



Highlights of [GAO-07-1098T](#), a testimony before the Committee on Homeland Security and Governmental Affairs, United States Senate

Why GAO Did This Study

In fiscal year 2006, the federal government spent over \$400 billion for a wide variety of goods and services, with the Department of Defense (DOD) being the largest purchaser. Given the large and growing structural deficit, the government must get the best return it can on its investment in goods and services.

For decades, GAO has reported on a number of systemic challenges in agencies' acquisition of goods and services. These challenges are so significant and wide-ranging that GAO has designated four areas of contract management across the government to be high-risk.

This testimony highlights four key acquisition challenges agencies face: (1) separating wants from needs, (2) establishing and supporting realistic program requirements, (3) using contractors in appropriate circumstances and contracts as a management tool, and (4) creating a capable workforce and holding it accountable.

What GAO Recommends

While GAO is making no new recommendations in this testimony, GAO has made numerous recommendations through the years to improve government acquisitions, many of which have not been implemented. Where agencies have responded to our recommendations, we have seen some improvements in their acquisition management.

www.gao.gov/cgi-bin/getrpt?GAO-07-1098T.

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

FEDERAL ACQUISITIONS AND CONTRACTING

Systemic Challenges Need Attention

What GAO Found

Given the current fiscal environment, agencies must separate wants from needs to ensure that programs provide the best return on investments. Our work has shown that some agencies budget and allocate resources incrementally, largely based on historical precedents, rather than conducting bottom-up reviews and allocating resources based on agencywide goals. We have also seen examples of agencies using fragmented decision-making processes for acquisition investments. Agency spending actions that would not otherwise be taken based on an objective value and risk assessment and considering available resources, work against good strategic planning. Such spending can circumvent careful planning and divert resources from more critical needs, and can serve to exacerbate our serious long-range fiscal imbalance.

Agencies also need to translate their true needs into executable programs by setting realistic and stable requirements, acquiring requisite knowledge as acquisitions proceed through development, and funding programs adequately. However, agencies too often promise capabilities they cannot deliver and proceed to development without adequate knowledge. As a result, programs take significantly longer, cost more than planned, and deliver fewer quantities and different capabilities than promised. Even if more funding were provided, it would not be a solution because wants will usually exceed the funding available.

No less important is the need to examine the appropriate circumstances for using contractors and address contract management challenges. Agencies continue to experience poor acquisition outcomes in buying goods and services in part because of challenges in setting contract requirements, using the appropriate contract with the right incentives, and ensuring sufficient oversight. Exacerbating these challenges is the evolving and enlarging role of contractors in performing functions previously carried out by government personnel. Further, while contract management challenges can jeopardize successful acquisition outcomes in normal times, they also take on heightened importance and significantly increase risks in the context of contingency operations such as Afghanistan, Iraq, or Hurricane Katrina.

Finally, it is imperative that the federal government develop an accountable and capable workforce, because the workforce is ultimately responsible for strategic planning and management of individual programs and contracts. Yet much of the acquisition workforce's workload and complexity of responsibilities have been increasing without adequate attention to the workforce's size, skills and knowledge, and succession planning. Sustained high-level leadership is needed to set the right tone at the top in order to address acquisition challenges and ultimately, prevent fraud, waste, and abuse.