ACQUISITION WORKFORCE

DOD’s Efforts to Rebuild Capacity Have Shown Some Progress

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What GAO Found

DOD has made some progress in rebuilding the capacity of the acquisition workforce. For example, DOD reported that it hired about 5,900 civilians into the acquisition workforce in fiscal year 2010 using the Defense Acquisition Development Fund. Furthermore, DOD reported that it hired about 5,900 civilians into the acquisition workforce in fiscal year 2010 using the Defense Acquisition Development Fund or as a result of decisions to convert functions previously performed by a contractor to performance by government personnel. DOD’s plans for further growing the acquisition workforce remain uncertain because of budget issues. Building workforce skills and expertise is just as important, however, as increasing the size of the acquisition workforce. DOD also made progress in completing competency assessments, which identify the current skills and capabilities of the workforce and help identify areas that needed further management attention. DOD officials reported that DOD has completed three assessments, including contracting, life cycle logistics, and program management, and is drafting final reports for another six assessments. One area where DOD still faces challenges is determining the effectiveness of its training in improving acquisition outcomes. GAO recommended in 2010 that if DOD is to fully assess performance improvements, it needs to go beyond measuring the size of the workforce. DOD did not concur with the recommendation, stating that it believed existing metrics were sufficient to assess the impact of its training efforts on acquisition outcomes. GAO continues to believe DOD needs to develop additional metrics. Further, to help improve acquisition outcomes, GAO reported that DOD needed to assess the skills and competencies of and training provided to those people who have a role in acquisition but who are outside what DOD has formally defined as the acquisition workforce. GAO recommended that DOD establish criteria for identifying these personnel, assess the critical skills needed to perform their role in the acquisition process, and designate an organization that has the responsibility to track DOD’s progress in identifying, developing, and overseeing personnel outside the defined acquisition workforce. DOD concurred with these recommendations.

The challenges DCMC is experiencing in rebuilding its capacity are illustrative of those faced by DOD. DCMC performs a critical role in helping to manage and oversee contractor performance. GAO’s November 2011 report found that DCMC is attempting to rebuild its workforce, making increased use of the Defense Acquisition Development Fund. For example, in fiscal year 2011, DCMC reported it hired 1,221 new employees under this authority, a substantial increase from 166 hired in fiscal year 2009. GAO also noted that by the late 1990s, DCMC had lost the majority of its contract cost/price analysts, which, according to DCMC, meant many of its pricing-related contract administration responsibilities, such as negotiating forward-pricing rate agreements and establishing final indirect cost rates and billing rates, were no longer performed to the same level of discipline and consistency as in prior years. As a result, DCMC reported that DOD’s acquisitions were subjected to unacceptable levels of cost risks. Over the last 2 years, DCMC reports it has hired 279 new contract cost/price analysts and cost monitors (bringing the agency’s total number to about 400), extensively using the Defense Acquisition Development Fund to do so.
Chairman Lankford, Ranking Member Connolly, and Members of the Subcommittee:

I am pleased to be here today to discuss our recent work on acquisition workforce issues. GAO and others have long recognized that the size and capabilities of the workforce across the government warrant the attention of the Congress. The federal government’s current budget and long-term fiscal pressures underscore the importance of a capable and well-functioning workforce.

Today I would like to focus in particular on the government’s largest buying entity and discuss our issued work on the challenges facing the Department of Defense’s (DOD) acquisition workforce.1 In our February 2011 high-risk report, we noted that among the actions DOD needed to take to improve outcomes on the hundreds of billions of dollars spent annually on goods and services was to ensure that its acquisition workforce was adequately sized, trained, and equipped to meet the department’s needs.2 Our work has found that a lack of an adequate number of trained acquisition and contract oversight personnel contributed to unmet expectations and has placed DOD, at times, at risk of potentially paying more than necessary.

