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Is the DoD a High-Risk Anomaly? An Analysis of the Government Accountability Office's High-Risk List's Persistent Residents

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Creating Synergy for Informed Change**

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ACQUISITION RESEARCH PROGRAM:
CREATING SYNERGY FOR INFORMED CHANGE

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ACQUISITION RESEARCH PROGRAM:
CREATING SYNERGY FOR INFORMED CHANGE

Is the Department of Defense a High-Risk Anomaly? An Analysis of the Government Accountability Office's High-Risk List's Persistent Residents

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Abstract

The Government Accountability Office (GAO) has a High-Risk List program to identify programs especially at risk for fraud, waste, abuse and mismanagement. Established in 1990, the High-Risk List is intended to force action by Congress and federal agencies to save taxpayer dollars, protect vital services, and ensure national security. Today's High-Risk List contains 10 persistent programs with tenure greater than 20 years. Half of the persistent 10 are Department of Defense (DoD) specific. This research is the first of two phases and compares the longest standing DoD high-risk programs to similar longstanding high-risk civilian federal programs to determine whether the DoD is a high-risk anomaly. Three high-risk trends are identified and utilized to answer the research question: (1) the more technical the program, the greater and more prolonged the risk; (2) association with defense and national security lends to greater financial risk; (3) the larger the program and portfolio, the greater and more prolonged the risk. The DoD is a high-risk anomaly in that it is the largest federal agency and is defense-related. However, the DoD is not a high-risk anomaly, as the issues that plague the DoD are the same issues that other agencies face, and there are actions the GAO can take to reduce the risk of the longest-standing DoD high-risk programs.

Introduction

Efforts to improve Department of Defense (DoD) management are persistent. The sources of concern for Defense management vary widely. They include internal officials and organizations such as senior leaders and advisors, and external sources such as the Congress, GAO, and assorted think tanks. Occasionally, Defense management has been also been affected by presidential management initiatives and special commissions.

The Government Accountability Office (GAO) is perhaps the source of the largest volume of studies, audits, initiatives and recommendations for Defense management. Its Defense Capabilities and Management team works in seven issue areas, three of which are clearly involved with Defense management: Defense infrastructure, strategic human capital management, logistics support, and Defense business operations (GAO WatchBlog, 2014). Between 2014 and 2017, the GAO made a total of 1,122 individual recommendations to the DoD, averaging 280 per year (Field, 2019). The GAO's studies span topics such as acquisition and contract management, readiness, financial management, health care, cyber security, headquarters management, support infrastructure, and information technology. These reports and recommendations often address specific topics in areas that have been persistent targets for management reforms. In addition to these reports, the GAO also addresses Defense management through its biennial High-Risk List (HRL), which serves to identify programs the GAO believes have the greatest vulnerability to waste, fraud, abuse and mismanagement. This paper addresses the DoD programs on the HRL, as they constitute perhaps the strongest examples of the persistence of Defense management issues.



Background

The Government Accountability Office

Originally named the General Accounting Office, the GAO was established in 1921 by the Budget and Accounting Act to address the post-WWI federal financial management problem (GAO). In support of Congressional audits and evaluations of federal programs and agencies, the GAO now works to improve accountability across the federal government. After identifying current or potential problems, the GAO develops reports, testifies to Congress, and makes recommendations in an effort to correct or head off significant financial loss (GAO).

The High-Risk List

In 1990, the GAO initiated its High-Risk List (HRL) program to “identify and help resolve serious weaknesses in areas that involve substantial resources and provide critical services to the public” (GAO, 2017, p. 51). For the past 19 years, the GAO has provided a biennial HRL update to Congress consisting of new, continuing, and removed programs. Prior to 2001, the GAO issued similar reports with slightly less regularity.

In these reports, the GAO evaluated the risk for programs with greater vulnerability to waste, fraud, abuse, and mismanagement. In considering placement on the HRL, the GAO uses two qualitative standards and a quantitative threshold in addition to evaluating planned or implemented program internal reforms (GAO, 2000, pp. 7–10). Qualitatively, the office determines whether the vulnerabilities create risk that could be detrimental to health or safety, service delivery, national security, national defense, economic growth, or private or citizens’ rights (GAO, 2000, p. 9). The GAO considers if the risk could lead to impaired service, injury or loss of life, reduced effectiveness or efficiency, program failure, unreliable decision-making data, reduced confidence in the government, or a compromise of sensitive information (GAO, 2000, p. 9). Quantitatively, the GAO has a minimum threshold of a potential loss of \$1 billion in order to be considered high-risk (GAO, 2000, p. 10).

The information gathered by the HRL program functions with the ultimate goal of reducing risk in order to protect the United States, its people, and its interests. The GAO acknowledges the reduction in risk by removing programs from the HRL once they have successfully met the five high-risk progress criteria requirements.

