



Highlights of [GAO-07-832T](#), a testimony before the Subcommittee on Defense, Committee on Appropriations, House of Representatives

## Why GAO Did This Study

The Department of Defense (DOD) is relying more and more on contractors to provide billions of dollars in services. Congress has pushed DOD to employ sound business practices when using the private sector for services.

This testimony discusses DOD's (1) increasing reliance on contractors; (2) efforts to follow sound business practices when acquiring services; and (3) actions to improve its management and oversight of services.

This testimony is based on GAO's work spanning several years as well as recent reports issued by the Inspectors General.

## What GAO Recommends

While GAO is making no recommendations in this testimony, GAO has made numerous recommendations through the years to help improve DOD's contract management. DOD has generally concurred with these recommendations and is taking, or plans to take, action to improve the acquisition of services, but much remains to be done.

[www.gao.gov/cgi-bin/getrpt?GAO-07-832T](http://www.gao.gov/cgi-bin/getrpt?GAO-07-832T).

To view the full product, including the scope and methodology, click on the link above. For more information, contact John P. Hutton at (202) 512-4841 or [huttonj@gao.gov](mailto:huttonj@gao.gov).

## DEFENSE ACQUISITIONS

# Improved Management and Oversight Needed to Better Control DOD's Acquisition of Services

## What GAO Found

Over the past decade, DOD has increasingly relied on contractors to provide a range of mission-critical services from operating information technology systems to providing logistical support on the battlefield. The growth in spending on services clearly illustrates this point. DOD's obligations on service contracts, expressed in constant fiscal year 2006 dollars, rose from \$85.1 billion in fiscal year 1996 to more than \$151 billion in fiscal year 2006, a 78 percent increase. While obligations increased, the size of the civilian workforce decreased. Moreover, DOD carried out this downsizing without ensuring that it had the requisite skills and competencies needed to manage and oversee service acquisitions. Overall, our work found that to a large degree, this growth in spending on services simply happened and was not a managed outcome.

The lack of sound business practices—poorly defined requirements, inadequate competition, the lack of comprehensive guidance and visibility on contractors supporting deployed forces, inadequate monitoring of contractor performance, and inappropriate use of other agencies' contracts and contracting services—expose DOD to unnecessary risk, waste resources, and complicate efforts to hold contractors accountable for poor service acquisition outcomes. For example, DOD awarded contracts for security guard services supporting 57 domestic bases, 46 of which were done on an authorized, sole-source basis. The sole-source contracts were awarded by DOD despite recognizing it was paying about 25 percent more than previously paid for contracts awarded competitively. Further, the lack of sufficient surveillance on service contracts placed DOD at risk of being unable to identify and correct poor contractor performance in a timely manner and potentially paying too much for the services it receives. Overall, DOD's management structure and processes overseeing service acquisitions lacked key elements at the strategic and transactional levels.

DOD has taken some steps to improve its management of services acquisition, including developing a competency model for its contracting workforce; issuing policies and guidance to improve its management of contractors supporting deployed forces and its use of interagency contracts; and developing an integrated assessment of how best to acquire services. DOD leadership will be critical for translating this assessment into policy and, most importantly, effective frontline practices. At this point, DOD does not know how well its services acquisition processes are working, which part of its mission can best be met through buying services, and whether it is obtaining the services it needs while protecting DOD's and the taxpayer's interests.