

Doing Business With the Military FOR DUMMIES

By Hugh Oldham

When paperwork moves into the procurement process there must be objective standards that enable a contracting officer to compare apples to apples.

Last year the United States Department of Defense spent billions of dollars for goods and services; everything from C-17's to small machine screws and toilet paper. Buried within this mammoth river of dollars were a few earmarked for air show performers and service providers.

Before we jump in and try to swim in this raging river perhaps a little information on how the military buys stuff is in order.

Everything purchased by the Department of Defense (DoD) must pass through the procurement process. Everything must be done on a competitive basis. And, most importantly, the Base Contracting Office is in charge of all local (base) purchases.

The most significant thing for an air show professional to realize is that it is the Base Contracting Officer, not the Open House director, who has the final word on purchases and contracts. Many air show performers do not understand this important concept, assuming that a verbal commitment from someone on the Base Open House team constitutes a contract only to be disappointed when an actual contract is not forthcoming for whatever the reason. Many an air show performer has been left with an open date because of this procedural Catch 22.

The procurement process has only started when the air show professional has been selected by the Open House director. Remember that word competitive? That means the lowest bidder! If the contractor (air show professional) does not want to under-bid every other service provider (the competition) then the contractor must be prepared to prove they are worth a single source contract.

The selection of an air show performer is

a subjective one. It has a lot to do with the type of event, type of aircraft, and the type of act. But when the paperwork moves into the procurement process, the subjective must be translated into objective standards that enable the Contracting Officer to compare apples to apples.

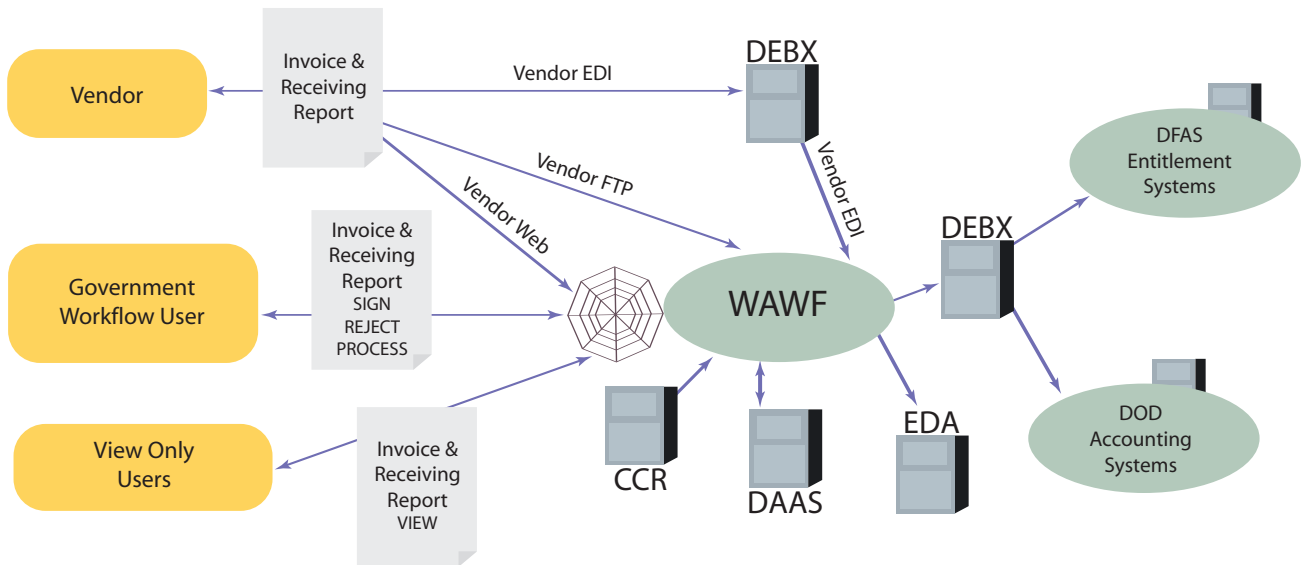
In reality the Contracting Officer will be trying to follow the recommendations of the Open House director but, after all the challenges that have occurred in Air Force procurement over the last years, some gun shyness is to be expected. To aid this

Procedural Catch 22

Because of this procedural issue, it is important that both the service provider/performer and the military personnel involved in the booking discussion are open and forthright during these early stages of the procurement process. If Base Contracting is not involved, the performer should clearly state and make sure the Air Force personnel understand that a date cannot be guaranteed until a legal contractual agreement is established. Although this agreement can be verbal, the performer has no legal standing or cause of action if the Base Contracting Office was not the issuing party.

This does place the military base at a significant disadvantage in the ICAS Convention booking frenzy. Many bases have established the policy of bringing a Contracting Officer with them to the convention to overcome this disadvantage but, unlike most business dealings, this one is sellers beware. If Contracting ain't said it's so, it ain't so!

