

April 22, 2016

The Honorable Frank Kendall
Undersecretary of Defense
Acquisition, Technology, and Logistics
Department of Defense

Dear Secretary Kendall:

On March 2, the Defense Information Systems Agency (DISA) released the final RFP for ENCORE III, a \$17.5 billion, five year (plus five option years) IDIQ Multiple Award Contract designed to obtain a wide range of high-end technology solutions including custom application development, prototyping, product integration, testing & evaluation, cybersecurity and business process reengineering. ENCORE III is to be awarded by the Lowest Price Technically Acceptable (LPTA) source selection process. In our opinion, LPTA is the incorrect source selection process to use for ENCORE III, and its use directly contradicts your March 2015 memo¹ on the appropriate use of LPTA. We have repeatedly raised our concern about the use of LPTA for ENCORE III and we have received no substantive response from DISA.² On behalf of our members, the Professional Services Council (PSC)³ and the Information Technology Alliance for Public Sector (ITAPS)⁴ are writing to urge you to take action to improve this procurement.

As explained more fully in the appendix, LPTA is the incorrect source selection methodology for this procurement for three primary reasons. First, the technological complexity of the solutions to be acquired under ENCORE III, and the disparate technical capabilities possessed by different companies, necessitate that companies be judged by their capabilities if quality solutions are a desired outcome. Second, the future labor market for technical skills over the next decade is inherently uncertain to such an extent that other evaluation factors beyond predicted labor category prices would better enable the government to select the most capable and best value

¹ [Appropriate Use of Lowest Price Technically Acceptable Source Selection Process and Associated Contract Types, March 4, 2015](#)

² For example see: [PSC Comments to DISA on ENCORE III Draft RFP](#), 9/17/15; [PSC Comments to DISA on ENCORE III Revised Draft RFP](#), 10/19/15; Stan Soloway, [Why Things Go Wrong](#). Government Executive, 10/30/15; [ITI: ENCORE III Represents a Reversal of DoD Acquisition Strategy](#), 3/14/16.

³ **About PSC.** PSC is the voice of the government technology and professional services industry, representing the full range and diversity of the government services sector. As a trusted industry leader on legislative and regulatory issues related to government acquisition, business and technology, PSC helps build consensus between government and industry. Our nearly 400 member companies represent small, medium, and large businesses that provide federal agencies with services of all kinds, including information technology, engineering, logistics, facilities management, operations and maintenance, consulting, international development, scientific, social, environmental services, and more.

⁴ **About ITAPS.** ITAPS, a division of the Information Technology Industry Council (ITI), is an alliance of leading technology [companies](#) building and integrating the latest innovative technologies for the public sector market. With a focus on the federal, state, and local levels of government, as well as on educational institutions, ITAPS advocates for improved procurement policies and practices, while identifying business development opportunities and sharing market intelligence with our industry participants. Visit itaps.itic.org to learn more.

industry partners. Third, the prices being assessed for the LPTA evaluation are not the bid price for any actual work to be executed under the contract, but are instead based on an undisclosed mix of labor rate ceilings. Each of these points are discussed more fully in the attached appendix.

Moreover, as part of the Joint Information Environment (JIE), the ENCORE III contract will help the military, the Department, federal agencies, policymakers, and others rapidly and securely communicate and share information. The JIE is “a network-centric environment required to achieve information superiority”⁵ operating in a complex and evolving time for our warfighters. Cyber threats are omnipresent, and security has never been more important. For that reason alone, it is troubling that a contract used to procure such complex information technology (IT) services intended to support “information *superiority*” is being awarded on price and not the qualities that would deliver a technological edge to our warfighters.

If this procurement is indeed intended to provide the Department with access to high caliber IT services, it should be conducted via the cost/technical tradeoff source selection methodology, perhaps by reconfiguring the use of the Technical/Management Evaluation Factors found in Section M of the RFP. If this procurement is instead intended to access only commodity technology services and not the “*superior*” IT services required for operation in the JIE, the RFP must clearly convey this intent to industry, and the sample tasks used to demonstrate technical acceptability should contain commodity-like tasks.

