

## Mid-Tier Advocacy, Inc. Alliant 2 Issue Paper

### **Background:**

In March 2015, GSA released the Alliant 2 Draft Request for Proposal. This contract's estimated value is \$65 Billion dollar represents approximately 8% of the Federal IT budget over ten years and provides leading edge and advanced Information Technology Services to Federal agencies and the DoD.

### **Problem Statement:**

The Alliant 2 Draft RFP, along with comments made by GSA, strongly suggests that the Alliant 2 competition will favor large Government contractors (over \$1 Billion in annual revenue) based on the scoring criteria and the selection of the NAICS Code. Mid-Tier companies including companies that have or will soon emerge from the 541512 NAICS code small business classification of \$27.5M in average annual revenue for the prior three years will be severely disadvantaged by the approach GSA is taking. This is a critical because of the potential to exclude highly successful Mid-Tier companies and recently graduated small businesses from receiving awards resulting in reducing competition for government IT opportunities. As was demonstrated by the GSA OASIS Contract, GSA's contracting decisions set precedence for future contracting direction. Many other government agencies are looking at the perceived success GSA had in awarding the OASIS contract and are adopting the OASIS model for future contracting efforts. This is because OASIS was not successfully protest. The lack of a successful protest should not be the government's objective in selecting a contract structure. Rather, the objective should be to provide contractors with a fair opportunity to compete on a level playing field resulting in the best and most cost effective solutions being provided to the government. Setting precedence that disadvantages Mid-Tier and advanced small businesses from competing for federal contracts, while not GSA's objective with the Alliant 2 procurement, is clearly an unintended consequence of their approach.

Furthermore, the success of the OASIS contract, with its 9 pools, demonstrates that GSA can structure a contract vehicle that achieves the multiple objectives while providing pathways for small businesses to grow and prosper. The Mid-Tier Advocacy (MTA) strongly recommends that GSA consider the OASIS tier structure for Alliant to provide for opportunities for small businesses to advance and continue to serve as the economic growth engine.

Specifically, the Mid-Tier Advocacy suggests that GSA current approach to Alliant 2:

- Favors the Largest Government Contractors based on GSA Scoring Criteria.
  - Scoring criteria strongly favors companies with past performance references for projects across a broad variety of Product Service Codes (PSCs). Many Mid-Tier and advanced small businesses will have difficulty identifying seven distinct contracts spread across the three groups of PSCs. The number of contracts that are coded as Group 3 PSC is very limited and for a contract to be characterized in this way the majority of the services must be provided in this area. Furthermore, designation of a contract against a specific PSC is at the discretion of the awarding contracting officer, who may or may not select one of the Group 3 PSCs. Larger companies, with a greater number of contracts, stand a much higher likelihood of having performed work in the Group 3 PSC than Mid-Tier and advanced small businesses.
  - Scoring criteria favors companies with a global footprint, those that have performed both CONUS and OCONUS.
  - Scoring criteria favors larger companies with more and larger projects (over \$10 million dollars), to the detriment of Mid-Tier and advanced small businesses with excellent capabilities through fewer, medium-sized projects.
  - Scoring criteria favors companies with DCAA approved estimating system and Earned Value Management System (EVMS). DCAA typically only approves estimating systems for very large contractors and EVMS for contracts over \$50M.
- Excludes highly successful recently graduated small businesses.
  - Alliant 2 has only two categories of competition: Unrestricted and Small Business under the \$27.5M size standard. The unrestricted component will force companies that range in size from \$30 Million to multi-billion dollars to compete directly against one-another. This single pool of competition and scoring criteria clearly favors the largest corporations with the greatest breadth and depth of contracts. As a result the government will not be able to access to the best of a broad field of mid-sized companies and advanced small business with excellent capabilities in focused markets and technologies.
- Reduces overall Government IT competitive market by excluding Mid-Tier and advanced small businesses from fair competition.

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- o Alliant 2 recipients will be awarding approximately 8% of the Federal IT budget over the next years. This is a significant part of the IT Market.
- o Limiting the market for advanced small business companies will drive these companies out of the Federal market. The Federal Government will lose these successful companies, leaving only the very large and smallest companies to compete.

