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# TME

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# ASSET MANAGEMENT

## Integrated Order Contracting

SPECIAL REPORT: CONTRACTING & ACQUISITION

# Integrated Order Contracting

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Department of Defense (DOD) construction, repair, renovation, sustainability and management activities are required to demonstrate greater efficiencies and to link buildings and associated financial requirements to mission criticality.

Specific to DOD construction, estimators and project managers must partner with contractors, subcontractors and architect-engineers to rapidly and accurately conceptualize, create, cost, prioritize, start and report upon construction projects. Integrated order contracting (IOC) is a concept that integrates all collaborative DOD contracting mechanisms, as well as the integrated components of integrated project delivery. The IOC framework includes and serves as a foundation for Job Order Contracting (JOC), Simplified Acquisition of Base Civil Engineering Requirements (SABER), Indefinite-Delivery Indefinite-Quantity Contract (IDIQ), Multiple Award Construction Contract (MACC), Multiple Award Task Order Contract (MATOC), Single Award Task Order Contract (SATOC) and others.

Many DOD agencies need to simultaneously use several of these contracting and project delivery methods. Unless the processes for each are embedded within a supporting technology enabling effective communication and collaboration among those involved, the challenge can be daunting.

## Background

IOC can be viewed as a process framework supported by an enabling software technology backbone. The combination embeds workflow; reference cost databases and cost guides; document management; web, cloud and desktop software; and the collabora-

tive aspects various contracting and acquisition methods to meet the demands for rapid project deployment, enhanced professionalism, efficiency and transparency. The ability of IOC to efficiently and accurately consolidate the management of multiple contracting methods is critical to DOD initiatives. IOC embeds multiple competitively-negotiated, fixed unit prices and indefinite-quantity contract construction project procurement methods in a single collaborative resource.

Departments and agencies can enter competitively-bid contracts with IOC contractors for specified time durations and values with procurement processes established when the IOC programs are put into place. The duration and value of various IOCs vary from single one-year projects to three- to five-year projects, with annual volumes from \$1 million to more than \$100 million.

Complete design and specifications may not be required; thus negotiations may be necessary to define processes required to accomplish a specific construction task. A construction cost database of detailed and priced tasks span-

The IOC framework allows for expedited starts on DOD construction projects while providing enhanced cost efficiency and transparency.

Integrated order contracting software includes localized, standardized cost guides that enable planners to develop highly-accurate cost estimates for construction projects.

The screenshot displays the 'Browsing 2010 RSMears Facilities (280894 Records)' window. It features a 'View' section with options for 'Show Modifiers', 'Standard Display', and 'Proper Display'. The 'Settings' section includes 'Bare Cost Pricing', 'O&P Pricing', 'Use City Cost Index', 'Show Paste Window', and 'Add items as Custom'. The 'Locate:' field is set to '05-31-13'. The main table lists construction items with columns for 'Item', 'Description', 'UM', and 'Bare Cost'. A summary table on the right shows 'Page: E-04', 'Crew: 3,600,000', 'Daily Output: 0.009', 'Labor Hours: 0.009', 'Unit: S.F.', 'Material: \$1.38', 'Labor: \$0.42', 'Equipment: \$0.04', 'Total: \$1.82', and 'Total Inc O&P: \$2.31'. The 'City Cost Index' section shows 'Material: \$1.85', 'Installation: \$2.06', and 'Total: \$3.91'. The bottom of the window shows 'Guide' and 'Tags: 0'.

Item	Description	UM	Bare Cost
05-31-13	Steel Floor Decking		
05-31-13-50	Floor Decking		
05-31-13-50-0010	FLOOR DECKING		
05-31-13-50-0015	Made from recycled materials		
05-31-13-50-5100	Non-cellular composite decking, galvanized, 1-1/2" deep, 16 gauge	S.F.	\$2.65
05-31-13-50-5120	18 gauge	S.F.	\$2.19
05-31-13-50-5140	20 gauge	S.F.	\$1.85
05-31-13-50-5200	2" deep, 22 gauge	S.F.	\$3.06
05-31-13-50-5250	24 gauge	S.F.	\$1.82
05-31-13-50-5400	18 gauge	S.F.	\$2.18
05-31-13-50-5500	16 gauge	S.F.	\$2.60
05-31-13-50-5700	3" deep, 22 gauge	S.F.	\$1.85
05-31-13-50-5800	20 gauge	S.F.	\$2.06
05-31-13-50-5900	18 gauge	S.F.	\$2.38
05-31-13-50-6000	16 gauge	S.F.	\$3.06
05-31-13-50-9000	Minimum labor/equipment charge	Job	\$375.00
05-31-23	Steel Roof Decking		
05-31-23-50	Roof Decking		

Image courtesy 4Clicks Solutions

ning a variety of facilities construction, maintenance, repair and renovation work items is a core component within IOC. The cost guide and associated priced tasks form the basis for defining and negotiating task orders and projects.