In sum, ENCORE III is a flawed procurement. Despite the fact that the due date for proposals is on April 25, we urge you to take action to improve this procurement or to provide further insight to industry on why the Department believes that the current acquisition strategy is the correct path. We welcome the opportunity to meet with you or your staff to further discuss our concerns. In the interim, if you have any questions or need any additional information, please do not hesitate to contact Alan at chvotkin@pscouncil.org or 703-875-8059.

Respectfully,



Alan Chvotkin
Executive Vice President and Counsel
Professional Services Council



Trey Hodgkins
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(ITAPS)
Information Technology Industry Council (ITI)

Appendix

CC: LTG Alan Lynn, Director, DISA
Steven Francoeur, Contracting Officer, DISA

⁵ [Encore III Final RFP](#)

Appendix: Details on the inappropriateness of LPTA for ENCORE III

LPTA is the incorrect source selection methodology for this procurement for three primary reasons.

First, the inherent complexity of the work to be conducted under ENCORE III makes LPTA an inappropriate source selection methodology. For commodity services, where one provider's offering is very similar to the next, it may make sense for price to be the only concern. However, not all cybersecurity and prototyping offerings, for example, are the same. Price, of course, should always be a major consideration, even when purchasing cutting-edge technology. There is nothing preventing DISA from relying heavily on price if it were to use a true cost/technical trade-off approach, like they did for Encore I & II. But competition on price should predominantly take place at the task order level, when actual requirements are known and bid prices reflect the actual price of the work to be done. DISA implicitly acknowledges the importance of balancing price and capability by allowing task orders under ENCORE III to be competed as cost/technical tradeoffs (rather than restricting task orders to only LPTA.) But is a best value task order competition, competed only between those who were able to merely meet the minimum technical requirements at the absolute lowest price to get on the vehicle in the first place, really getting the government the best value?

Second, the duration of this vehicle and the complexity of the work makes relying exclusively on labor rates even more questionable. How is the government confident that it, or its industry partners, have an accurate, detailed, and comprehensive understanding of what the labor market for information technology, cybersecurity, or even as-of yet unknown technical skills will look like in 2026? The complexities of future labor markets for cutting-edge skills necessitate a comprehensive look at companies' management approaches, not just their labor rates. A company's demonstrated ability to attract and retain top talent in cutting edge skills today is a prime indicator of their likely ability to attract and retain top talent in the cutting edge skills of 2026. Yet DISA's approach to ENCORE III expressly prohibits evaluating companies on this.

Third, the prices to be evaluated at the MAC level bear no resemblance to the actual price of any actual work, or even hypothetical work, to be conducted under this contract. Instead, the prices on which companies are assessed for award is constructed by the government by applying an undisclosed mix of labor requirements to the bid rates of the 116 generic labor categories included in the proposed labor rate tables. This approach does not take into account the labor mix companies may actually use when performing work, and provides no recognition for management or technological approaches that may entail the use of fewer but better compensated employees which may lead to lower total costs and better outcomes for the Department.

If this procurement is indeed intended to provide the Department with access to high caliber technology services, it should be conducted via the best value, cost/technical tradeoff source selection methodology. DISA already includes a robust framework for assessing technical capabilities in the Technical/Management Evaluation Factors found in Section M of this procurement. While these evaluation factors are only used to establish a minimum threshold for companies to be deemed technically acceptable, they could easily be reconfigured to provide a

detailed technical, as well as price, comparison between bidders. Conversely, if this procurement is instead intended to only access commodity technology services, as the source selection methodology suggests, the RFP should clearly convey this to industry, and the sample tasks used to demonstrate technical acceptability should contain commodity-like tasks.