple as manual entry of the same basic data numerous times into different databases. The SFA will improve efficiency and effectiveness in its operations by implementing the three pronged approach described above in support of SFA modernization objectives. These modernization objectives will be achieved through the execution of the Business Initiatives as defined in the Modernization Sequencing Plan. Figure 2 below depicts the current Business Initiatives and the planned schedule for their implementation.

Initiatives	2000 Fiscal Year				2001 Fiscal Year				2001-2002 Award Year	
	99-2000 Award Yr		2000-2001 Award Year		2001-2002 Award Year		2001-2002 Award Year		2001-2002 Award Year	
	2000-2001 FA/SA Processing Year				2001-2002 FA/SA Processing Year					
	Jan 00	Apr 00	Jul 00	Oct 00	Jan 01	Apr 01	Jul 01	Oct 01	Jan 02	Apr 02
Students Channel:										
1) Enhanced Aid Awareness										
2) Enhanced Aid Application										
3) Enhanced Loan Servicing										
4) Enhanced Loan Consolidation										
5) Enhanced Debt Collections										
6) CRM Requirements Development - Students										
Schools Channel:										
7) Common Aid Origination and Funds Disbursement										
8) Web Portals Prototype for Schools										
9) CRM Requirements Development - Schools										
10) Student History View (TBD)										
Financial Partners Channel:										
11) Financial Partners Process Reengineering										
12) External Partners Process Reengineering										
13) Enabling Technology for Financial Partners										
14) Financial Partners Employee Transformation										
15) Enhanced Service Delivery for Financial Partners										

Initiatives	2000 Fiscal Year				2001 Fiscal Year				2001-2002 Award Year	
	99-2000 Award Yr		2000-2001 Award Year		2001-2002 Award Year		2001-2002 Award Year		2001-2002 Award Year	
	2000-2001 FA/SA Processing Year				2001-2002 FA/SA Processing Year					
	Jan 00	Apr 00	Jul 00	Oct 00	Jan 01	Apr 01	Jul 01	Oct 01	Jan 02	Apr 02
COO/Enterprise-Wide:										
16) Integrated Customer Relationship Management										
17) Enterprise-Wide Performance Management System										
18) Integrated Human Resources System										
CFO:										
19) Financial Management Transformation (FMT)										
CIO:										
20) Cross Channel Enabling Technology										
21) Enterprise IT Architecture										
22) IT Methods and Standards										
23) Consolidated Data Center (VDC)										

Figure-2. SFA Modernization Initiatives

HOW DOES SFA GET THERE FROM HERE

To reach its goals, SFA must catalyze the efforts of individuals into cooperative units called Integrated Project Teams (IPTs) in support of the Business Initiatives shown in Figure 2 above. Each member must share the same goal: to support the acquisition and oversee project improvements implemented by contractors. To carry out their role, the team members must understand what “acquisition” really means today.

Acquisition begins when an agency decides it has a performance need. Today, those decisions are made under the processes required by the Government Performance and Results Act (GPRA). The Information Technology Management Reform Act (ITMRA, part of the Clinger-Cohen Act) establishes important requirements for capital planning, investment review, and performance measurements for information technology used by or acquired by agencies. Finally, the Federal Acquisition Streamlining Act (FASA) requires cost, performance, and schedule goals for every acquisition — and it requires that agencies achieve 90 percent of those goals. Together, these laws link tightly together the requirements of GPRA, ITMRA, and FASA with regard to mission and program performance planning, capital planning, acquisition planning, and performance management and measurement. Further, these laws align quite well with SFA’s role as a PBO.

Under the law, all of these processes (and the people involved in them) are part of the acquisition life cycle. See illustration in Figure 3. By bringing together all these skills and disciplines into IPTs, SFA will capture and direct important human energy and creativity into reaching its goals.

