

GAO Highlights

Highlights of [GAO-17-482](#), a report to congressional committees

Why GAO Did This Study

In fiscal year 2016, DOD obligated about \$150 billion, or just over half of its total contract spending, on contracted services. In January 2016, DOD issued an instruction on services that identified three key leadership positions, and clarified their roles and responsibilities, and called for Services Requirements Review Boards to holistically approve service requirements above \$10 million.

The House Armed Services Committee report accompanying the National Defense Authorization Act for Fiscal Year 2015 included a provision for GAO to report on DOD's acquisition of contracted services. This report assesses implementation of (1) key services acquisitions leadership positions and (2) Services Requirements Review Boards.

GAO reviewed the roles and responsibilities of the three key leadership positions identified in DOD's January 2016 instruction. GAO also selected three military commands with large fiscal year 2015 contracted services obligations based on analysis of federal procurement spending; reviewed Review Board implementation for the selected commands; and interviewed responsible DOD, military department, and command officials.

What GAO Recommends

GAO recommends that DOD reassess the roles, responsibilities, authorities, and organizational placement of the three key leadership positions; and clarify policies concerning the purpose and timing of the Review Board process. DOD concurred with the recommendations.

View [GAO-17-482](#). For more information, contact Timothy J. DiNapoli at (202) 512-4841 or DinapoliT@gao.gov.

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DEFENSE CONTRACTED SERVICES

DOD Needs to Reassess Key Leadership Roles and Clarify Policies for Requirements Review Boards

What GAO Found

The Department of Defense (DOD) has not fully implemented the three key leadership positions—functional domain experts (FDE), component level leads (CLL), and senior services managers (SSM)—that were identified in DOD's January 2016 instruction and which were to enable DOD to more strategically manage service acquisitions (see table).

Key Leadership Roles and Responsibilities for Managing Service Acquisitions as of July 2017

Role	Responsibilities	Organizational placement
Functional domain experts	Provide strategic oversight of services acquisitions within assigned portfolios.	Office of the Secretary of Defense
Component level leads	Support functional domain experts in the strategic management of contracted services within assigned portfolios.	Military departments—components
Senior services managers	Provide strategic planning, sourcing, execution, and management of contracted services acquisitions.	Military departments

Sources: GAO review of Department of Defense Instruction 5000.74, Acquisition of Services, January 5, 2016. | GAO-17-482

Defense Procurement and Acquisition Policy officials noted that the officials appointed to be FDEs had multiple responsibilities, and considered their FDE roles as secondary. Additionally, CLLs largely existed in name only. Consequently, FDEs and CLLs had a minimal effect on how DOD manages services. GAO also found that SSMs—who are responsible for implementing the January 2016 instruction within their military departments—were unsure about the value of FDEs and CLLs and how these positions should influence decisions made by the commands. Moreover, the SSMs GAO interviewed cited cultural barriers to implementing the hierarchical, portfolio-management approach to service acquisition envisioned in DOD's January 2016 instruction, in part because each military department has traditionally taken a decentralized approach to managing services. Defense Procurement and Acquisition Policy officials responsible for services were aware of these challenges and have begun efforts to revise the January 2016 instruction, in part to further clarify position authorities and responsibilities. Federal internal control standards state that management should establish an organizational structure, assign responsibilities, and delegate authorities to achieve its objectives.

Services Requirements Review Boards were intended to prioritize and approve services in a comprehensive portfolio-based manner in order to achieve efficiencies, but the military commands GAO reviewed did not do so. Instead, commands largely leveraged existing contract review boards that occurred throughout the year and focused on approving individual contracts. As a result, the Services Requirements Review Boards at these commands had minimal effect on supporting trade-off decisions within and across service portfolios or capturing efficiencies that could inform the command's programming and budgeting decisions. Federal internal control standards call for management to identify, analyze, and respond to risks related to achieving defined objectives. Until DOD clarifies the purpose and timing of the Services Requirements Review Boards process, DOD components will not achieve the expected benefits as anticipated in the January 2016 instruction.