

Acquisition Reform Challenges Facing Government

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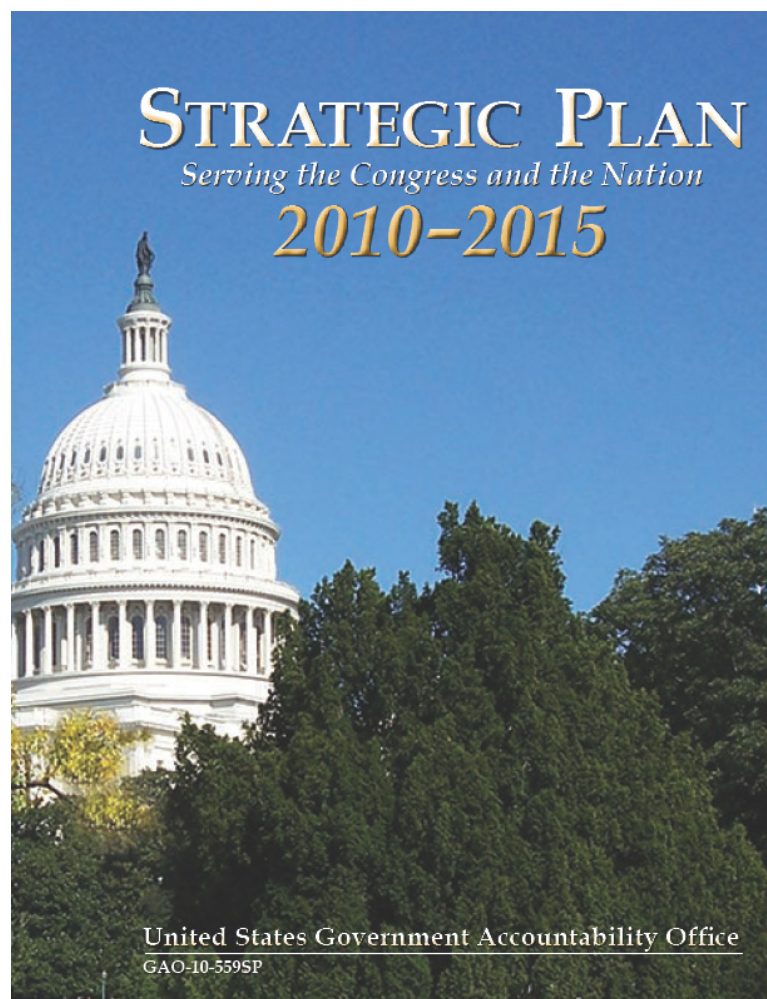
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Discussion Topics

- Trends Outlined in GAO's Strategic Plan
- Large Scale Acquisitions: Target of Opportunity
- Acquisition Process Breakdowns
- Recent Reform Efforts
- Conclusions

GAO's Strategic Plan (www.gao.gov/sp.html)



