



Highlights of [GAO-08-621T](#), a testimony before the Subcommittee on Defense, Committee on Appropriations, House of Representatives

Why GAO Did This Study

The Department of Defense's (DOD) spending on goods and services has grown significantly since fiscal year 2000, to well over \$314 billion annually. GAO has identified DOD contract management as a high-risk area for more than a decade. With awards to contractors large and growing, DOD will continue to be vulnerable to contracting fraud, waste, or misuse of taxpayer dollars, and abuse. Prudence with taxpayer funds, widening deficits, and growing long-range fiscal challenges demand that DOD maximize its return on investment, while providing warfighters with the needed capabilities at the best value for the taxpayer. This statement discusses (1) the implications of DOD's increasing reliance on contractors to fill roles previously held by government employees, (2) the importance of the acquisition workforce in DOD's mission and the need to strengthen its capabilities and accountability, and (3) assumptions about cost savings related to the use of contractors versus federal employees. This statement is based on work GAO has ongoing or has completed over the past several years covering a range of DOD contracting issues.

What GAO Recommends

This testimony contains no recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-08-621T.

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

DEFENSE ACQUISITIONS

DOD's Increased Reliance on Service Contractors Exacerbates Long-standing Challenges

What GAO Found

DOD has increasingly turned to contractors to fill roles previously held by government employees and to perform many functions that closely support inherently governmental functions, such as contracting support, intelligence analysis, program management, and engineering and technical support for program offices. This trend has raised concerns about what the proper balance is between public and private employees in performing agency missions and the potential risk of contractors influencing the government's control over and accountability for decisions that may be based, in part, on contractor work. Further, when the decision is made to use contractors in roles closely supporting inherently governmental functions, additional risks are present. Contractors are not subject to the same ethics rules as government even when doing the same job, and the government risks entering into an improper personal services contract if an employer/employee relationship exists between the government and the contractor employee.

DOD's increasing reliance on contractors exacerbates long-standing problems with its acquisition workforce. GAO has long reported that DOD's acquisition workforce needs to have the right skills to effectively implement best practices and properly manage the acquisition of goods and services. Weaknesses in this area have been revealed in recent contingency situations, but they are present in nonemergency circumstances as well, with the potential to expose DOD to fraud, waste, and abuse. It is important to note that the role of the acquisition function does not end with the award of a contract. Continued involvement of the workforce throughout contract implementation and closeout is needed to ensure that contracted services are delivered according to the schedule, cost, quality, and quantity specified in the contract. GAO has in the past several years reported wide discrepancies in the rigor with which contracting officer's representatives perform these duties, particularly in unstable environments such as the conflict in Iraq and the aftermath of Hurricane Katrina.

A key assumption of many of the federal management reforms of the 1990s was that the cost-efficiency of government operations could be improved through the use of contractors. GAO recently reported that sufficient data are not available to determine whether increased service contracting has caused DOD's costs to be higher than they would have been had the contracted activities been performed by uniformed or DOD civilian personnel. GAO recently probed, in-depth, the cost of contractor versus government contract specialists at the Army's Contracting Center for Excellence and found that the Army is paying up to 26 percent more for the contractors as compared to their government counterparts.