## The Benefits of IOC

A professionally-developed and managed IOC program encourages collaborative communication, and leverages and expedites DOD construction repair, renovation, sustainable project planning, procurement, and delivery processes while enabling higher visibility into costs.

**Expedited Project Starts.** The IOC framework allows DOD to begin construction projects in weeks rather than months. Project work orders spanning multiple project types can be assigned without bidding out each project. A higher percentage of construction funds are used for work projects rather than procurement costs. Whether JOC, SABER, IDIQ, MATOC, or SATOC, the IOC framework coordinates multiple projects and requires less time to start a project than the conventional design-bid-build, design-build or Construction Manager at Risk construction methods.

One of several time-saving features within IOC is the side-by-side technical evaluation function. Contractor estimates can be compared side-by-side at a highly detailed level to locate inconsistencies or areas that may require further negotiations or clarification. This feature saves time while reducing the chance of an error or omission.

**Standardized Cost Guides.** IOC supports and leverages construction costs generated using standardized cost guides. These reference cost databases are specifically established for the types and locations of construction projects included in the IOC contract. Industry experts regard the use of a reference cost database as a best practice, and proper use cannot be under-emphasized. Standardized price guides also help to mitigate errors by providing a shopping list of detailed unit price line items to be included.

IOC employs an averaging approach that applies a coefficient equally to "unit price items" from established

price guides and unit cost books. Although some of the unit prices in the reference database may be higher or lower than the regional or local market, the averaging process provides a very accurate construction cost estimate.

IOC also empowers greater accuracy through its ability to localize costs. Examples of this include the City Cost Index global, regional, or local cost factor for materials, labor, or equipment, and the U.S. Army Corps of Engineers localized cost factors. Contractors can adjust for major variances using the coefficient, and owners can easily monitor and verify any changes.

**Expedited Facility Management.** The repair, renovation, maintenance and renewal components are critical to sustainability. The value of implementing Leadership in Energy and Environmental Design (LEED) and other green certification processes cannot be achieved without the ability to manage a facility portfolio's wide range and high frequency of construction projects. IOC expedites the facility management process by minimizing associated procurement costs and costly construction delays.

The need to improve the performance of existing buildings is well known. IOC can be readily applied to expedite the deployment of HVAC, exterior shell, lighting, building automation and similar construction projects needed to achieve high-performance building targets or mandates per LEED for Existing Buildings and similar guidelines.

**Performance Based.** On-time and on-budget performance can be more readily monitored and becomes the norm through IOC. Contractors are motivated to meet and exceed owner expectations in order to receive additional task and delivery orders.

In the process of awarding these types of contracts, past performance is normally evaluated and is a primary factor for contractor selection. Examples of standardized contractor performance rating systems are the Construction Contractor Appraisal Support System (CCASS) and the Contractors Performance Assessment Reporting System. CCASS is a web-enabled application that supports the completion, distribution and retrieval of construction

contract performance evaluations. The evaluation assesses a contractor's performance and provides a record, both positive and negative, on a given contract. Each evaluation is based on objective facts and supported by contract management data, such as contract performance elements that evaluate quality, timely performance, effectiveness of management, and compliance with contract terms, labor standards, and safety requirements. Similar systems provide appraisals for A/E/C firms.

**Higher Return on Investment.** Collaborative, predefined IOC processes and defined accountability better integrate all project participants and mitigate change orders and legal claims. An IOC contractor may assume full responsibility for errors, omissions, execution of the design, or the contractual relationship may be with an A/E/C firm. Projects also can be started quicker, often enabling dramatic cost savings. Lower administration and procurement costs allow owners to focus scarce resources on projects. Design costs also are mitigated as the technical specifications are defined and included as part of the basic JOC contract, and a significant percentage of JOC projects can be scoped without full design documents. Economies of scale can be achieved as grouping of multiple small or similar projects can spread out indirect costs, general conditions and overhead costs.

## Focused on Results

The IOC framework supports processes that more efficiently conceptualize, create, cost, prioritize, start and report on projects. IOC helps overcome the inefficient components of some traditional methods while adding a higher level of transparency and accountability.

In construction and facility maintenance, IOC emphasizes partnership and teamwork, and contractors are selected based on qualifications, performance and best value rather than low price or low bid alone. As a result, IOC brings higher-level performance, reliability and dependability to projects with a focus on results, from initial concept through final project close out. **TME**

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