**MTA Suggests GSA Consider the following Remedies:**

**1. GSA Should Institute Pools.**

Similar to the OASIS model, GSA should institute Pools to level and stratify the competition, enabling similar-sized companies to compete for contract awards among themselves. This will provide the government with a wide stable of established, advanced, and small contractors to bring the highest degree of innovation and agility possible to GSA and its customers. Pools will allow those companies with a track record of IT Service performance excellence to continue to grow and provide specialized services to GSA’s customers by competing in the next larger Pool. We recommend that GSA adopt the OASIS Pooling size standards or a streamline model as stated below:

POOL 1	POOL 2	POOL 3
Size Standard: \$27.5M	Size Standard: 500 Employees	Size Standard: 1,500 Employees

**2. GSA Should Eliminate PSC Group 3.**

PSC Group 3 represents IT and Telecommunication Services associated with Data Entry, Conversion, and other manipulation of data. This falls outside the scope of NAICS 541512 (Computer Systems Design Services) and these services are provided by a limited number of firms. As a point of reference, in the initial instance of the Alliant vehicle, there are no tasks performing the scope services represented by the Group 3 PSCs.

**3. GSA Should Reduce the Dollar Value for PSC Codes for Pools 2 and 3.**

We recommend that GSA consider reducing the dollar value for relevant projects for PCS codes from \$10M to \$1M for businesses that compete in Pools 2 and 3. This will enable qualified firms who have successfully competed and won projects on smaller scale to participate in the competition, bringing the needed innovation, expertise, and flexibility to GSA customers.

**4. GSA Should Allow One Project to Satisfy Multiple Leading Edge Technologies.**

We recommend that GSA consider allowing for a project to be used multiple times to qualify Leading Edge Technology if the work pertains to multiple Leading Edge Technologies.

**5. GSA Should Adopt Leading Edge Technologies that are Reflect of What the Government Will be Purchasing in the Future.**

Many of the current Leading Edge Technologies are very specific in nature and not representative of the mainstream services purchased by government agencies. GSA should consider refining the Leading Edge Technologies and focusing them on services that governments will be purchasing in the future.

**6. GSA Should Drop the Requirement for DCAA audited procurement, estimation, and EVMS.**

The Code of Federal Regulations (CFR) does not require a company to have a DCAA audited procurement, estimation, and acceptable EVMS in order to compete for and perform work under a federal government contract. For those DCAA audits that have not been performed for a large number of anticipated competitors for Alliant 2, there is a reasonable likelihood that DCAA will not have enough manpower to complete all requested audits prior to the due date of the proposal. To remedy this, we recommend that the GSA eliminate the points being provided for having obtained DCAA auditable systems under this category.

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### Summary

Mid-Tier Advocacy believes that by adopting the recommended remedies the value and quality of IT services obtained under the Alliant 2 contract will result in:

- **Lower costs** – Mid-Tier and Advanced Small Businesses companies typically carry lower operational overhead and administrative burdens than the larger companies, costing the government less per task order award.
- **More innovation** – Advanced Small Businesses that provide a focused line of capabilities have more incentive to provide the higher levels of innovation and quality than a larger company that happens to provide a particular capability within a broad smattering of IT projects and competencies.
- **Higher levels of performance** – Advanced Small Businesses are more motivated to successfully deliver high quality services than a large IT company because smaller companies are much less able to suffer the consequences of poor delivery performance.
- **More attention** – Smaller IT companies are more likely to provide a greater level of senior and executive leadership focus to particular clients than larger companies. This also tends to make smaller businesses more proactive, agile, and responsive to client changes and concerns.
- **More competition** – Fostering the opportunity for advanced small businesses to compete directly with one another greatly increases the number of lower cost and highly capable competitors bidding on an opportunity. This will result in more competitive pricing, and stronger, more competitive, more effective technical solutions.
- **Decentralization of the industrial base** – Providing the opportunity for advanced small businesses to compete directly with one another broadens the distribution of government IT spending to a greater number of companies, thereby spurring greater competition and decentralization of the industrial base.