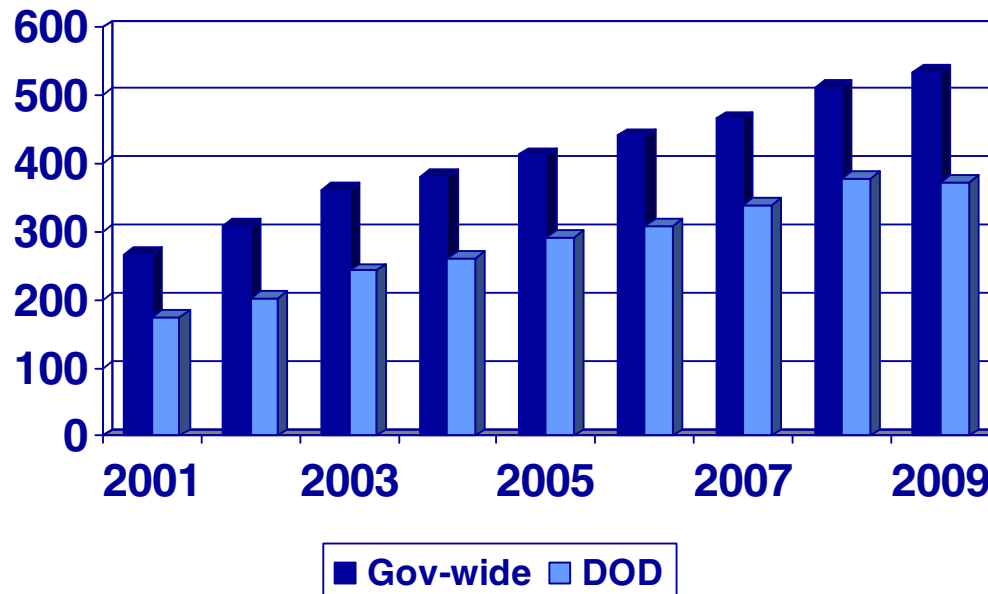
GAO's Strategic Plan

Eight Key Trends

- National Security Threats
- Fiscal Sustainability Challenges
- Economic Recovery and Growth
- Global Interdependence
- Science and Technology
- Networks and Virtualization
- Shifting Roles of Government
- Demographic and Societal Change

Large-scale Acquisitions: Target of Opportunity

**Procurement spending trends
(dollars in billions)**



Source: GAO analysis of FPDS-NG data.

- Federal procurement spending has climbed to more than \$500 billion annually.
- But much of the government's major investments have faced persistent cost and schedule growth.

Large-scale Acquisitions: Target of Opportunity

Agencies with High Risk Acquisitions/Contract Management

Department of Defense



- Joint Strike Fighter,
- DDG -1000 Destroyer
- Missile warning satellite,
- Enterprise Resource Planning systems

Department of Homeland Security



- SBINet,
- Passenger Screening System
- Electronic Baggage Screening Program
- Coast Guard Response Boat-Medium

Department Of Energy



- National Nuclear Security Administration (NNSA) and the Office of Environmental Management (EM) construction projects

National Aeronautics and Space Adm

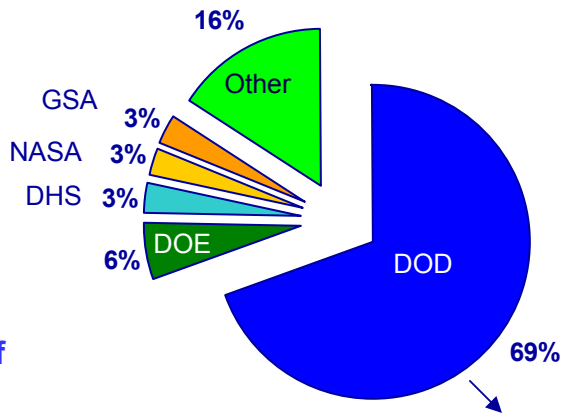


- Glory Mission
- Mars Science Lab
- Stratospheric Observatory for Infrared Astronomy

Sources (top to bottom): Lockheed Martin, PEO Ships (PMS 500), Transportation Security Administration, DOE, and NASA/JPL-Caltech.