High-Risk Progress Criteria

In its November 2000 report *Determining Performance and Accountability Challenges and High Risks*, the GAO outlines the methodology for assessing risk and the requirements to be deemed eligible for removal from the HRL. The 2017 High-Risk Series Update, along with several post-2001 updates, provides an explanation of the five criteria an agency must fulfill in order for removal from the HRL:

- *Leadership Commitment*: demonstrated strong commitment and top leadership support
- *Capacity*: agency has the capacity (i.e., people and resources) to resolve the risk(s)
- *Action Plan*: corrective action plan exists that defines the root cause, solutions, and provides for substantially completing corrective measures, including steps necessary to implement recommended solutions
- *Monitoring*: program has been instituted to monitor and independently validate the effectiveness and sustainability of corrective measures



- *Demonstrated Progress*: ability to demonstrate progress in implementing corrective measures and in resolving the high-risk area

Each of these criteria is measured individually on how well the agency has met the requirements. Agencies can be considered to have not met, partially met, or met the criteria requirements; all five are needed to fully meet the criteria requirements for consideration of removal from the HRL (GAO, 2017, p. 52). On its website, the GAO defines each of these criteria progress ratings as:

- *Met*: Actions have been taken that meet the criterion. There are no significant actions that need to be taken to further address this criterion.
- *Partially Met*: Some, but not all, actions necessary to meet the criterion have been taken.
- *Not Met*: Few, if any, actions toward meeting the criterion have been taken.

Although measured individually, the definitions show how many of the criteria are interdependent. For example, an *action plan*'s corrective measures must be established in order for the agency to *monitor* them or *demonstrate progress* in implementing them. Furthermore, agency *action plan* and *capacity* can only be developed and implemented so far as *leadership commitment* permits them. Since the 2001 implementation of rating criteria, the GAO utilizes a star to display progress for each program on the HRL (see Figure 1).