Likewise, DOD has recognized that rebuilding its acquisition workforce is a strategic priority. According to the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics (USD/AT&L), to successfully accomplish the acquisition mission and ensure the best value for the expenditure of public resources, DOD will place greater emphasis on having a high-quality workforce with the right competencies and skill sets. To do so, DOD issued an acquisition workforce plan in April

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1 The Defense Acquisition Workforce Improvement Act recognized acquisition as a multidisciplinary career field for DOD comprised of 11 functional areas (Pub. L. No. 101-510, § 1202(a) (1990) (codified, as amended, at 10 U.S.C. §1721 (a), (b)). The 11 functional areas are—program management; systems planning research, development, engineering, and testing; procurement, including contracting; industrial property management; logistics; quality control and assurance; manufacturing and production; business, cost estimating and financial management, and auditing; education, training, and career development; construction; and joint development and production with other government agencies and foreign countries. Since the act was passed, DOD has expanded the original list of 11 functional areas to a total of 16 career fields/path.

2010 that identified planned workforce growth in support of the Secretary of Defense’s strategy to resize and rebalance the acquisition workforce.

My statement today will address DOD acquisition workforce issues from two perspectives. First, I will provide an overview of DOD’s progress in addressing challenges faced in rebuilding the capacity of the acquisition workforce. I will then provide specific insights into the efforts of the Defense Contract Management Agency (DCMA) to rebuild its contract oversight capacity. This statement today is drawn from our broad body of work on DOD contract management and acquisition workforce, including work reflected in our February 2011 high-risk update as well as our October 2010 and September 2011 acquisition workforce reports. Additionally, we relied on our November 2011 report that assessed the progress and challenges facing DCMA. We also obtained updated information from DOD with regard to its acquisition workforce competency assessments and workforce hiring data. This work was prepared in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audits to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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### DOD’s Progress in Addressing Challenges in Rebuilding the Capacity of the Acquisition Workforce

DOD has made some progress in rebuilding the capacity of the civilian acquisition workforce and in completing competency assessments, which identify the current skills and capabilities of the workforce and help identify areas that needed further management attention. Included among the workforce issues facing DOD are (1) determining the right size of the acquisition workforce, (2) updating acquisition training based on ongoing competency assessments and measuring the effect of training on acquisition outcomes, and (3) identifying personnel outside the acquisition workforce who have a role in acquisition.

### Steps Taken to Increase the Size of the Acquisition Workforce

In April 2009, the Secretary of Defense announced his intent to increase the size of the acquisition workforce, in part, to (1) help address concerns that DOD had become too reliant on contractors to support core functions and (2) rebuild the capacity and skill sets that had been eroded in the years that followed the downsizing of the workforce in the 1990s. DOD’s April 2010 acquisition workforce strategic plan identified an objective of increasing the civilian acquisition workforce, which totaled about 118,000 civilians as of September 2009, by 20,000 personnel by fiscal year 2015. This growth would be accomplished both through the hiring of new personnel using funding provided through the Defense Acquisition Workforce Development Fund as well as through the “insourcing”—or conversion to government performance—of functions that were being performed by contractor personnel. Data provided by the USD/AT&L indicate that DOD hired about 5,900 individuals using the Defense Acquisition Workforce Defense Fund as well as through insourcing in fiscal year 2010.

DOD officials also noted that a combination of other factors, including hiring by the military departments (excluding those hired using the Defense Acquisition Workforce Development Fund or that were the result of an insourcing decision), movement within DOD from one career field to another, or administrative changes, such as reclassifying existing positions as being within the acquisition workforce, increased the total reported number of civilians within the acquisition workforce by about

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8,500. Overall, DOD officials reported that the civilian acquisition workforce was about 133,000 at the end of fiscal year 2010.

The department’s plans for growing the acquisition workforce remain uncertain. In August 2010, the Secretary of Defense announced that the insourcing initiative was being halted, though DOD would continue to insource positions on a case-by-case basis. Further, because of anticipated future budget constraints, the Secretary of Defense announced in March 2011 a hiring freeze for DOD’s overall civilian workforce, but he indicated that the initiatives using the Defense Acquisition Workforce Development Fund would continue. DOD had planned to issue an updated strategic workforce plan for the acquisition workforce earlier this year but has not yet done so, in part, because of the uncertainty regarding future budgets. DOD officials indicated that the plan may not be released until April 2012. At this time, we do not know whether DOD’s updated plan will include information on the funding needed to achieve its acquisition workforce objectives.