Large-scale Acquisitions: Target of Opportunity

Approximate percentage of yearly procurements

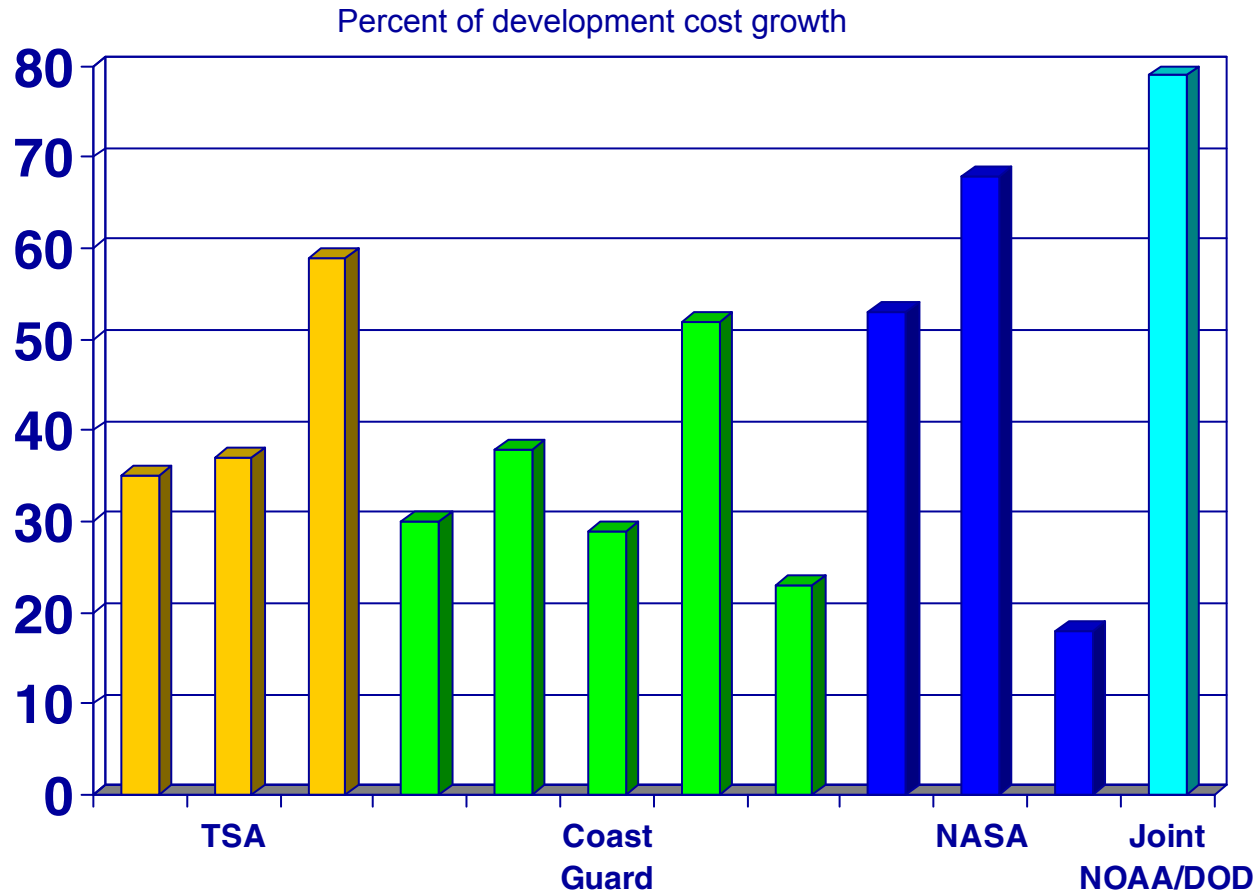


DOD: potential for savings due to share of federal procurements and extent of cost growth.

Portfolio status	Fiscal year 2003	Fiscal year 2007	Fiscal year 2008
Number of programs	77	95	96
Total planned commitments	\$1.2 trillion	\$1.6 trillion	\$1.6 trillion
Commitments outstanding	\$724 billion	\$875 billion	\$786 billion
Change to total RDT&E costs from first estimate	37 percent	40 percent	42 percent
Change in total acquisition cost from first estimate	19 percent	26 percent	25 percent
Estimated total acquisition cost growth	\$183 billion	\$301 billion	\$296 billion
Share of programs with 25 percent or more increase in program acquisition unit cost	41 percent	44 percent	42 percent
Average delay in delivering initial capabilities	18 months	21 months	22 months

Source: GAO analysis of FPDS-NG data and DOD data.

Large-scale Acquisitions: Target of Opportunity



Examples of percentage of cost growth in major projects being tracked by GAO at DHS, NASA, NOAA

Note: delayed baselining and frequent rebaselining masks actual cost growth for some projects

Source: GAO analysis of official cost data in the exhibit 300 required by OMB (TSA and Coast Guard) and GAO analysis of project data (NASA and NOAA).

What Happens When the Acquisition Process Breaks Down?

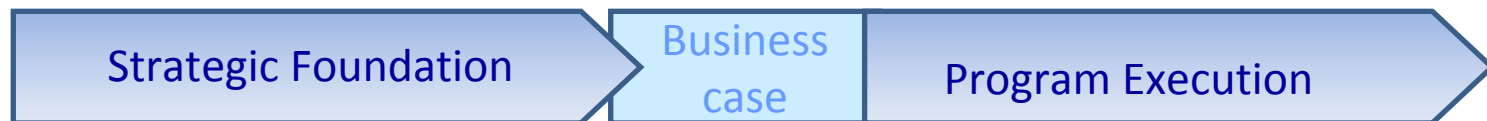
GAO reports have highlighted a number of underlying systemic causes for cost growth and schedule delays at both the **program** and **strategic** levels.