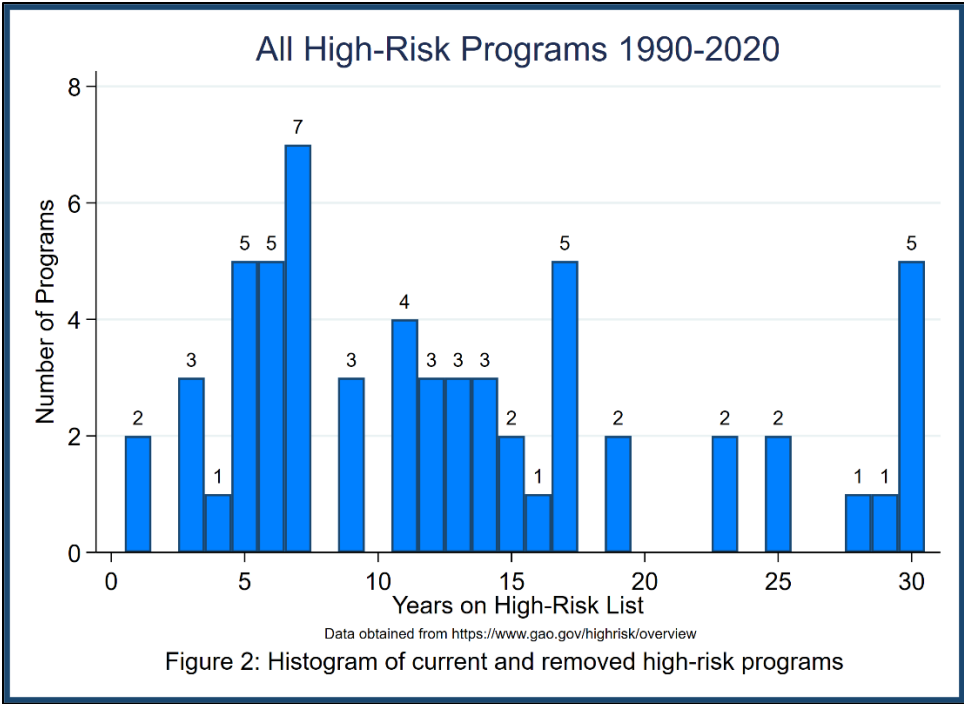


Figure 1. High-Risk Rating Criteria

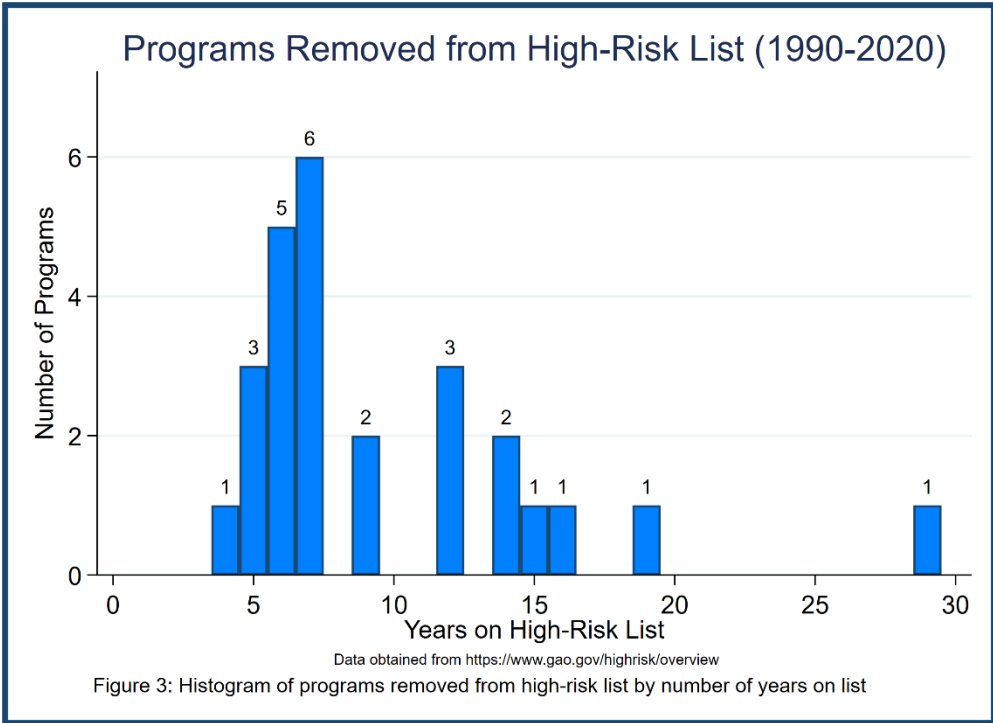
High-Risk List Composition

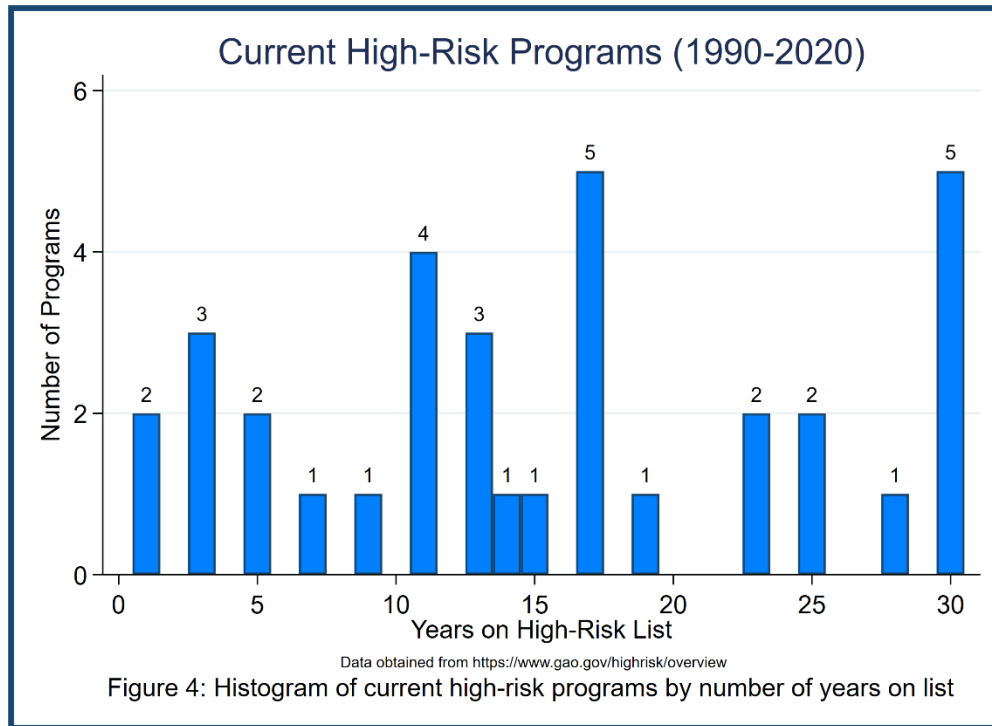
The GAO HRL began with 14 programs in 1990, nine of which have successfully been removed to include DoD Supply Chain Management in 2019. The 2019 additions of Veterans Affairs (VA) Acquisition Management and Government-Wide Personnel Security Clearance Process brought the number of programs ever identified on the high-risk list to 60. The length of time those programs were on the list or continue to remain on the list ranges from one year to 30 years. Figure 2 is a histogram displaying the number of programs by length of time on the HRL.





Of the 60 programs, eight are DoD specific and seven have “contract” or “acquisition” in the title. These two categories are the most frequently occurring on the list other than programs related to financial management. Despite their frequency on the list, only three programs within each of those categories has been removed from the list: DoD Personnel Security Clearance Program (seven years), Management of Interagency Contracting (nine years), and DoD Supply Chain Management (29 years). Figures 3 and 4, respectively, display the HRL programs that have been removed from the list and those that remain.





Until 2019, the length of time on the list that occurred most frequently for programs remaining was 29 years. Almost a third of the programs remaining on the list, 10 of 33, have been there for more than 20 years. Of those, half are DoD-specific.

Research Question

The crux of this research paper lies within the composition of the HRL. At first glance, there are no surprises, as the list contains programs of significant cost, security risk, and large public services. Further review of the 10 programs with tenure greater than 20 years on the list surfaced several potential questions. Why are half from the DoD? Is the GAO effectively evaluating all programs? If programs remain on the list for more than 20 years, is the HRL program effective in achieving its goal, and is that goal even attainable?

Given the proven track record of the GAO HRL, with 26 programs successfully removed due to the GAO recommendations, and Congress’s support for the program, it seemed more fruitful to focus in on the DoD. Therefore, the research question arose: Is the DoD a high-risk anomaly?

Research Methodology

When comparing DoD programs currently on the GAO HRL, five of the six have been on the list for more than 20 years. To identify whether the DoD is a risk anomaly, a comparative analysis of like programs was used. Comparable programs were limited to those on the high-risk list longer than 20 years and also in the same category as the DoD programs. This narrowed the list of 10 programs down to two programs meeting the requirements.

The programs ruled out because they could not be categorized with the DoD programs were Medicare Program (30 years), Enforcement of Tax Laws (30 years), and Ensuring the Security of Federal Information Systems and Cyber Critical Infrastructure and Protecting the



Privacy of Personally Identifiable Information (23 years). The DoD programs ruled out because they had no categorically comparable non-DoD program match with over 20 years on the list were DoD Business Systems Modernization (25 years), DoD Financial Management (25 years), and DoD Support Infrastructure Management (23 years).

