



**US Army Corps  
of Engineers®**

**Letter of Obligation**

**Between the**

**Delegated Competitive Sourcing Official**

**&**

**Director of Logistics**

**For the**

**Logistics Management High-Performing Organization**

**7 November 2006**



US Army Corps  
of Engineers

## LETTER OF OBLIGATION Logistics Management High-Performing Organization

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This LETTER OF OBLIGATION (LOO) establishes the requirements for performance by the Logistics Management (LOGM) High-Performing Organization (HPO) within the U.S. Army Corps of Engineers (USACE).

Agreed to on this date of 7 November 2006

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Major General, USA  
Deputy Commanding General and  
Delegated Competitive Sourcing Official

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CF:  
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### A. BACKGROUND

Section 337 of the National Defense Authorization Act of 2004 (Public Law 108-136) required the Secretary of Defense to establish a pilot program to designate high-performing organizations (HPOs) through the conduct of a Business Process Re-engineering (BRP) initiative. On 16 Feb 06, the Deputy Under Secretary of Defense for Installations and Environment (DUSD(I&E)) announced the selection of USACE LOGM as one of eight HPOs for inclusion in the pilot program.

On 4 Oct 06, the DUSD(I&E) published procedures for implementing and monitoring the performance of, and costs for, the HPO pilots. This LOO incorporates those procedures.

Originally, LOGM activities were scheduled for public-private competition and preparation began with the required preliminary planning. Preliminary planning ended in June 2005. Based on verbal approval by the Department of Defense HPO Pilot Program proponent, the Strategic Sourcing Program Office (SSPO) formed an LOGM HPO team to begin activities leading to the foundation for the HPO described in the August 2006 Business Case Analysis final report.

The organization title of the LOGM HPO is the USACE Logistics Activity (ULA). The Director of Logistics at Headquarters, USACE, located in Washington, D.C., is the functional proponent for the functions and activities performed by the LOGM HPO. The organization structure and locations of the LOGM HPO are described in the LOGM Business Case Analysis (BCA).

As a result of the preliminary planning and the LOGM HPO team activities since June 2005, many of the actions prescribed in the 4 Oct 06 DUSD(I&E) procedures are either complete or well underway, as noted in paragraph B.8 of this document.



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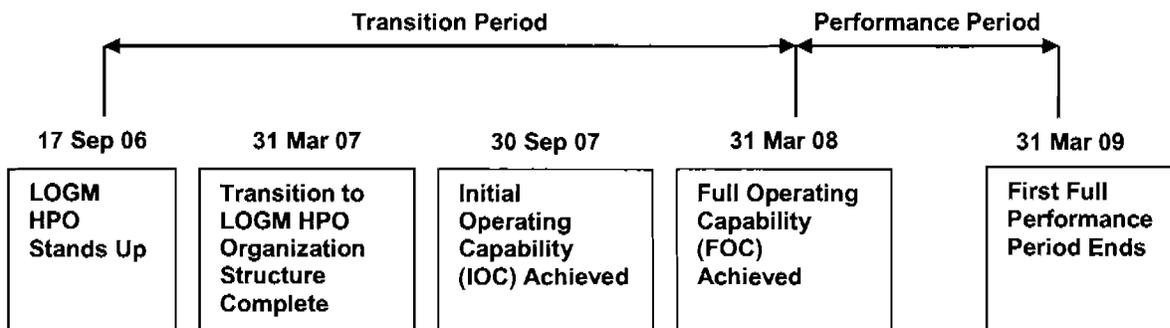
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### B. REQUIREMENTS

Performance under this LOO will be in accordance with the following –

1. The LOGM HPO will perform the work identified in the Business Case Analysis (BCA) and Performance Work Statement (PWS) consistent with statutes and higher authority policies regarding the performance of logistics activities and functions and HPO Pilot Program performance. The BCA, including the PWS which is appendix E of the BCA, is Attachment A of this LOO.
2. The LOGM HPO is permitted a transition period during which resources, including personnel, are aligned under the new organization. This period includes transition to the new organization, the implementation of Business Process Re-engineering (BPR) enhancements identified in the BCA, and the identification and implementation of additional BPR enhancements.

a. The major milestones are as follows:



b. An explanation of the transition period milestones follows:

(1) The first phase began with standing up the interim leadership structure of LOGM HPO on 17 September 2006. By the end of March 2007, all incumbent USACE logistics management personnel will have moved into the new organization at their current grade, series and location.