Sources (clockwise from upper left): Photodisc, Eyewire, and Dynamic Graphics.



Source: Lockheed Martin.



Acquisition Issues



Source: Lockheed Martin.

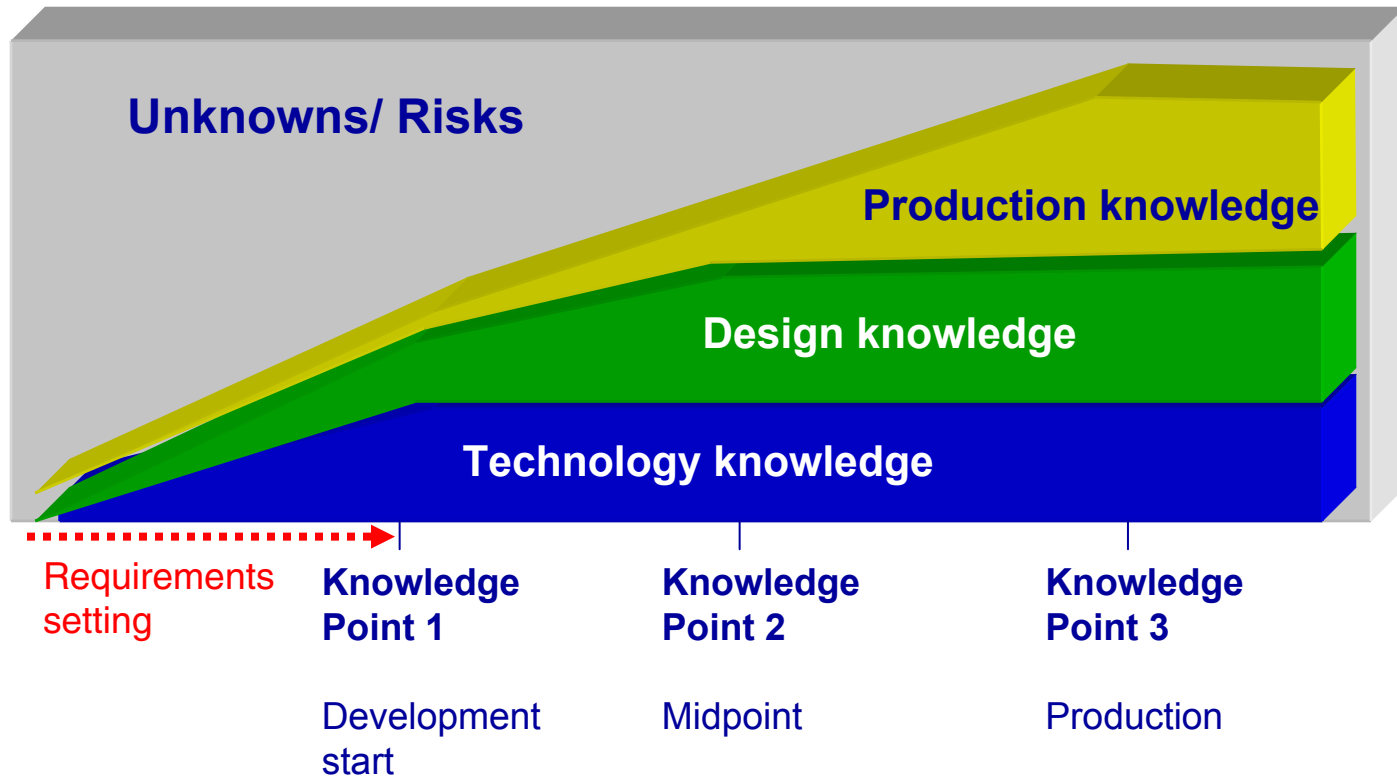
- Business Case: Requirements do not always match resources at program start.
- Execution: Once they begin, programs are often moved forward with too many unknowns.