The resulting comparisons were:

(a) DoD Weapon Systems Acquisition (30 years) versus NASA Acquisition Management (30 years) and

(b) DoD Contract Management (28 years) versus DoE's Contract Management for National Security Administration and Office of Environmental Management (30 years)

Given the GAO HRL minimum potential loss criterion of \$1 billion, the DoD's sheer budget size could classify it as a high-risk anomaly. This research identifies that size alone is insufficient in determining risk, and there are more consequential factors contributing to risk that span agencies of varying sizes. The comparison analyzes the first comprehensive GAO High-Risk Series report and the 2017 update for each program. The research also considered agency constructs and GAO HRL categorization. Comparing these two civilian federal agencies with the DoD in similar category areas (acquisitions and contract management) provides a determination on the DoD's high-risk anomaly status.

Agency Constructs

The DoD is the largest of the three organizations in the comparison analysis. With 2.87 million people in more than 160 countries, the budget for the DoD is the largest in the federal government, currently sitting at \$716 billion (DoD, n.d.). The National Aeronautics and Space Administration (NASA) employs approximately 18,000 people at 20 locations around the United States with a budget of \$21 billion (NASA, n.d.-b). Although NASA commands significantly less than the DoD, it is still one of the largest federal civilian agency budgets. The largest federal civilian agency budget resides with the Department of Energy (DoE). In 2017, the DoE had a presidential budget of \$32.5 billion, almost 90% of which was spent on contracts and large capital asset projects (GAO, 2017, p. 445). Approximately 40% of the 2017 budget was allocated specifically for the National Nuclear Security Administration (DoE, 2017).

The size of each of the organizations impacts procurement processes. Procurement within the DoD depends on item classification and branch policies. Weapon systems acquisition generally falls into the category of equipment authorized for procurement in accordance with the Table of Allowances, developed for each unit based on the unit's designed capabilities and mission (ADS Inc., 2018). On the other hand, NASA's smaller size allows for easier reform and management. The NASA procurement leadership team has four members who develop policy and training for their acquisition team, which is led by a procurement officer at each of the 11 procurement offices (NASA, n.d.-a). Historically, the DoE has relied heavily on the legislative reforms to guide the procurement process and places management responsibility onto each project office.

Program Comparisons—Acquisitions

DoD Weapon Systems Acquisitions

1990

Not only is there inherent vulnerability in such a large organization and budget, but the 1990 GAO HRL was on the heels of Operation Illwind. Operation Illwind was a multi-agency investigation that unveiled the corruption behind defense weapons acquisitions (FBI, n.d.). At its



conclusion, more than 60 contractors, consultants, and government officials, and \$622 million worth of fines, recoveries, restitutions, and forfeitures lay in its wake (FBI, n.d.). Both the GAO and the DoD had a vested interest to address the high risk of DoD weapon systems acquisitions.

In the initial letter from the comptroller general of the United States to the chairmen of the Committees on Governmental Affairs and Government Operations, Charles Bowsher emphasized the scope of the issue by highlighting the potential for fraud, waste, abuse, and mismanagement of a projected \$900 billion in weapon systems acquisition. He also identified the three major issues surrounding weapon acquisitions: over budget, late delivery, and did not meet capability requirements (Bowsher, 1990, p. 5).

1992

In the comprehensive 1992 HRL report, the GAO focused on “weaknesses in the way weapon systems requirements [were] determined, planned, budgeted, and acquired” (GAO, 1992b, p. 2). The GAO sought to address process, procedural, and internal control weaknesses, along with the conditions and culture that fostered such weaknesses. With the implementation of the Packard Commission, declining defense budget and Soviet threat, and demands by Congress, there was a growing need to prompt change (GAO, 1992b, pp. 6–7).

The GAO acknowledged inherent risk associated with highly technical and complex weapon systems. It identified several problems requiring attention (GAO, 1992b, p. 8):

- systems acquired may not be most cost-effective solution to mission need
- overly optimistic cost and schedule estimates led to instability and cost increase
- programs could not execute as planned with available funds
- risky and unreasonable acquisition strategies
- money spent before programs deemed suitable for production and fielding
- individuals improperly influenced contracting process
- acquired systems continually had performance problems

After considering the problems, the GAO sought to identify the causes. The primary cause appeared to be a cultural one, with a dependency on “generating and supporting new weapons acquisitions” (GAO, 1992b, p. 9). This culture was fueled by “powerful incentives and interests:” service roles and missions, service budget levels and shares, service reputations, organizational influence, industrial base, jobs, and careers (GAO, 1992b, p. 9). The incentives and interests influenced and motivated behaviors by a variety of participants in the DoD, Congress, and the industry. (GAO, 1992b, p. 9)

The combined interest led to an “environment that encourages ‘selling’ programs” (GAO, 1992b, pp. 9–22). Interested parties would make programs seem better than they were, neglecting objective risk assessments, foregoing proper testing, and abandoning realistic cost estimates among other compromises of good judgment (GAO, 1992b, pp. 9–22). Although the culture championed many errors in judgment, other problems stemmed from “basic errors in judgment or other motivating forces,” such as those unearthed in Operation Illwind (GAO, 1992b, p. 10).

