



Highlights of [GAO-07-20](#), a report to the Subcommittee on Readiness and Management Support, Committee on Armed Services, U.S. Senate

Why GAO Did This Study

Department of Defense (DOD) obligations for service contracts rose from \$82.3 billion in fiscal year 1996 to \$141.2 billion in fiscal year 2005. DOD is becoming increasingly more reliant on the private sector to provide a wide range of services, including those for critical information technology and mission support. DOD must maximize its return on investment and provide the warfighter with needed capabilities and support at the best value for the taxpayer.

GAO examined DOD's approach to managing services in order to (1) identify the key factors DOD should emphasize to improve its management of services and (2) assess the extent to which DOD's current approach exhibited these factors.

What GAO Recommends

GAO recommends that DOD take a proactive approach to managing strategic and transactional level service acquisition elements. This includes establishing a normative position of service spending, determining risk areas for greater attention, and communicating these in a manner where individual transactions can then be made to support strategic goals and meet cost and performance objectives. DOD concurred with all of our recommendations and noted several actions the department is taking or plans to take to improve the acquisition of services.

www.gao.gov/cgi-bin/getrpt?GAO-07-20.

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

DEFENSE ACQUISITIONS

Tailored Approach Needed to Improve Service Acquisition Outcomes

What GAO Found

Several key factors are necessary to improve DOD's service acquisition outcomes—that is, obtaining the right service, at the right price, in the right manner. These factors can be found at both the strategic and the transactional levels and should be used together as a comprehensive, but tailored approach to managing service acquisition outcomes. At the strategic level, key success factors include (1) strong leadership that defines a corporate vision and normative goals; (2) sustained, results-oriented communication and metrics; (3) defined responsibilities and associated support structures; and (4) increased knowledge and focus on spending and data trends. The strategic level also sets the context for the transactional level, where the focus is on making sound decisions on individual transactions. Success factors at this level include having (1) valid and well-defined requirements; (2) properly structured business arrangements; and (3) proactively managed outcomes.

DOD's current approach to managing service acquisition has tended to be reactive and has not fully addressed the key factors for success at either the strategic or transactional level. At the strategic level, DOD has yet to set the direction or vision for what it needs, determine how to go about meeting those needs, capture the knowledge to enable more informed decisions, or assess the resources it has to ensure departmentwide goals and objectives are achieved. For example, despite implementing a review structure aimed at increasing insight into service transactions, DOD is not able to determine which or how many transactions have actually been reviewed. The military departments, while having some increased visibility, have only reviewed proposed acquisitions accounting for less than 3 percent of dollars obligated for services in fiscal year 2005 and are in a poor position to regularly identify opportunities to leverage buying power or otherwise change existing practices. Actions at the transactional level continue to focus primarily on awarding contracts and do not always ensure that user needs are translated into well-defined requirements or that post-contract award activities result in expected performance.

Key Strategic and Transactional Factors for Service Acquisition

Strategic level
Effective service acquisition requires the leadership, processes, and information necessary for mitigating risks, leveraging buying power, and managing outcomes
Transactional level
Individual service transactions must focus on buying the right thing, the right way, while getting the desired outcomes

Source: GAO (analysis).