Business
case

Program Execution

Acquisition Best Practices

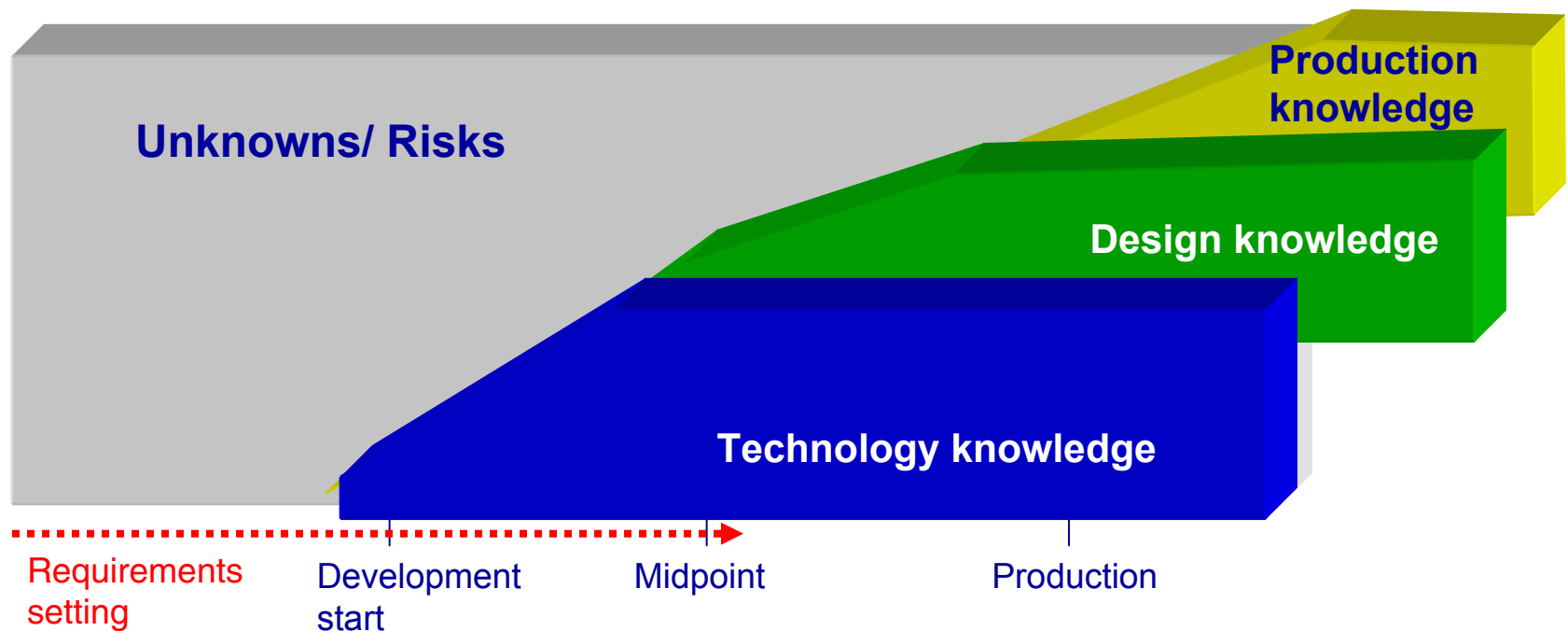
Best practices organizations require that knowledge about requirements and resources be in-hand before program start and moving into more difficult phases.



Source: GAO.

Acquisition Issues

Common government practice is to push knowledge, and thus risk, to the right, which increases time and money involved in technology, design, production discovery.



Source: GAO.