2017

The 2017 High-Risk Update was authored in the same light as in 1992—declining defense budget and threat of conflict. Additionally, the GAO identified that the same issues that put it on the HRL were the same ones that plague them in 2017: over budget, late delivery, and inadequate performance. Given that the 2017 report is post-2001 guidance introducing the five rating criteria, the explanation of the problems is outlined utilizing each criteria.





Source: GAO analysis. | 2017 High Risk List GAO-17-317

Figure 5. DoD Weapon Systems Acquisition Rating Criteria

Leadership Commitment: The GAO evaluated DoD leadership as fully committed to reducing the risk in weapon systems acquisition as evidenced by numerous documents published by the DoD to promote reform (GAO, 2017, p. 274). The GAO does not appear to take the implementation of those policies into account when assessing leadership commitment.

Capacity: The DoD continues to fall short on implementing all best practices across all programs, encouraging competition for product development and resourcing the acquisition workforce with what it needs to resolve risk (GAO, 2017, p. 275).

Action Plan: Despite leadership initiatives like the Better Buying Power, the DoD continues to lack a comprehensive plan which negatively impacts the DoD's ability to monitor corrective measures and demonstrate progress (GAO, 2017, p. 275).

Monitoring: The DoD does not require annual performance reports for all programs, limiting its own ability to monitor (GAO, 2017, p. 276). The DoD no longer subscribes to the cost growth metrics developed in 2008 in coordination with the GAO and the Office of Management and Budget (OMB), a decision the GAO is unsupportive of (GAO, 2017, p. 276).

Demonstrated Progress: When evaluating demonstrated progress, it not only relies on the action plan, but also on actions the agency can take in addition to or in lieu of such a plan. For weapon systems acquisitions, the DoD saw an overall cost growth improvement. This improvement was primarily a result of removing programs instead of reducing program costs, as the DoD saw an increase in cost growth for larger programs (GAO, 2017, p. 276).

Recommended Solution

Some of the cultural or systemic problems that continue to persist after 28 years are continued lack of competition, insufficient resourcing for the acquisition workforce, and larger programs' cost growth increases. In 1992, the GAO determined a viable solution was to change



the system of incentives by (a) using internal controls (which included improving professionalism of the workforce) and (b) stronger incentives/disincentives to reduce inter-service competition, self-interest, and acquisition of unnecessary, overlapping, or duplicative capabilities (GAO, 1992b, p. 11). The GAO also promoted holding officials to higher standards of integrity and conduct, an effort in which the DoD and technology have contributed to great progress.

In addition to changing incentives and opportunities, in 1992, the GAO advocated that the DoD stop making weapons until Congress and the administration agreed on a military strategy, the services' roles and missions, and future funding levels (GAO, 1992b, p. 11). Furthermore, it recommended shifting the decision-making for weapon acquisition to the Office of the Secretary of Defense, a level in which the GAO deemed it necessary to make decisions regarding needed capabilities and weapon type to fulfill those needs (GAO, 1992b, p. 11).

In the 2017 GAO High-Risk Series Update, the GAO made recommendations to the DoD to achieve the rating criteria requirements and successfully reduce risk:

1. examine best practices to integrate critical requirements, resources, and acquisition decision-making processes
2. attract, train, and retain acquisition staff and managers so that they are both empowered and accountable for program outcomes
3. use funding decisions at the start of new programs to reinforce desirable principles such as well-informed acquisition strategies
4. identify significant risks up front and resource them
5. explore ways to align budget decisions and program decisions more closely
6. investigate tools, such as limits on system development time, to improve program outcomes

Recommendations 2, 3, 5, and 6 are residuals from 1992. The GAO identified a continued shortcoming with Congress, recommending Congress should not approve programs that do not follow best practices (GAO, 2017, p. 273). It is possible that this concern regarding congressional approval is indicative of a continued lack of an agreed-upon strategy between Congress and the administration; however, the GAO does not state that.

NASA Acquisition Management

1990

When considering NASA Acquisition Management, it is important to note that when it made the HRL in 1990, it was labeled "NASA Contract Management." This name differential speaks to some of the contract-specific issues that weighed on the acquisition process 28 years ago. Although the comptroller general identified that decentralized contracting in need of better oversight and controls was the primary issue in 1990, NASA suffered from the same plague of over budget, late delivery, and equipment not meeting capability requirements (Bowsher, 1990, p. 6).

1992

In the 1992 GAO HRL report, NASA's problem rested in its inability to manage contracts (GAO, 1992d, p. 6). The poor management led to higher costs, untimely product, and development problems, identical issues the DoD faced in 1992. The causes of NASA's issue were slightly different than those of the DoD. Like the DoD, NASA had unrealistic planning that led to longer projects and higher overall costs (GAO, 1992d, p. 7). However, NASA's unrealistic planning was a result of planning based on higher anticipated budgets than what was made available (GAO, 1992d, p. 7).



The second cause was the use of ineffective procedures and systems to oversee and manage contractors, which lacked uniform testing policies, sound property management, accounting, and effective information systems (GAO, 1992d, p. 8). Parts of the ineffective procedures and systems mimicked concerns within the DoD: insufficient resourcing of the workforce, lack of testing procedures prior to fielding, and lack of integrity among officials (NASA changed costs to hide shortcomings).

The GAO determined the mismanagement and improper oversight of NASA field centers as the third cause (GAO, 1992d, p. 8). Field centers were operating against government-wide, agency, or field center requirements, evidence of a culture that accepted corruption and deliberate violation of policies. Although not the exact issue that the DoD had, there was still a pervasive cultural issue leading to high costs, untimely delivery, and inadequate equipment.