DOD Efforts to Identify Competencies and Update Acquisition Workforce Training

Just as important as increasing the size of the acquisition workforce is building workforce skills and expertise. Our work has shown that federal agencies need to determine the occupations, skills, and competencies critical to achieving their missions and goals, as well as to identify any gaps between their current workforce and the workforce they will need in the future. By taking these steps, agencies would be in a better position to adjust to changes in technology, budget constraints, and other factors that alter the environment in which they operate. The DOD acquisition workforce is no exception.

The Defense Acquisition Workforce Improvement Strategy outlines a competency assessment strategy for the acquisition workforce as a means to assess workforce capability using updated and validated enterprise-wide models, data and information. In September 2010 we

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reported DOD had completed only one of its planned 13 assessments. Over the past year, however, DOD has reported making progress in completing some of the remaining 12 assessments. For example, according to the Deputy Director of AT&L human capital initiatives, DOD has completed two additional competency assessments. Thus, competency assessments have now been completed in the areas of contracting, life-cycle logistics, and program management. DOD is drafting the final report for another six competency assessments.

DOD officials have reported that they have used these competency assessments, in part, to help revise the training curriculum for its contracting career field. DOD’s contracting competency assessment found that there was inconsistency in fundamental contracting skills and in the source selection process and that more advanced training on pricing was needed. In March 2011, the Office of Defense Procurement and Acquisition Policy announced plans to revise the training standards for its contracting career field, effective October 1, 2011. According to DOD, the changes in the curriculum incorporated more emphasis on pricing, services contracting, and competition, among other things, and were based on the competency assessments and discussions with senior procurement executives and contracting leaders. Similarly, in August 2011 DOD noted plans to make changes in its purchasing and industrial/contract property management curricula.

One area where DOD still faces challenges is determining the effectiveness of its training in improving acquisition outcomes. We reported in 2010 that if DOD is to fully assess performance improvements, it needs to go beyond measuring the size of the workforce. We recommended that DOD establish milestones for the development of metrics to measure how acquisition certification training improves the proficiency and capability of the acquisition workforce, in order to demonstrate and track how training efforts contribute to improved acquisition workforce performance. DOD did not concur with the recommendation stating that it believed existing metrics were sufficient to assess the effect of its training efforts on acquisition outcomes. We continue to believe DOD needs to develop additional metrics.

7 GAO-10-814R.
8 GAO-11-22.
DOD Needs to Look Beyond the Formally Defined Acquisition Workforce

To help improve acquisition outcomes, our September 2011 report noted that DOD needed to assess the skills and competencies of and training provided to those people outside what DOD has defined as the acquisition workforce. These people include those who may set requirements or serve as the contracting officer’s representatives to help manage and oversee contractor performance—functions that are key to acquisition outcomes. GAO found that personnel with acquisition-related responsibilities represented more than half of the 430 personnel involved with 29 services acquisition contracts reviewed. In this report, we also noted that several organizations have been tracking and managing the acquisition workforce, but no DOD organization has (1) systematically identified personnel outside of what has been defined as the acquisition workforce and the related competencies, or (2) been given responsibility for the identification, development and oversight of this group. DOD is not required to identify personnel outside the acquisition workforce and has not established a process to do so. As DOD officials noted, identifying this population is challenging, in part because it is a transient one dispersed across many DOD organizations. Additionally, these people come from a variety of career fields and are often involved in acquisitions as a secondary duty. DOD has taken action to identify part of this population—such as requirements personnel for major weapon systems—but has not done this for all personnel with acquisition-related responsibilities outside the acquisition workforce. We also found that DOD has limited information to gauge the current and future demand for training this population or the effectiveness of the current training that is available. We recommended that DOD establish criteria for identifying these personnel, assess the critical skills needed to perform their roles in the acquisition process, and designate an organization that has the responsibility to track DOD’s progress in identifying, developing, and overseeing personnel outside the defined acquisition workforce. DOD concurred with the recommendations.