Acquisitions Issues



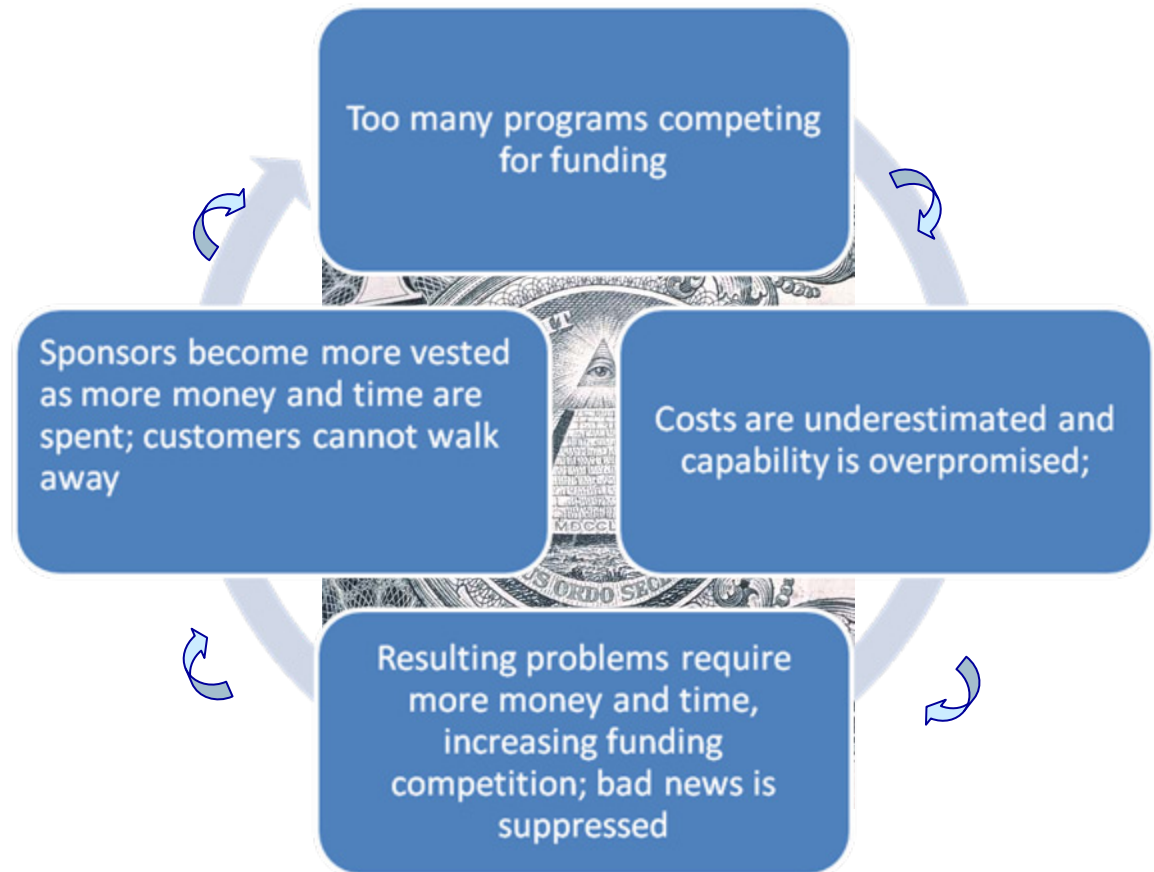
Sources (clockwise from upper left): Photodisc, Eyewire, and Dynamic Graphics.

Strategic Foundation

- When problems are examined in more depth, GAO has found agencies are not laying a sound foundation for program execution. Key issues:
 - Inadequate investment planning
 - Gaps in the acquisition workforce
 - High risk contracting strategies
 - Little accountability
 - Weaknesses in cost estimating

Acquisition Issues

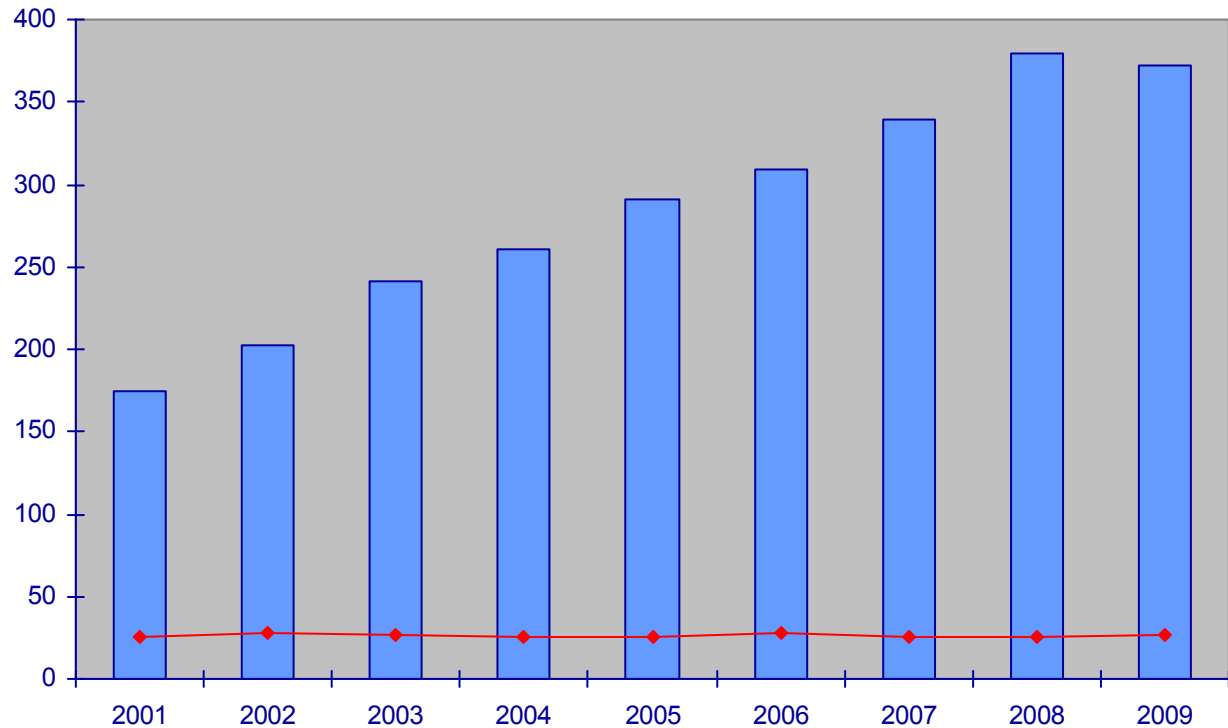
Inadequate Investment Planning: More programs are started than can be funded and too many programs must compete for funding, which, in turn, creates incentives to produce overly optimistic estimates and to over-promise capability.