2017

In 2017, the same issues with cost and schedule remain a concern for NASA. Those issues seem only to plague the larger and more technical programs, specifically those long-term human exploration programs (GAO, 2017, p. 472). NASA also showed issues with estimating risks in development of major systems and managing aggressive schedules (GAO, 2017, p. 470). Its overall progress in meeting the rating criteria is shown in Figure 6.



Source: GAO analysis. | 2017 High Risk List GAO-17-317

Figure 6. NASA Acquisition Management Rating Criteria

Leadership Commitment: The GAO evaluated NASA leadership as fully committed in 2015, as policy and oversight functions were sufficient to meet requirements and resulted in improvement of major acquisition cost and schedule performance (GAO, 2017, p. 273). The GAO evaluated the leadership as having met the requirement in 2015 based on implementation of policies, a different approach than that taken with the DoD.

Capacity: NASA's guidance and implementation tools to reduce risk are not always consistent with best practices for cost schedule estimates and earned value management surveillance;

there are continued issues on costliest projects; and there are resource constraints to implement GAO recommendations (GAO, 2017, pp. 474–475).

Action Plan: As of 2015, NASA has met the requirements with a comprehensive action plan that continues to ensure metrics are reported semiannually within the parameters outlined in the plan (GAO, 2017, p. 475).

Monitoring: NASA fully met this requirement in 2015 after it showed improved performance as a result of internally developed metrics to measure progress (GAO, 2017, p. 476). Again, the approach with NASA differs than that with the DoD as NASA was able (or took the initiative) to develop its own metrics as opposed to having influence from the GAO or the OMB.

Demonstrated Progress: NASA continues to show difficulty managing the most expensive and complex projects due to unreliable cost estimates, ambitious deadlines, limited reserves, and extended operating periods (GAO, 2017, pp. 476–479). There is also limited visibility into long-term costs, something the DoD struggles with as well.

Recommended Solution

The GAO's recommendations for NASA in 1992 do not vary much from those recommended in 2017. The recommendations, although now applicable to a limited number of programs, center on anticipating and mitigating risks. Some of those recommendations are agency-wide, recommending improvements in the acquisition workforce and cost projections (GAO, 2017, p. 470). Specifically, agency-wide required reform centers around budget planning, with a need to better understand long-term costs and a need to accurately capture cost and schedule increases in order to facilitate better planning (GAO, 2017, pp. 472–473).

However, the remaining 2017 recommendations are program-focused. NASA saw great success when applying GAO recommendations to individual programs, even dropping expensive programs that were just too risky (GAO, 2017, pp. 472–473). And it appears that due to the interconnectivity of each program, limited scope, and limited number of programs, the GAO and NASA are able to work together to determine the needs for each program to individually reduce risk, ultimately reducing the overall risk for acquisition management.

Program Comparisons—Contract Management

DoD Contract Management

1992

DoD Contract Management was introduced to the GAO HRL in the 1992 report due to overpricing of defense contracts (GAO, 1992a, pp. 6–7). The DoD reported spending \$150 billion on contractors in 1991, with a projection for contracting expenditures to remain above \$100 billion for some time (GAO, 1992a, p. 6).

The GAO's 1992 report concluded that three problems were of concern with DoD contracting: contract overpricing, lack of oversight on subcontractors, and that 6% of contractors accounted for 80% of defective pricing (GAO, 1992a, p. 7). The overpricing was often a result of inaccurate, incomplete, and outdated cost estimates provided by contractors during negotiations, along with inadequate methods to estimate costs (GAO, 1992a, p. 7).

An investigation into the causes revealed there was fault on both the DoD and contractors. The GAO found that contractors often fell short of legal requirements and DoD guidelines requiring adequate systems for cost estimating (GAO, 1992a, pp. 6–8). The DoD fell short in oversight and management that came too little, too late, and the disincentives incorporated into contracts in an effort to change behavior were inadequate (GAO, 1992a, pp.



6–8). One of the greatest vulnerabilities within DoD contracts in 1992 was the management, or lack thereof, of subcontractors. The GAO found that many prime contractors were re-negotiating for lower subcontractor pricing after successfully negotiating with the government based on high subcontractor prices (GAO, 1992a, pp. 15–16).

2017

In the 2017 High-Risk Series Update on DoD Contract Management, the GAO demonstrated that DoD Contracting issues from 1992 were greatly improved. The GAO now evaluates DoD Contract Management on the whole but also evaluates three subcategories facing challenges: Acquisition Workforce, Service Acquisitions, and Operational Contract Support (GAO, 2017, p. 483). Having made significant progress in the segment of Operational Contract Support, the DoD still has a lot of ground to make up in Acquisition Workforce and Service Acquisitions—although this comes as no surprise considering the concerns within weapon systems acquisitions.



Source: GAO analysis. | 2017 High Risk List GAO-17-317

Figure 7. DoD Contract Management Rating Criteria

Leadership Commitment: The GAO evaluated the DoD’s leadership commitment as having fully met the rating criteria for DoD Contract Management and each subcategory. This rating was based not only on policy and initiatives, but also on the leadership’s implementation of those policies (GAO, 2017, p. 483).

Capacity: Although the DoD has made strides in increasing the acquisition workforce and training them within their career field, it still fell short of goals within some career fields, and some skill gaps within the workforce have yet to be addressed (GAO, 2017, pp. 487–488).

