

DoD 'Inadequately Prepared' To Execute Services Contracts, a \$200 Billion Activity

By Jason Sherman, Inside Defense, May 9, 2011

The Defense Department is "inadequately prepared to acquire and execute" contracts for services, a bundle of business that accounts for more than 50 percent of the Pentagon's \$400 billion procurement budget, according to an influential DOD advisory panel.

A Defense Science Board task force, in a new report, recommends "urgent" action to remedy what it calls a severe imbalance between the acquisition regulations, laws, policies, standards, training, education and management structures for weapon systems and the institutional capacities needed for efficient and effective purchase of services.

"Major change is needed to enable DOD to acquire and use services far more effectively and efficiently," the Defense Science Board Task Force on Improving Services Contracting concludes in a 67-page report. While current acquisition regulations empower the defense secretary to implement many changes recommended by the task force, new legislation "would be extremely valuable" to demonstrate congressional support for a new services acquisition system, the report states.

The Pentagon's substantial reliance on services acquisition contracts are a result of two trends, according to the task force: the personnel drawdowns of the 1990s and the intense demands of combat operations in Afghanistan and Iraq.

"In past decades, enlisted personnel cut grass, peeled potatoes and carried out most defense services," the report states. "Today, with a smaller all-volunteer force, many of these services are contracted out. This systemic change means the system must also change."

Jacques Gansler, a University of Maryland professor and the Pentagon's acquisition executive from November 1997 to January 2001, chaired the task force.

Under the Pentagon's inventory of services contracting, the military in FY-09 spent \$53.1 billion on "knowledge-based" services, the report says, along with \$41.4 billion on research and development; \$30.4 billion on facility-related services; \$29.2 billion on construction; \$19.6 billion on electronics and communications; \$14.2 billion on medical services; and \$6.3 billion on transportation.

The Pentagon's system for categorizing its services contracts lacks fidelity and -- because definitions and standards are broadly framed in current policy -- "inappropriately" group activities as diverse as routine training and education projects with expeditionary logistics management contracts, according to the task force.

Such arrangements limit the ability of senior acquisition managers to analyze service-contract spending and draw meaningful performance insights, states the report.

Neither the Federal Procurement Data System nor the Pentagon's classification system for categorizing defense services "are sufficient to guide policy for the entire array of service contracts," states the report, which calls for the Defense Department to establish a "meaningful taxonomy" to track services contracting.

"It is important to note that 'one size does not fit all' and that some types of services will need different policies and guidance than others," the report states.

The task force began its work on Dec. 4, 2009, in response to a requirement in the fiscal year 2010 Defense Authorization Act requiring an independent assessment of DOD's services procurement enterprise.

Defense Secretary Robert Gates in February 2010 asked the task force --whose vice chairmen were retired Army general Paul Kern and Phil Odeen, a consultant and former defense industry executive -- to also consider what services should be contracted to private firms and which should be performed by the government.

To that end, the task force recommends "new and more detailed guidance is needed that clarifies the inherently governmental functions that should always be performed by government personnel."

"The workforce is inadequately prepared to acquire and execute services contracts," Gansler bluntly states in a March 29 cover letter accompanying the report. New "guidance, training and experience are needed," it adds. The report notes that senior Pentagon acquisition leadership "currently gives little attention to services, and almost all senior officers need training in this area."

The task force also recommends a number of actions to strengthen the skills and capabilities of the entire workforce involved in services contracting.

Lastly, to support wartime operations, the task force recommends DOD establish separate policies and processes to "improve management and oversight of contingency contracting." These steps include creating "a single playbook" that contains "all relevant acquisition information" for use "in time-critical situations"; delegating limited contracting authority to enable nimble response; and including service contracting during training and military exercises. In addition, the report calls for contingency contracts to be identified "as a separate element in the procurement tracking system."

The report notes that the Defense Department "has already stepped out to address" many of the issues raised by the task force. The military services, for example, have appointed executives to focus on services contracting.

And the office of defense procurement and acquisition policy in the Office of the Secretary of Defense has drafted a "Roadmap for the Acquisition of Services" and begun management reviews of the acquisition of services.

"These are very positive steps," the report notes.