Source: GAO (data); Photodisc (image).

Acquisition Workforce

Workforce: At DOD, contracting workforce has not kept pace with growth in contract obligations. GAO has also identified gaps in business/technical skills at program level in DOD and deficiencies in workforce planning at DHS.



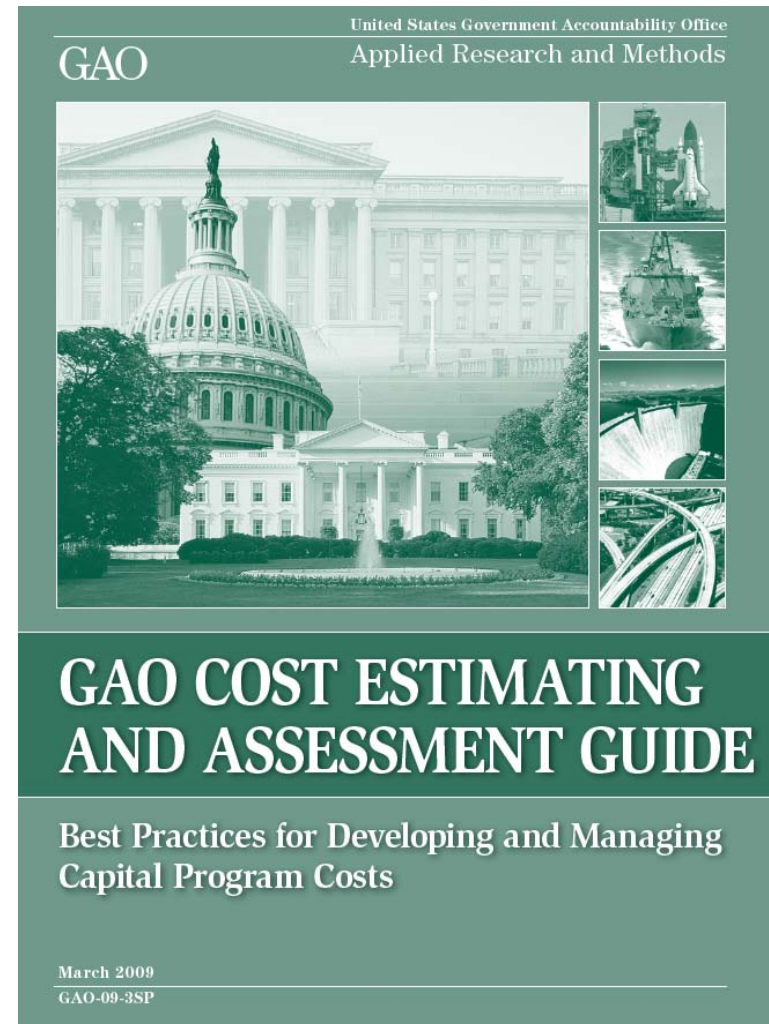
Changes in DOD Contract Obligations Contracting Career field

Sources: GAO analysis of FPDS-NG data and DOD data; Dynamic Graphics (images).