Action Plan: The greatest downfall within the DoD in regards to an action plan is the lack of one for service acquisition (GAO, 2017). Furthermore, the DoD fails to ensure the right people for the right career field within the acquisition workforce and lacks a plan to prepare annual inventory of contracted services to inform workforce and budget decisions (GAO, 2017, pp. 483–497).



Monitoring: The DoD still needs metrics to track progress for the acquisition workforce plan strategy, and acquisitions lacks spending monitoring or savings goals (GAO, 2017, pp. 483–497).

Demonstrated Progress: The contract management continues to lack verification that its current composition will meet future needs (GAO, 2017, p. 484). There is limited guidance on collecting acquisitions information, and the DoD still lacks implementation of some Operational Contract Support recommendations (GAO, 2017, p. 484).

Recommended Solution

In seeking improvement, the 1992 report advocates for a greater enforcement of contract legislation and Congress' action to enact legislation that requires contractors to report profits (GAO, 1992a, pp. 8–9). In addition to external action items, the GAO identified steps that the DoD could take to improve contractor compliance: use the full range of options to enforce compliance, such as withholding or reducing payment or declining to award future business; empower contracting officers to protect the government with necessary resources and subsequently hold them accountable; and enact legislation for a reporting requirement of contractors' profits (GAO, 1992a, pp. 8–9).

As of 2017, there were significant improvements to legislation and its enforcement. The DoD still needs to work on strategic planning, composition of the acquisition workforce, and managing acquisition of services to best meet desired outcomes (GAO, 2017, pp. 484–485). The GAO maintains that congressional action is still needed to improve DoD Contract Management. Contract services differ from weapons acquisitions in that weapons have forecasted spending plans for the duration of the project, but the DoD has no requirement to report future contracting services costs beyond the current year (GAO, 2017, p. 485). Congressional requirements to report future contract service spending would provide better oversight for both the DoD and Congress.

DoE's Contract Management for the National Nuclear Security Administration and Office of Environmental Management

1990

The GAO initially labeled this category as “DoE Contractor Oversight” in the 1990 letter to Congress. In that letter, the comptroller general highlighted that the DoE lacked contractor oversight and its use of the “least interference approach” left significant room for improvement in control, accountability, and efficiency in contract management (Bowsher, 1990, pp. 6–7).

1992

The GAO's 1990 report identified that contract management weakness led to widespread mismanagement of property and funds, and contractors operated without oversight or financial risk (GAO, 1992c, pp. 6–7). Although the DoE had recently implemented reforms to give contractors incentives to be responsible and increase DoE oversight, those changes still required evaluation and would take a significant time to see (GAO, 1992c, pp. 6–7).

The DoE's problems with contract management stemmed from a “least interference” approach post-war in an effort to attract and keep contractors (GAO, 1992c, pp. 6–9). Their approach led to tripling of costs in some cases, contractors losing secret documents, the circumventing of congressional and DoE contract approval, and an estimated \$160 billion to correct mistakes (GAO, 1992c, pp. 6–9). Additionally, contractors had a tendency to bind the DoE into paying for mistakes and refusing to make needed adjustments based on contract clauses or lack thereof (GAO, 1992c, pp. 6–9).



There were two primary causes for the systemic issues within DoE contract management: lack of required oversight and limited DoE control due to contractual agreements. DoE contracts were cost reimbursable which required significant oversight to ensure monies were used appropriately to justify payment (GAO, 1992c, p. 14). The weak controls over contractors' activities and operations as a result of the least interference model were justified due to project complexity or secrecy (GAO, 1992c, pp. 14–18).

Like the DoD, the lack of oversight extended to subcontractors and resulted in insufficient competition and a tendency to circumvent DoE approval for use of subcontractors (GAO, 1992c, pp. 14–18). The DoE's lack of required oversight mirrored the DoD in that it lacked the necessary contract administration resources and personnel, and the proper information or right information management system was lacking to make informed decisions (GAO, 1992c, pp. 18–19).

The contracts that the DoE implemented limited its control and placed it at a disadvantage (GAO, 1992c, p. 24). The contracts gave contractors excessive latitude, increased government financial risk, restricted DoE ability to control costs, and locked DoE objective criteria for award and management fees (GAO, 1992c, pp. 24–28). Frequently, the DoE had nonstandard contract clauses and lacked procurement clauses that could save the DoE billions, and there was a history of the DoE covering all costs due to risky business (GAO, 1992c, pp. 24–28). Finally, the contract award and management fees rewarded contractors for questionable performance and lacked evaluation performance measures (GAO, 1992c, pp. 24–28).

2017

As time progressed, the GAO narrowed the scope of DoE Contract Management to focus on the two programs that held 60% of the DoE budget: National Nuclear Security Administration (NNSA) and Office of Environmental Management (GAO, 2017, p. 445).



Source: GAO analysis. | 2017 High Risk List GAO-17-317

Figure 7. DoE Contract Management for the NNSA and OEM



Leadership Commitment: The GAO evaluated the DoE’s leadership commitment as having fully met the rating criteria based on past actions and leadership continuing “high profile steps” to make improvements to project management (GAO, 2017, p. 445).

Capacity: The DoE has similar limitations as the DoD in ensuring the right people and resources are in place to mitigate risks of project and contract management (GAO, 2017, p. 449). Similar to acquisition struggles for NASA and the DoD, DoE contracting lacks cost and schedule performance evaluation and oversight of major projects and programs (GAO, 2017, p. 449).

