

Dr. Nick Nayak

Chief Procurement Officer

U.S. Department of Homeland Security

By Michael J. Keegan

Leading DHS Procurement



The U.S. Department of Homeland Security (DHS) has an expansive mission, and managing its resources efficiently and effectively as “One DHS” is key to successfully meeting that mission. “The DHS mission, as we all know,” notes Dr. Nick Nayak, DHS chief procurement officer, “is to ensure that the homeland is safe, secure, and resilient against terrorism and other potential threats and hazards.” This cannot happen without

acquiring critical and necessary services and supplies from outside the department. It also requires that the department pursue a focused acquisition and procurement strategy that aligns resources with DHS strategic objectives. The mission of Dr. Nayak’s office, in conjunction with the department’s component contracting offices, is to procure those needed products and services, following sound business practices and a focused procurement strategy that ultimately gets the best deal for the department. This is no small charge, given the size and complexity of a department with a total budget of over \$50 billion and 230,000 employees. “We spend nearly \$20 billion a year—on the order of 46% of the DHS discretionary budget—to procure. We have roughly 18,000 long-term contracts and 98,000 contract actions that are performed by 1,400 contracting professionals within the department. My staff provides support to 500 programs that directly impact the DHS mission,” explains Nayak.

Before the current period of fiscal contraction, DHS had increased its acquisition spend some 66% between 2004 and 2009, with the number of large complex acquisitions continuing to increase. It’s important to put this portfolio in proper context to understand the critical role Dr. Nayak and

his office play in making the department successful. “DHS procures more services than supplies,” describes Nayak. “Our top five services are guard services, research and development, IT services, professional and engineering services. Our top five supplies are ships, boats, aircraft, IT equipment and software, and security systems. The majority of our procurements are fixed-price. In fact, 64% of our contracts in FY11 (through August 2011) have been awarded as fixed-price contracts and over the last few years more than 80 percent of our procurements have been competitively awarded.”

With this understanding of the DHS portfolio, it’s also important to know the difference between acquisition and procurement within the department. “Very simply put,” says Nayak, “procurement is a subset of acquisition. Acquisition can be defined as having three parts—first is defining in requirements what you want; the second phase involves going to industry for bids and that begins the procurement process; the last phase is once a contract is awarded—that begins the program management, contract management, and ultimately delivery of something of value.” Nayak further illustrates the distinction between acquisition and procurement by explaining specific roles. The department’s chief acquisition officer, who is his immediate boss Rafael Borrás, DHS Under Secretary for Management, is responsible for every aspect of the acquisition life cycle that encompasses both procurement and program management. In fact, in January 2011, DHS further clarified roles by reorganizing the reporting structure of the procurement management and program management functions to provide a layered approach to acquisition oversight. Dr. Nayak leads the procurement management functions, while the newly established Program Accountability and Risk Management Office assumes the program management function. “Where I oversee all contracts—the 18,000 contracts and 98,000 contract actions—this new office will



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oversee all of the major programs, which DHS defines as those with \$300 million-or-over life cycle cost,” notes Nayak.

Such clarity has enabled Nayak to focus on four core priorities: high-quality employees, contracting, program management, and industry engagement. “We need to have the right people with the right skills in place. It’s about getting and developing quality people, retaining them, keeping them excited.” To do this DHS pursues a rigorous professional career program that cross-trains interns through the acquisition life cycle. “We have a significant number of training courses and certifications. I think we’ll be in tremendous shape with the future acquisition workforce because of the caliber of people we are attracting,” asserts Nayak. Another of his core priorities involves making good business deals and effectively managing contracts. “I’ve got to find ways to enhance competition, reduce high-risk contracts, and basically get a good deal for the government. Strategic sourcing is certainly a big piece of this effort.” Strategic sourcing involves understanding what the department needs across the entire enterprise and then identifying the best way to acquire that. “We have about 30 strategically sourced contracts, such as ammunition, IT services, office supplies, IT hardware, and administrative services,” Nayak describes. “Since we began the program in 2005, we’ve saved about a billion dollars for the department. This year we plan on saving about \$200 million. I think we can move that up to about \$500 billion a year if we can come through with all of our strategic sourcing initiatives over the next several years.”

Along with getting the best deal for the department, Nayak focuses on making sure programs stay on target, deliver on time, and remain within budget. To do this he’s collaborating with DHS’s Program Accountability and Risk Management Office. “We’re all interested in finding a better way of managing our investments: how they come into play and are managed.” To that end, they’ve implemented an integrated investment life cycle model and a decision-support tool. The integrated investment life cycle enhances the ability of DHS leadership to better manage all facets of planning, procuring, and execution of its major programs. The decision support

tool seeks to strengthen accountability for program management as well as develop a discipline for all program investments. “The goal here is to have all 500 of our programs in this decision-support tool, so that leadership can see the health of these programs in real time,” says Nayak.

Nayak recognizes the need to more effectively engage industry. “If almost half of our discretionary budget is spent on contracting with industry it’s essential that we have effective engagement.” It’s connecting with industry, especially pre-solicitation, as a way to improve requirements. “I’m very much looking forward to going out and speaking to various industry forums so that I can get a sense of how we’re doing. It’s just constantly keeping an eye on the environment and adapting to the change,” declares Nayak. Communicating with industry prior to and throughout the procurement process can enable the department to leverage existing technology, expertise, and experience to accomplish a shared goal.

“You have to pay attention to change and plan for it. It’s about focusing on employees, customers, and results. You need to treat people, your employees, extremely well, you need to take care of your customers, and ultimately you need to drive business results. In my world that means being able to demonstrate we’re getting a good deal for the government,” declares Nayak. ■

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