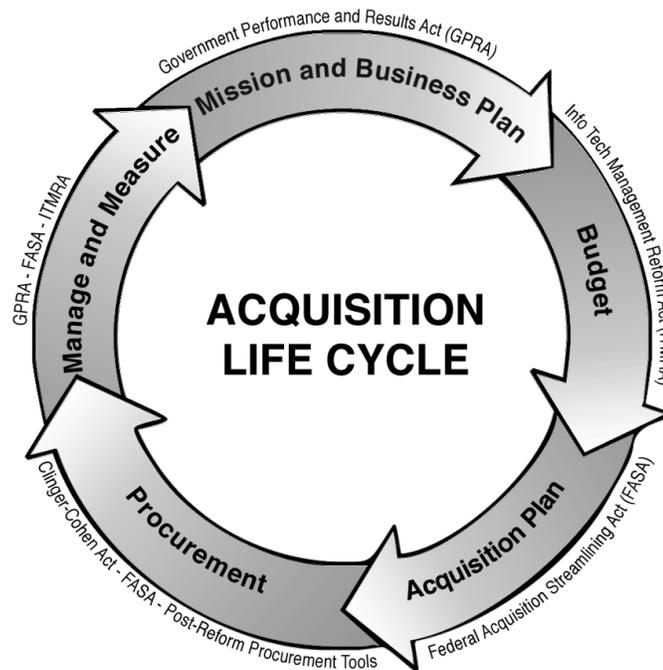


Figure 3: Acquisition Life Cycle¹

Office of Acquisition and Contract Management

The Office of Acquisition and Contract Management will be the focal point for all acquisitions throughout the entire acquisition life-cycle (from the mission and business planning phase through the procurement process to the contract management and performance measurement phase). The Office of Acquisition and Contract Management will work with, and be a part of, designated Integrated Project Teams. In addition to representatives from the Office of Acquisition and Contract Management, these teams will normally consist of representatives from at least three other key organizations: Responsible Business Area or Channel, Chief Information Officer, and Chief Finance Officer. As appropriate, the teams will also have a representative of the legal office. Regardless of its representation, the team is responsible for ensuring that the acquisition:

- Satisfies legal and regulatory requirements.
- Has performance and investment objectives consistent with the agency’s strategic goals.
- Successfully meets the agency’s needs and intended results.
- Remains on schedule and within budget.

The IPTs will have a number of features: shared leadership roles, individual as well as mutual accountability, collective work-products, performance measures related to the collective work-product, and other ingredients. Most IPTs will be responsible to a Project Manager designated

¹ Acquisition Life Cycle illustration provided courtesy of Acquisition Solutions, Inc.

by the Channel Manager. As a part of the IPT, the Office of Acquisitions and Contract Performance will:

- Assure that the proposed action has the approval of the (Investment Review Board (IRB) and has the appropriate funding.
- Formulate acquisition plans for each contract action. These acquisition plans will be agreed to by the appropriate Channel manager and the Director, Office of Acquisitions and Contract Performance. Other signatures (e.g., CIO, CFO, etc.) will be obtained as appropriate.
- Provide assistance and training to the IPT in performance-based service contracting.
- Be responsible for the timely processing of the contract action (see “Strategy” discussion below).
- Provide appropriate training and guidance to individuals designated as Contracting Officer Representatives.
- Coordinate the pertinent performance measurement information required by FASA and the Clinger-Cohen Act with the Office of Analysis.

IPTs are organized around the Modernization Blueprint Initiatives as described in the Modernization Sequencing Plan initiatives (see Figure 2).

Modernization Partner

The retention of a ‘Modernization Partner’ is a critical requirement in SFA’s strategy. This contract was awarded in October 1999. The procurement of this requirement was accomplished through a competitive awarded Blanket Purchase Agreement against an existing government-wide schedule contract. The provisions of Section 142 of the 1998 Amendments to the Higher Education Act were used to streamline and customize the award of this contract. To ensure quick transition of SFA to a performance-based posture and to meet both the immediate and near-term requirements of the acquisition strategy, we anticipate accomplishment of the following by September 30, 2000:

- Commencement of work on the development of Internet, Web-based applications as well as software development, maintenance, and support for the implementation of the Modernization Blueprint.
- Identification of proposed, as well as on-going, programs/projects for cancellation or re-engineering into other programs.