(2) Transition to the re-engineered LOGM HPO organizational structure will begin in April 2007 and continue through the end of September 2007. During this phase all LOGM HPO vacant positions (new position descriptions) will be published for all USACE logistics employees to express interest and availability. See Appendix B, Employee Transition Plan, 3 Oct 06.

(3) By October 2007, the LOGM HPO will attain Initial Operating Capability (IOC). IOC is when the LOGM HPO begins implementing re-engineered business processes while continuing to perform logistics functions using current business



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processes. Under IOC the LOGM HPO has the capability to perform one of the five logistics functions (supply management, transportation management, facility management, maintenance management or emergency management logistics support) utilizing the re-engineered processes.

(4) By the end of March 2008, the LOGM HPO will attain Full Operating Capability (FOC). FOC is when the LOGM HPO is operating under the re-engineered business process performing the functions listed in the logistics PWS.

3. Review, analysis and improvements of the LOGM HPO business processes and any necessary refinements of the organization will continue throughout the life of the pilot. This is discussed further in paragraph 8.1 below.

4. The Strategic Sourcing Program Office (SSPO) shall continuously monitor progress throughout the lifecycle of the LOGM HPO.

a. The measures of success for the transition period are that by –

(1) 31 Mar 07 - all incumbent USACE logistics management personnel have moved into the new organization at their current grade, series and location.

(2) 30 Sep 07 - transition to the re-engineered LOGM HPO organizational structure is achieved.

(3) 1 Oct 07 - IOC is achieved.

(4) 30 Mar 08 – FOC is achieved.

b. At the end of the first full performance period (31 Mar 09) and annually thereafter, the SSPO shall conduct reviews to evaluate performance measures as detailed in this LOO. The purpose of these reviews is to determine whether the LOGM HPO is performing satisfactorily for purposes of continuing in the pilot program. For comparing performance improvement during the first full performance period, the incumbent organization standards shall be used as a baseline. Thereafter, the preceding performance period becomes the standard for the subsequent performance period comparison.

5. The LOGM HPO shall track costs using the COMPARE analytical tool designed for evaluating public-private competitions under OMB Circular A-76. At the end of the first full performance period and thereafter annually, the HQ Director of Logistics shall provide the SSPO an update of the COMPARE costing for comparison to the original baseline cost.



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6. As authorized by legislation, if the organization has met the requirements and milestones specified in the Plan of Action included in this LOO, the DUSD(I&E) may grant an additional five years to achieve projected or planned efficiencies and savings under the pilot program. If such progress has not been made by the end of the first full year of performance (31 Mar 09), the DUSD(I&E) may terminate the LOGM HPO's participation in the program.

7. At the completion of the transition phase and thereafter annually at the end of each full year of performance, the SSPO shall prepare a report on the initiative for signature by the Delegated Competitive Sourcing Official to the Assistant Secretary of the Army (Installations and Environment) (ASA(I&E)) for upward reporting to the DUSD(I&E). The report shall, at a minimum, include a brief discussion of how each element in the LOO Plan of Action was accomplished (see paragraph 8 below) and the results of the performance review. The report shall include the COMPARE cost comparison analysis.

#### 8. Plan of Action

The following addresses the minimum actions required by the DUSD(I&E) policy. The DUSD(I&E) requirement is underlined in the lead-in sub-paragraph and is followed by actions that have or shall be taken in response.

##### 8.1 Specify a start and end date for the business process reengineering process that will take place.

a. BPR began in June 2005 and shall continue throughout the pilot. As indicated in the BCA, by 30 Sep 07 one of five logistics functions shall be performed under the re-engineered business process and by 31 Mar 08 the LOGM HPO shall operate under the re-engineered business for all five major functions listed in the PWS.

b. As indicated in Section V of the BCA, the LOGM HPO builds BPR and Lean methodology into its program management practices. The goals of the end-state approach to business processes are effectiveness and interoperability, synergy, and best value for USACE. The Programs Development Division of the LOGM HPO will guide the new organization –

(1) Operate as a unified organization, with uniform and enterprise-wide standard logistics business processes throughout USACE.

(2) Establish business practices for continuous review, update, and improvement of processes and the related metrics.



