

Statement of Senator Daniel K. Akaka
Committee on Homeland Security and Governmental Affairs

“Federal Acquisition: Ways to Strengthen Competition and Accountability”

July 17, 2007

Thank you, Mr. Chairman, for holding this hearing. Government acquisition is a very important subject, which I have followed closely in my role as Chairman of the Subcommittee on Oversight of Government Management.

Over the past six years, the use of contracts has ballooned. In 2006 the federal government spent over \$400 billion taxpayer dollars on procuring goods and services – double what was purchased in 2000. At the Department of Homeland Security alone, procurement spending has tripled since its creation in 2003. Senator Voinovich and I held a hearing on DHS acquisition management just last month where we heard about progress made in contract management and lessons learned from past problems.

One of these problems, which unfortunately illustrates what happens when contracts do not receive enough oversight, is the Coast Guard’s Deepwater contract for fleet modernization. Due to inadequate oversight after awarding the contract, costs soared and deliverables did not meet the Coast Guard requirements. The entire contract had to be overhauled, showing that the government cannot always rely on contracted support to oversee major acquisitions.

Many of the problems in acquisition management stem from an understaffed acquisition workforce. While contract spending has doubled, our acquisition workforce has remained steady at around 55,000 government employees. As a result, contractors are being used to supplement the acquisition workforce. Sometimes contractors are even hired to study whether or not certain government activities should be contracted out. One may wonder, are the foxes guarding the henhouse?

The terms and requirements of contracts are also too vague. In some cases, the government issues requests for proposals that are too broad with few specific requirements. Agencies then rely on a contractor to tell them what it is the agency needs to achieve its mission. The SBInet program relied heavily on such broad terms, and this contract must be continually monitored to ensure it is not mismanaged.

The increasing reliance on certain types of contracts is also a serious problem. Cost-plus contracts, in which the government pays for the costs of a good or service, plus a percentage, can lead to abuse and waste. With these terms, there is little incentive to find the lowest cost solutions. The more an item costs, the bigger the commission for the contractor. These contracts can also include an additional award fee, which is routinely awarded nearly in full, even if there was admittedly poor performance, as we have seen with several contracts in Iraq.

Most troubling is the reliance on no-bid and limited competition contracts. While time is of the essence for many acquisitions, no-bid and limited competition contracts are not always responsible procurement options. Such contracts are only meant to be used sparingly when there is clearly a single provider of the needed service. However, it is more often the case that we ask for so much in umbrella contracts; bloated requests for services so large that only a handful of companies can deliver. Better planning and a bigger workforce could allow government agencies to create manageable contracts that can be opened up for more competition which saves the government money.

Again, thank you Mr. Chairman for holding this hearing. This is a very important issue. I hope to work with you, the Ranking Member, and members of this committee to find meaningful solutions that can improve acquisition management. I look forward to hearing from our witnesses today, who will offer their expertise as we move forward.