The Modernization Partner, as well as any other agreements established to support the implementation of the Modernization Blueprint, will be written as performance-based contracts with performance incentives, including share-in-savings arrangements where appropriate.

Acquisition Concept

In order to meet its goals and its new Function/Contract structure, the SFA will make maximum use of savings and contract innovations recommended by the Modernization Partner. This will

likely include some contract terminations and consolidations as a result of the functional re-engineering. It will also include implementation, with the Modernization Partner, of arrangements such as share-in-savings task orders that will incentivize the contractor to dramatically reduce the cost of the program to SFA. Such arrangements will also be focused on outcomes rather than process.

For those remaining contracts where the base function isn't re-engineered, SFA plans to re-engineer the contracts to consolidate like functions so that multiple contractors are not continuing to perform the same functions, especially when none of them have such functions as their core competencies. In achieving this "contract re-engineering", SFA and its Office of Acquisitions and Contract Performance will make maximum use of existing contracting vehicles which allow for innovative contracting approaches, as well as relying on other contracting organizations which have a proven record of efficient and effective service. Small and small disadvantaged businesses will be encouraged to participate in SFA contracts regardless of whether the contract action is entered into by the Office of Acquisition and Contract Management or whether that office achieves a contract action through an outside contracting activity². The SFA will require prime contractors to favor small and small disadvantaged businesses whenever they subcontract. Further, where contractor teams are required to perform SFA work or where interagency agreements (e.g., FEDSIM) are used, preference will be given to those teams and agreements that feature small and small disadvantaged businesses.

Lastly, SFA will transform the contracting life cycle from the traditional "detailed specifications" approach to a more results oriented approach with primary emphasis on performance. To accomplish this, SFA will state its requirements in terms of performance desired rather than describing how a requirement is to be performed. Further, both program and contractor success will be measured by simply assessing whether customer service has improved at a reduced cost. While this approach is a significant departure from the traditional one, it will allow SFA to adapt to changing requirements by taking advantage of technological improvements. More specifically, performance-based contract management will contribute to contract performance that delivers:

- improved customer service
- lower cost for services
- leverage with contractors to drive increased service quality and/or lower cost
- agility to adapt contracts to changing program, technology, or service requirements
- improved contractor accountability for service delivery or quality
- improved SFA employee morale through improved contractor relationships

This document is considered to be a "living" document in that it will change over time as the SFA and the Modernization Partner agree on and implement new objectives and architecture, periodically change the Modernization Blueprint, and update the Modernization Sequencing Plan.

² An example will be the use of the Department of Commerce and its COMMERCE Information Technology Solutions (COMMITTS) contracts that provide services from award winning small, small disadvantaged, 8(a) and women owned businesses.

ATTACHMENT I

Synopsis of Section 142 of the 1998 Amendments to Higher Education Act of 1965 P.L. 105-244