Did I Say Complex?



process be prepared to justify your price in objective terms that establish the value added necessary for the Contracting Office to support a single source contract. When asked what do you do use words like only, unique, innovative, specialized, words that, when read in that harsh light of the objective observer, establish your service as different from anyone else.

This simple step of differentiating your services from all others is a basic business principle but so often an air show performer will self-describe his services as “perform aerobatic routine.” Compare that to performs a low-level, high energy, maximum g, world class aerobatic routine in the only Hot Stick 400 flying today. Now, if you did not know a Cuban eight from a Cuban cigar, who would you issue the contract to?

After you have navigated the shoals of procurement, flown the show, it's pay off time. Caution, more rocks in the river ahead.

The Air Force can pay for services three ways: Impact Cards, C Check, or Purchase Order.

• **The Impact Card.** Basically a government Visa credit card. The Impact Card can be used for purchases up to \$2,500. It's quick

and relatively painless for the contractor, provided the contractor has a Visa/Master Card Vendor Account. Oops, Catch 22! Most air show service providers do not have a vendor account due to the cost (about \$500 set-up and up to a 10% transaction fee) of those accounts.

• **The Convenience Check.** The simplest method of payment, it is a check written by the Contracting Officer and handled in the normal method by the service provider. Problems: it is limited to \$2,500 and is regarded as a pain by most Contracting Offices due to the accounting and cross checking needed to control the checks.

• **Purchase Order.** The traditional method of doing business: the buyer issues a Purchase Order and when the requested action is completed the seller issues an invoice. Once the invoice and Purchase Order are reconciled, the buyer issues a check.

The Purchase Order is the only method the Air Force can use for purchases above \$2,500 and this method has changed.

For over 100 years business, industry and government have heavily invested in office technology. The most dramatic impact has been seen in the area of the Personal Computer (PC) and Internet based information exchange. The mid-1970's saw the start of

the integration of the PC into the office environment and programs like WordStar and Dbase started to replace pen, pencil and carbon paper. Terms such as CAD/CAM (Computer Aided Design/Computer Aided Manufacturing) entered the workplace vocabulary and replaced the drawing board, T-square and slide rule.

Although these advances have sent the typewriter and carbon paper the way of the dinosaur, for most small business owners this technology has been more a convenience as opposed to a necessity.

The DoD has implemented several programs that demand that an air show contractor be computer literate and Internet connected. The move to a paperless procurement system has caused much confusion and consternation in the air show community. Now, instead of the multi-page Purchase Order (PO) we are so familiar with, the Air Force Base Contracting Office will issue a PO, confirm delivery, and issue payment all in cyberspace; no paperwork, no check will change hands.

The first stage of this implementation has been CCR. The Central Contractors' Register is simply what the name implies: a central place where all DoD contractors are registered and list their important informa-

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tion such as addresses, points of contact, bank accounts and services provided.

CCR enables the Base Contracting Officer to scan the registered contractors' database by SIC (Standard Industrial Codes) and/or key words in the services provided field.

The newest twist to the puzzle is called Wide Area Work Flow — Receipts and Acceptance. WAWF-RA completely eliminates paper from the receipts and acceptance process of the DoD contracting lifecycle.

This is the system whereby the local Contracting Office issues the PO which is e-mailed to the service provider. Contracting logs in the acceptance of the goods and services, the service provider submits their invoice, the invoice is approved by Contracting and, 30 days later, payment is wired directly into the service provider's bank account — all in cyber space, all in a paperless audit trail.

Under the old procurement system, three pieces of paper were necessary for a contractor to be paid: the PO, the receiving report, and the invoice. Under the new system these three pieces of paper are replaced by seamless Electronic Document Access (EDA) system. The advantages to the DoD are the elimination of paper and redundant data entry. The advantage to the contractor is the increased accuracy and reduced chance of the loss of the paperwork which results in a much more timely payment.

For the individual air show service provider this system will seem complex and intimidating, yet the advantages in speed and accuracy will more than compensate for the rather steep learning curve. Setting up the required accounts, access points and passwords will take a full day as the new

user is lead through the process by the excellent on-line instructions on the CCR and WAWF websites.

During this process two things will come to light: first is the helpful attitude of the DoD's Defense Finance and Accounting Service personnel at Hill AFB and the other locations. The DFAS's staff realize the system can be intimidating and some of the requirements complex, but the value to the DoD is that they know both the contractor and DoD will benefit once the system is implemented. The second revelation will be after the set-up operation is complete, and that is the ease and speed with which the integrated WAWF is used and the painless process of getting paid by the DoD. Once our system was on-line we were pleasantly surprised at the system and consistently received payment 30 days after the invoice was submitted. Those who have endured old system's 120 day payment cycles will know what I mean.

The only complaint I've heard is the lack of a check, the money just appears in the bank account. The pleasure lost in opening that check stuffed envelope is small when compared to less paperwork and speedier payment. ✈️

