



# PRESIDENTIAL AND CONGRESSIONAL TRANSITION

## Management Agenda: *Manage Acquisitions to Maximize Cost Savings and Performance*

**The Presidential Transition Act** points to the U.S. Government Accountability Office (GAO) as a resource for incoming administrations as well as new Congresses.

GAO's **Management Agenda** is a streamlined tool for new leaders to quickly learn about critical management challenges and risks facing the federal government and the actions needed to address those challenges.



**Manage Acquisitions to Maximize Cost Savings and Performance** is one of the eight management challenges highlighted in the Management Agenda.

In recent years, the federal government has spent approximately \$440 billion annually to acquire goods and services. To maximize cost savings and performance, Congress and the incoming Administration need to address issues involving major systems acquisitions; the protection of critical technologies and supply chains; federal contracting; and services acquisitions.

Read on to learn more about the following challenges:

1. Improve Acquisitions of Major Systems
2. Protect DOD's Critical Technologies and Supply Chains
3. Improve Federal Contracting
4. Improve Acquisitions of Services

# Improve Acquisitions of Major Systems

## Challenge: Cost and Schedule Overruns

Each year, the federal government spends about \$90 billion on its acquisitions of major defense, homeland security, and space systems, which include many large information technology development and procurement efforts. The Department of Defense (DOD), NASA, and the Department of Homeland Security (DHS) execute many major systems acquisitions. DOD manages the largest acquisition programs and estimates it will ultimately invest more than \$1.44 trillion in these programs by the time they are completed.

### Select Major Acquisitions Programs

Program name	Funding needed to complete (current estimate in fiscal year 2016 dollars in billions)
F-35 Lightning II Program	230.6
DDG 51 Flight III Destroyer	43.4
KC-46 Tanker Modernization Program	35.7
Evolved Expendable Launch Vehicle	35.0

Source: GAO analysis of DOD data. | Modified from GAO-16-329SP

Several departments' major systems acquisition activities are on GAO's High Risk List because they fell short of cost, schedule, and performance expectations, resulting in unanticipated cost overruns and reduced buying power. Better management practices may help address these issues, which can be caused by antiquated financial management systems, scope expansion, poor cost estimating, and underestimating risks in technology and design development, for example.

### Major DOD, NASA, and DHS Systems



Source: U.S. Air Force (top); U.S. Coast Guard (bottom); National Aeronautics and Space Administration (right). | www.gao.gov

## Related GAO Work

- National Defense System Acquisitions
- NASA Acquisitions - High Risk Issue
- Modernizing the Nuclear Security Enterprise
- Best Practices and Leading Practices in Acquisition Management
- IT Acquisitions and Operations - High Risk Issue

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## Key Actions Needed

1. Conduct adequate and ongoing risk assessments for larger projects.
2. Employ best management practices at all phases of the major systems acquisition process, including ensuring adequate maturities of technology before beginning production.
3. Develop requirements and cost estimates that are well defined up front and document investment decisions to improve transparency.
4. Include all anticipated costs in funding plans for major systems acquisitions.

# Protect DOD's Critical Technologies and Supply Chains

## Challenge: Critical Material Security is Threatened

Each year, DOD spends billions of dollars to develop and acquire advanced weapons systems and technologies in order to maintain U.S. military superiority, which is made possible by DOD's access to and protection of critical technologies.

The federal government has established various programs to ensure that critical technologies are provided to foreign entities only when doing so is consistent with U.S. interests. The agencies responsible for eight programs designed to protect critical technologies have implemented several initiatives since 2007, but face some implementation challenges. Additionally, with the globalization of DOD's supply chain, consolidations in the commercial market, offshoring of items that previously were available in the United States, and DOD's need to maintain older, legacy systems, DOD faces risks in access to materials and technologies in its supply chain.

### Selected U.S. Government Programs for the Identification and Protection of Critical Technologies

Program	Lead agencies and stakeholders agencies
International Traffic in Arms Regulations export controls	State (lead), Defense, Homeland Security, and Justice
Export Administration Regulations export controls	Commerce (lead), State, Central Intelligence Agency, Defense, Energy, Homeland Security, and Justice
Anti-Tamper Policy	Defense
Foreign Military Sales Program	State (lead), Defense, and Homeland Security
National Disclosure Policy Committee	Defense (lead), State, and intelligence community
Militarily Critical Technologies Program	Defense
National Industrial Security Program	Defense (lead), applicable to other departments and agencies
Committee on Foreign Investment in the United States	Treasury (lead), Commerce, Defense, Energy, Homeland Security, Justice, State, and others

Source: GAO. | GAO-15-288

### Related GAO Work

- Ensuring the Effective Protection of Technologies Critical to U.S. National Security - High Risk Issue

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### Key Actions Needed

- Identify critical defense materials and technologies and assess the risks associated with their protection.
- Establish mechanisms for DOD-wide oversight of the global distribution pipeline.
- Reevaluate the wider portfolio of critical technologies protection programs, including an assessment of prospects for achieving collaboration across separate but related programs designed to protect critical technologies.

