



Highlights of [GAO-07-359T](#), a testimony before the Subcommittee on Readiness and Management Support, Committee on Armed Services, U.S. Senate

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 been concerned about DOD's ability to prudently manage these funds, and this subcommittee in particular has pushed DOD to employ sound business practices when using the private sector for services. Nevertheless, DOD may not have always obtained good value while spending billions of dollars on services at a time when serious budget pressures are facing the nation.

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

The testimony is based on GAO's work from the past decade as well as recent reports issued by the Inspectors General.

What GAO Recommends

GAO is making no recommendations in this testimony. However, 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-07-359T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Katherine V. Schinasi at (202) 512-4841 or schinasi@gao.gov.

DEFENSE ACQUISITIONS

DOD Needs to Exert Management and Oversight to Better Control Acquisition of Services

What GAO Found

Numerous persistent problems have resulted in reduced efficiencies and effectiveness and have exposed DOD to unnecessary risks when acquiring services. Knowing the defense acquisition landscape helps put the magnitude of these problems in perspective—

- DOD's obligations on service contracts have jumped from \$82.3 billion in fiscal year 1996 to \$141.2 billion in fiscal year 2005.
- DOD's acquisition workforce has been downsized during this time frame without sufficient attention to requisite skills and competencies.

These events have occurred as DOD has become more reliant on contractors to provide services for DOD's operations and as longstanding problems with contract management continue to adversely impact service acquisition outcomes. The lack of sound business practices—poorly defined requirements, inadequate competition, inadequate monitoring of contractor performance, and inappropriate uses of other agencies' contracts and contracting services—exposes DOD to unnecessary risk and wastes resources. Moreover, DOD's current management structure to oversee service acquisition outcomes has tended to be reactive and its processes suffer from the absence of several key elements at both a strategic and transactional level.

To produce desired outcomes, DOD and its contractors need to clearly understand acquisition objectives and how they translate into a contract's terms and conditions. GAO has found cases in which the absence of well-defined requirements and clearly understood objectives complicates efforts to hold DOD and contractors accountable for poor service acquisition outcomes. Likewise, obtaining reasonable prices depends on the benefits of a competitive environment, but we have continually reported on cases in which DOD sacrificed competition for the sake of expediency. Monitoring contractor performance to ensure DOD receives and pays for required services is another control we have found lacking. Many of these problems show up in DOD's use of other agencies' contracts or contracting services, which adds complexity as the number of parties in the contracting process increases.

DOD has taken some steps to improve its management of services acquisition, and it is 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, however, 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.