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c. Also as indicated in Section V of the BCA, the functions of the Programs Development Division are designed to ensure that the LOGM HPO is a learning organization, continuously evaluating, refining, and improving business processes. BPR and Lean are achieved through developing a communication synergy among those responsible for carrying out a myriad of interrelated functions and activities. To establish BPR and Lean as the modus operandi for the LOGM HPO, the Programs Development Division will:

(1) Maintain and update the program development related section of the Work Breakdown Structure (WBS) and PWS in consultation with the Transportation, Logistics Emergency Planning Response, Supply and Maintenance, and Facilities Management Divisions.

(2) Develop, maintain, and update the LOGM HPO strategic and concept plans in consultation with all other LOGM HPO elements.

(3) Develop, maintain and update the Quality Assurance Surveillance Plan (QASP) through consultation with all other LOGM HPO elements.

(4) Conduct quality assurance surveillance in coordination and association with all other LOGM HPO elements.

(5) Develop, maintain, and update the Career Management Plan and associated training plans in collaboration with all other LOGM HPO elements.

(6) Review job descriptions and hiring actions by all other LOGM HPO elements to assure compliance with the Logistics Career Management Plan and emergency response requirements.

(7) Coordinate BPR actions and maintain the master records for BPR related materials in consultation with all other LOGM HPO elements.

(8) Ensure the integration of agency needs to include stakeholder, partner, and customer requirements into all plans in consultation with all other LOGM HPO elements.

(9) Ensure that all plans reflect the appropriate integration of cross-functional logistics statutory, regulation, and individual functional requirements.



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### 8.2 Specify a start date for the HPO and identify annual performance periods for tracking and reporting purposes.

a. The LOGM HPO was established on 17 Sep 06 with the stand-up of the central cell in Millington, Tennessee.

b. From 17 September 2006 to 31 March 2007, all personnel in the current Logistics Management organizations will realign to the LOGM HPO.

c. Thereafter, from 1 Apr 07 through 30 Sep 07 LOGM HPO positions will be filled through the process described in the Employee Transition Plan at Appendix B. For the purpose of cost comparison against the baseline, the period through 31 Mar 08 is the transition phase and shall be considered the equivalent of a phase-in period similar to that for a Most Efficient Organization (MEO) under a public-private competition.

d. USACE performance accountability policy is in accordance with Competitive Sourcing Operational Orders No. 3 and No. 4.

(1) Competitive Sourcing Operational Order No. 3 – Performance Accountability, 16 Aug 06, establishes the policy for performance accountability.

(2) Competitive Sourcing Operational Order No. 4 – Performance Accountability Execution (draft), establishes the procedures to execute performance accountability. These procedures are critical for providing documentation explaining increases or decreases in costs between performance periods.

e. The first full performance period will begin on 1 April 2008 and end 30 March 2009. The costs for this period will be compared against the baseline costs of the incumbent organization for the purpose of reporting savings as required by the DUSD(I&E). Thereafter, the costs for future performance periods will be compared against the preceding year. All changes to the LOGM HPO must be documented in accordance with Operational Order No. 4.



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The following are the performance periods for tracking and reporting purposes -

Performance Period	Period Covered	Covered Performance Review Actions	Report to Higher Headquarters	Form of Reporting
Transition Period (LOGM HPO stand-up and transition to LOGM HPO organizational structure)	17 Sep 06 – 31 Mar 07	Milestone for Transition to LOGM HPO organization structure met or not met	10 Apr 07	E-mail to ASA(I&E)
Transition Period (Initial Operating Capability)	17 Sep 06 – 30 Sep 07	Milestone for Initial Operating Capability (IOC) met or not met	10 Oct 07	E-mail to ASA(I&E)
Transition Period (Full Operating Capability)	17 Sep 07 – 31 Mar 08	Milestone for Full Operating Capability (FOC) met or not met	10 Apr 08	E-mail to ASA(I&E)
Transition Period	17 Sep 07 – 31 Mar 08	Transition	12 May 08	Written report signed by the DCSO thru ASA(I&E) to the DUSD(I&E)
First Full Performance Period	1 Apr 08 – 31 Mar 09	Items 8.1 through 8.13 of the LOO	11 May 09	Written report signed by the DCSO thru ASA(I&E) to the DUSD(I&E)
Subsequent Full Performance Periods	1 Apr 2009 – 31 Mar 2013	Items 8.1 through 8.13 of the LOO	11 May 2010 - 2013	Written report signed by the DCSO thru ASA(I&E) to the DUSD(I&E)

**8.3 Identify the activities, including civilian and military authorizations, by location, that will be subject to be included in the business process reengineering.**

A spreadsheet of the activities, including civilian and military authorizations, by location, included in the BPR is presented at Appendix C.