# Improve Federal Contracting

## Challenge: Promoting Competition and Increasing Efficiency

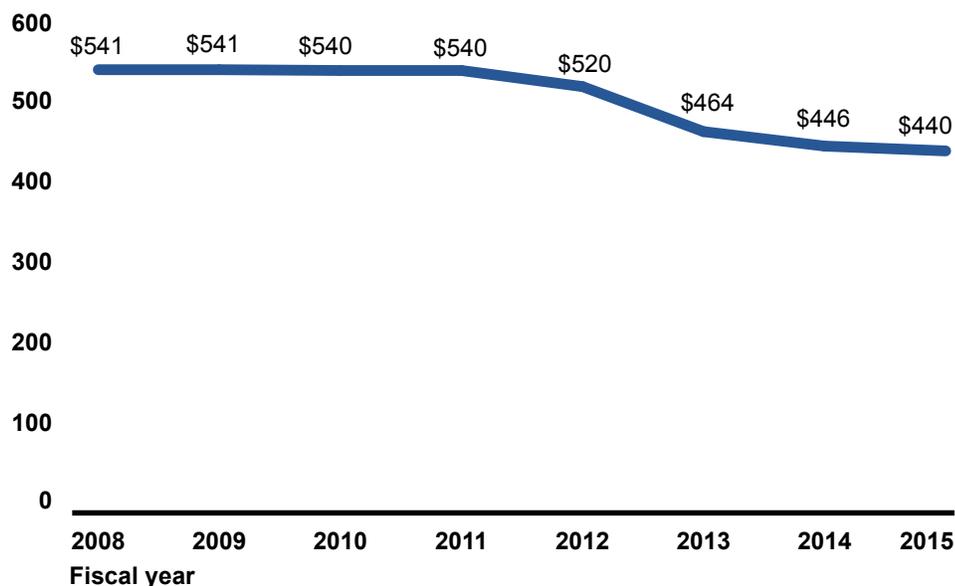
In recent years, the federal government has spent approximately \$440 billion annually to acquire goods and services. Effective contract management is key to improving the federal government's buying power.

Agencies use a broad range of contract approaches to ensure that the federal government is getting the best possible goods and services for each acquisition dollar. For example:

- Strategic sourcing can help agencies better manage acquisitions and achieve savings by leveraging the government's collective buying power. For example, increased use and implementation of strategic sourcing approaches at the Department of Veterans Affairs resulted in \$3.6 billion in savings from fiscal year 2013 to 2015.
- Choosing the right type of contract helps ensure that the government is getting the best possible price.
- Enhanced acquisition planning guidance that ensures enough time and attention are provided for early vendor engagement helps encourage competition.

### Annual Spending on Contracts for Fiscal Year 2008-2015

Total contracts (Dollars in billions)



Source: GAO analysis of USAspending.gov data. | www.gao.gov

### Related GAO Work

- Modernizing the Nuclear Security Enterprise

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### Key Actions Needed

1. Increase use of strategic sourcing to leverage government buying power.
2. Promote selection of appropriate contract type.
3. Promote competition for federal contracts.

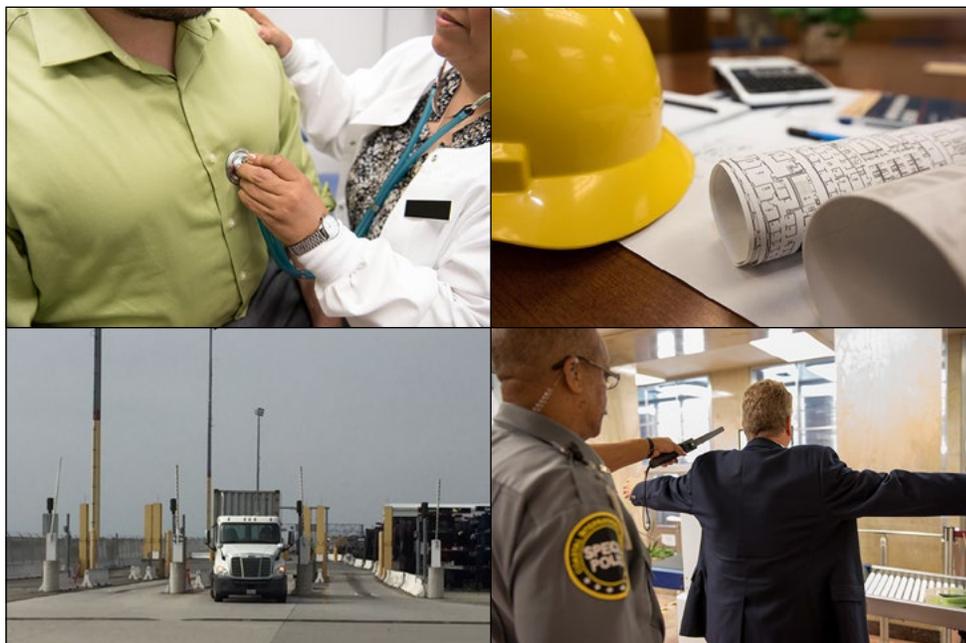
## Improve Acquisitions of Services

### Challenge: Limited Information and Visibility

The federal government spends billions of dollars, including the majority of DOD's annual contract spending, on contracting for services, such as consulting and engineering support, rather than on products such as major weapons systems. Services acquisitions create unique challenges compared to acquisitions for physical products because a service contract provides the time and effort of a contractor to perform a task rather than provide an end item of supply.

Further, DOD budget reporting requirements for services do not include estimated spending beyond the budget year. In addition, agencies have had trouble recruiting and retaining an acquisition workforce. As a result of these factors, it is more difficult to establish goals and measures to monitor contractors' progress and for Congress to effectively oversee these activities.

### Acquired Services



Source: GAO. | [www.gao.gov](http://www.gao.gov)

### Related GAO Work

- [Modernizing the Nuclear Security Enterprise](#)

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### Key Actions Needed

1. Amend congressional reporting requirements to include estimated spending on services beyond the budget year.
2. Manage the acquisition of services strategically by defining desired outcomes, establishing goals and measures, and obtaining the data needed to monitor progress.



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