GAO Guide to Help Improve Cost Estimating

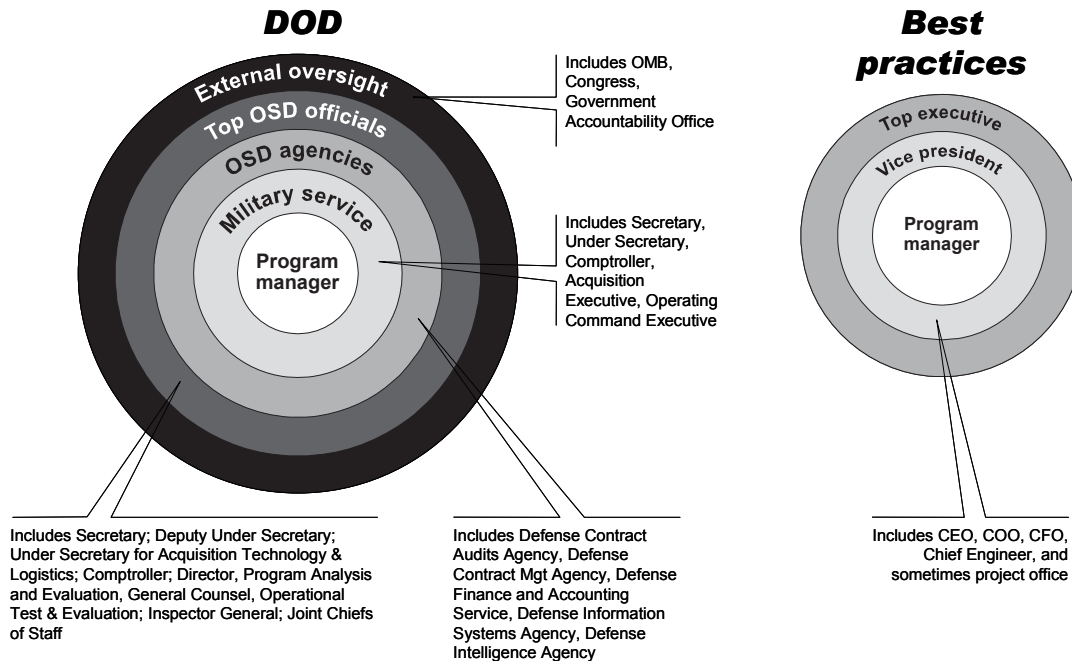
Cost Estimating: Estimates often do not reflect best practices. E.g.:

- Do not include all program life cycle costs,
- Do not reflect historical data and/or risk data,
- Are not reconciled with an independent cost estimate,
- Are not updated to reflect actual costs and reasons for variances.



Acquisition Accountability

Who Is Accountable?



Accountability: Program managers cannot be held accountable when the programs they are handed already have a low probability of success and if they are not empowered to say no to changes that affect their business case such as new requirements.

Recent Reform Efforts



Source: GAO.

Congressional and Agency Action

- 2009 Weapon System Acquisition Reform Act placed greater emphasis on front-end planning and establishing sound business cases for starting programs.
- For example, the provisions strengthen systems engineering and cost estimating, and require early milestone reviews, prototyping, and preliminary designs.
- DOD has continued to embed best practices into policy. Recent initiatives announced by the Secretary of Defense focus on increasing efficiencies in acquisition and changing contractor incentives.

Conclusions

- In the current fiscal environment, agencies who rely heavily on acquisitions to carry out their missions cannot afford to pass up opportunities to address inefficiencies and free up resources for higher priority needs.
- Important steps have been taken but we have seen previous attempts to embrace best practices and reign in cost and schedule overruns fail or result in just marginal improvements because they were not accompanied with a stronger foundation on which program managers can launch programs and more consistent and steadfast support once agencies have committed to programs.
- The success of reform efforts will depend in part on how consistently new provisions are implemented; whether underlying obstacles are removed; and whether program managers, contractors, senior leaders can be held accountable for performance.

On the Web

Web site: www.gao.gov/cghome/index.html

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