**8.4 Include an organizational chart for the incumbent (as-is) projected organization and the HPO.**

a. An organizational chart for the incumbent (as-is) organization is at Appendix D-1.

b. An organization chart of the LOGM HPO is at D-2.

**8.5 Identify the key actions that will take place during the business process reengineering effort.**

A table of the key actions that will take place during the business process reengineering effort is at Appendix E.



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8.6 Provide a schedule for each of the above key actions.

The table at Appendix E indicates the schedule for each of the above key actions.

8.7 Identify individuals responsible for each of these key actions.

The table at Appendix E indicates the individuals responsible for each of the key actions.

8.8 Identify how workload data will be identified, captured, and monitored for all performance periods.

Workload data will be identified, captured, and monitored for all performance periods as shown in Appendix F.

8.9 Identify baseline costs for the incumbent organization and HPO.

- a. Baseline costs for the incumbent organization are at Appendix G-1.
- b. Baseline costs for the LOGM HPO are at Appendix G-2.

8.10 Identify the incumbent organization's performance standards and for the HPO.

- a. Performance standards for the incumbent organization are at Appendix H-1.
- b. Performance standards for the HPO are at Appendix H-2.

8.11 Issue a requirements document identifying the technical, functional, and performance characteristics of the needed requirements. This document is essentially the HPO's performance work statement, which is necessary to specify the required outcomes to be achieved, specifies required performance standards, and identifies the location, units, quality, and timeliness of the work to be performed.

As indicated in paragraph 1 above, the requirements document, in the form of a Performance Work Statement (PWS) identifying the technical, functional, and performance characteristics of the needed requirements is at Appendix A. This document will evolve to reflect greater specificity as BPR of the LOGM functions and activities continues.



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8.12 Issue a quality control plan that will serve as the HPO's daily self inspection plan. This plan shall describe the internal staffing and procedures that will be used to meet the quality, quantity, responsiveness, customer satisfaction, and other tasks in the requirements document.

A Quality Control Plan (QCP) accompanies the BCA as annex I and shall be finalized and approved by the head of LOGM HPO by the FOC end date of 31 Mar 08.

8.13 Issue a quality assurance surveillance plan that will be used to independently perform surveillance of the HPO's performance with individuals not in the HPO. This plan will document the methods used to measure performance of the HPO against the requirements document on a routine basis as determined by the inspector. At a minimum, this plan will include an annual report on the following:

- Organic knowledge, skills or experience
- Efficiency and effectiveness of key functions or processes
- Efficiency and effectiveness of the overall organization
- General customer satisfaction

a. A Quality Assurance Surveillance Plan (QASP) accompanies the BCA as annex G and shall be finalized and approved by the HQ Director of Logistics by the FOC end date of 31 Mar 08.

b. Starting in April 2008 the SSPO, as part of its annual performance accountability assessment, shall document the methods used to measure performance of the LOGM HPO against the requirements documents and the cost comparison of the previous performance period. The SSPO will submit the report to the ASA(I&E) for upward reporting to the DUSD(I&E).

9. The LOGM HPO shall work with the SSPO to –

a. Identify the data elements in COMPARE, policy in OMB Circular A-76, and policy in the Office of the Secretary of Defense A-76 Costing Manual for the purpose of annual cost comparison.

b. Establish a process to capture costs from the Corps of Engineers Financial Management System (CEFMS) and other existing automated systems to support the annual performance accountability assessment and budget development.



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c. Make available to the SSPO all information and, when requested – personnel resources, to conduct the assessment.

10. The Director of Logistics will work with the SSPO to develop the annual performance review report.

### **C. ATTACHMENTS**

- A Business Case Analysis
- B Employee Transition Plan
- C Civilian and Military Authorizations Included in the BPR
- D-1 Organization Chart for the Incumbent (as-is) Organization
- D-2 Organization Chart for the LOGM HPO
- E Key Actions, Schedule, and Responsible Individuals
- F Procedures for Identifying, Capturing, and Monitoring Workload Data
- G-1 Baseline Costs for the Incumbent (as-is) Organization
- G-2 Baseline Costs for the LOGM HPO
- H-1 Performance Standards for the Incumbent Organization
- H-2 Performance Standards for the HPO