PROCUREMENT FLEXIBILITIES

1. When authorized, SFA may exercise the authority of the Secretary to procure property and services in the performance of functions managed by the SFA.
2. SFA shall obtain the services of experts and consultants without regard to section 3109 of title 5, United States Code and set pay in accordance with such section.
3. SFA shall, to the extent practicable, maximize the use of performance-based servicing contracts, consistent with guidelines for such contracts published by the Office of Federal Procurement Policy, to achieve cost savings and improve service.
4. SFA may use a streamlined, two-phase “competitive” process for selecting a source for a procurement of property or services. The first phase may consist only of a notice published containing a description of the procurement, the evaluation factors, and information required by the government. SFA may limit participation in the second phase to only those selected as eligible to participate.
5. SFA may use (consistent with the special rules for commercial items) the special simplified procedures for the procurement of commercial items without regard to--
 - (1) any dollar limitation otherwise applicable to the use of those procedures; and
 - (2) the expiration of the authority to use special simplified procedures under section 4202(e) of the Clinger-Cohen Act of 1996 (110 Stat. 654; 10 U.S.C. 2304 note).
6. SFA may establish a shorter waiting period for the issuance of a solicitation than that normally required and may establish any deadline for the submission of bids or proposals that affords potential offerors a reasonable opportunity to respond to the solicitation.
7. SFA may utilize sole source or competitive means to buy subsequent modules of a system if the initial module was acquired using competitive procedures. Acquisitions of successive modules need not be publicized if the contract for the initial module contained cost, schedule and performance goals.
8. SFA may award a contract under any other simplified procedures it prescribes for the selection of sources for the procurement of modules for a system, after the first module, that are not to be procured under a contract awarded on a sole-source basis.

9. SFA may use special simplified procedures for a competitive procurement of services (other than construction) that are not commercial items if--
- (A) the procurement is in an amount not greater than \$1,000,000;
 - (B) the procurement is conducted as a small business set-aside pursuant to section 15(a) of the Small Business Act (15 U.S.C. 644(a)); and
 - (C) the price charged for supplies associated with the services procured are items of supply expected to be less than 20 percent of the total contract price.

CAVEATS

1. No department or agency of the Federal Government may purchase property or services under contracts entered into or administered by SFA unless the purchase is approved in advance by the senior procurement official of that department or agency who is responsible for purchasing by the department or agency.
2. Nothing in this section shall be construed to waive laws for the enforcement of civil rights or for the establishment and enforcement of labor standards that are applicable to contracts of the Federal Government.

ATTACHMENT II CURRENT CONTRACT ARCHITECTURE

The current contract architecture is “stovepiped” by contract. The following describes this “stovepiped” architecture:

- The Virtual Data Center (VDC) contract, under which SFA is consolidating its data processing requirements under a single computing environment. Currently, data center requirements are delivered under the other contract categories listed below. This consolidation has begun and is scheduled for completion by August 2000.
- Contracts for comprehensive integrated support for a single program or function:
 1. Direct Loan Servicing and Central Database System (CDS)
 2. Federal Family Education Loan Program (FFELP) System
 3. Multiple Data Entry (MDE) of Federal Application for Student Financial Assistance.
 4. Title IV Wide Area Network (TIV WAN).
- Contracts that split underlying technical infrastructure from other services:
 1. Campus-Based Programs
 2. Pell Recipient Financial Management System (RFMS)
 3. National Student Loan Data System (NSLDS)
 4. Postsecondary Education Participants System (PEPS)
 5. Central Processing Systems (CPS) for student financial aid application data.
 6. Direct Loan Origination/Consolidation System

In addition to the Title IV systems contracts, SFA currently utilizes contracts to provide needed business services. These include:

- Training contract for all Title IV programs.
- Public Inquiry Contract (PIC), handling public inquiries about Title IV programs.
- Document Receipt and Control Center contract which supports the Institutional Participation and Oversight Service (IPOS).
- Institutional Quality Assurance Program contract, for IPOS.
- Default Rate Appeal Resolution contract, for IPOS.
- Bulk distribution contract with UPS for mailing and distribution of selected SFA materials.
- Editorial Services contract.
- Debt Collection contract for default collections.

Several contracts not administered by the SFA are also used to support both SFA and Title IV programs. These include:

- Education's Web Services contract
- "EDNET" Education's Local Area Network (LAN) contract
- FTS 2000 (which provides voice and data telecommunications throughout the Federal Government)
- "ED Pubs" which provides bulk mailing support across ED.
- "EDCAPS" which provides ED with financial management and support services.

Figure 3, on the following page, depicts SFAP systems, and contracts currently contributing to the SFA architecture for Title IV support contracts.