Action Plan: The guidance issued by top leadership within the DoE falls short of meeting all requirements. The DoE still needs to address acquisition planning for its major contracts, the quality of enterprise-wide cost information available, development of a program management policy, and how the DOE’s new requirements will be applied to the department’s major legacy projects (GAO, 2017, pp. 445–446).

Monitoring: The DoE’s ability to monitor corrective actions relies heavily on the necessary expansion of the action plan and gathering enterprise-wide cost information (GAO, 2017, pp. 445–447). The department developed the Project Management Risk Committee to assess and reduce risk, but it is yet to be comprehensive as some activities within the DoE are not subject to it (GAO, 2017, pp. 445–447).

Demonstrated Progress: The evaluation of demonstrated progress is limited for the DoE due to the novelty of some of the reforms. The continued struggle with cost and schedule estimates for major projects and the limitations to project management cause its rating to fall short of what is necessary to fully meet requirements (GAO, 2017, pp. 447–448).

Recommended Solution

In the 1992 report, the GAO noted that the secretary of energy was very proactive in efforts to develop new contract provisions and increase staff (GAO, 1992c, pp. 29–30). Those efforts were supported over the years as DoE contract management greatly improved. Some of the same issues requiring reform persist into 2017 to include a well-trained and well-equipped work force and need for an adequate system for gathering and disseminating information to make well-informed contract decisions. Persistent problems continue to plague the largest and most complex projects of designing and constructing nuclear facilities (GAO, 2017, p. 448). The GAO feels that these issues can be addressed with a better trained, better equipped workforce, comprehensive project management programs, and a robust action plan that allows for monitoring progress (GAO, 2017, pp. 448–451).

High-Risk Trends

The data within the four programs researched reveals three high-risk trends that will lend to answering the research question:

1. The more technical the program, the greater and more prolonged the risk. This is evidenced in each of the programs. DoD Weapon Systems are inherently technical and increase in complexity with improvements in technology. The NASA programs that remain highly risky are those with the highest technicalities within human exploration. And the DoE contracts that continue to carry significant risk are those that are complex. The technical and complex nature of the programs in question lend towards an attitude seen in DoE contracting that things are *too* technical or *too* complex and they therefore place contract and acquisition personnel at a disadvantage to evaluate contracts and monitor programs. Additionally, there is an argument that the technical and complex nature of the programs could indicate high



- barriers to entry into the market and limited competition to drive prices down. Research to this point does not provide any information to support or deny that claim.
2. Association with defense and national security lends to greater financial risk. There appears to be a cultural stigma around anything defense- and security-related that perceives an unlimited budget. At the start of the GAO HRL, each program found itself in the same position—coming off a “budget high” from the Cold War. In the midst of conflict or given a threat to national security, the United States has proven to be willing to throw seemingly unlimited amounts of money to secure the American people. NASA and the DoE saw this as they battled the Soviet Union for space and nuclear supremacy. Likewise, the DoD saw this in preparation for a war with the Soviet Union. The government’s priceless valuation of freedom and protection places itself at a disadvantage to for-profit industries with the technology to achieve victory.
 3. The larger the program and portfolio, the greater and more prolonged the risk. The GAO showed the greatest success with NASA by addressing individual programs, with the longest tenured programs being the largest programs. The DoE’s continued risk resides in its two largest programs. And the DoD’s weapon systems portfolio surpasses them all, presenting the greatest challenge to reduce risk.

Research Question Answered

Is the DoD a high-risk anomaly? Based on the identified high-risk trends, yes and no.

The DoD is a high-risk anomaly in that it will always be related to defense and based on size, will always be large.

However, the DoD is not a high-risk anomaly in that it is not the only agency that succumbs to these high-risk trends. NASA, a program that is a fraction of the size of the DoD, still falls victim to vulnerabilities surrounding highly complex and technical programs. NASA and the DoE, civilian agencies, are not resistant to the impact of the culture surrounding defense and security spending. Finally, each program demonstrates that the largest programs will consistently struggle to rid themselves of risk.

What Next

Implications

What, then, are some implications of these findings? Is it plausible to think that the DoD will ever get off the HRL? Should getting off the HRL be a management objective for the DoD’s chief management officer? How do the DoD and GAO view this list and the roles that each plays? To explore these and other questions, phase two of the research will include findings from in-depth interviews with current and former officials in the DoD, the GAO, and on Capitol Hill.

Phase One Recommendations

Given that the DoD is not a high-risk anomaly, there are two recommendations for reaching greater success in the removal of DoD Weapon Systems Acquisition and DoD Contract Management from the GAO HRL.

First, the GAO should focus weapon systems acquisition reform around individual programs to mimic the approach taken with NASA. The GAO’s current recommendation to hold authority at the OSD level for weapon acquisitions ignores the structure and organization of the five branches within the DoD. The GAO is advocating that the DoD purchases weapon systems that are common across each branch, overriding foundation documents that govern



procurement and allocation of equipment. I believe this recommendation is impossible without legislation, and the GAO should therefore seek to influence reform at the branch or individual program levels.

Second, the GAO should advocate for federal government acquisition legislation reform. Legislation allowed both the DoD and the DoE to make significant strides in reducing contract management risks, and the same approach should be applied to acquisitions across the federal government.

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