Rebuilding DCMA’s Capacity

The challenges DCMA is experiencing in rebuilding its capacity is illustrative of those faced by DOD. DCMA performs a critical role in helping to manage and oversee contractor performance. Specifically, it has responsibilities for providing contract administration services for DOD’s buying activities and working directly with defense contractors to help ensure that goods and services are delivered on time, at projected

9 GAO-11-892.
cost, and meet performance requirements. In addition, as a designated combat support agency, DCMA is tasked with providing contract administration and support to combatant commanders during contingency operations. The preponderance of DCMA’s workforce is included in the defined acquisition workforce.

In November 2011, we reported on how DCMA is positioning itself to meet its missions.\textsuperscript{10} We noted that DCMA has undergone an evolution to become the agency it is today. For example, DCMA’s workforce decreased from an estimate of about 24,000 in 1990 to a low of about 9,300 in 2008. While senior DCMA officials said the workforce’s downsizing made sense for much of the 1990s, because there were efficiencies to be gained and its workload was generally decreasing, this changed in the early 2000s, when DCMA’s workload started to increase, but its workforce numbers continued to decline.\textsuperscript{11} As the workforce declined, however, the agency experienced significant erosion of expertise, such that it could not fulfill all of its oversight functions.

Since 2008, DCMA has been rebuilding its workforce, and to do so, has made increasing use of the Defense Acquisition Workforce Development Fund. For example, in fiscal year 2011, DCMA reported it hired 1,221 new employees under this authority, a substantial increase from 166 hired in fiscal year 2009. These new employees include 3-year interns as well as journeymen, described by DCMA officials as individuals with extensive experience in a certain business area. Some contract management office leaders told us, however, they were not sure that they would have enough operations and maintenance-funded positions available to be able to retain the journeymen and interns they had originally hired using the Defense Acquisition Workforce Development Fund. DCMA leadership noted that the agency is requesting increased operations and maintenance funding to convert these positions in the future.

As noted earlier, building workforce skills and expertise is just as important as increasing the size of the acquisition workforce. Our November 2011 report noted that by the late 1990s, DCMA had lost the majority of its contract cost/price analysts, which, according to DCMA,

\textsuperscript{10} GAO-12-83.

\textsuperscript{11} DCMA measures its workload in terms of obligations the government has incurred, but not yet paid, also known as unliquidated obligations.
meant many of its pricing-related contract administration responsibilities, such as negotiating forward pricing rate agreements and establishing final indirect cost rates and billing rates, were no longer performed to the same level of discipline and consistency as in prior years. As a result, DCMA reported that DOD’s acquisitions were subjected to unacceptable levels of cost risks. In one recent example, a DCMA official told us about a case where an administrative contracting officer, lacking support from contract cost/price analysts had, for simplicity, incorrectly blended a contractor’s overhead rates rather than deriving separate rates for different areas (e.g., general and administrative, and manufacturing).

Over the last 2 years, DCMA reports it has hired 279 new contract cost/price analysts and cost monitors (bringing the agency’s total number to about 400), extensively using the Defense Acquisition Workforce Development Fund to do so. Further, in 2009, DCMA created the Cost and Pricing Center, with a mission of developing and sustaining the agency’s expertise in pricing. DCMA officials said the center has helped to hire contract cost/price analysts for its contract management offices. It also develops and conducts training for the growing DCMA contract cost/price analyst workforce.

DCMA also identified ongoing concerns with its ability to effectively carry out its quality assurance responsibilities because of workforce size and capability shortfalls, increasing the risk to the warfighter and the taxpayers. For example, DCMA reported an increase in customer complaints in the form of reported quality deficiencies in products. One action DCMA reports it is taking to address the issues related to its quality assurance capabilities is defining certification training for its quality assurance personnel. DCMA also reports it is moving toward standardizing position descriptions as a way to establish consistent expectations for its quality assurance workforce. DCMA has emphasized increasing the number of quality assurance personnel and estimates this will continue through 2016.

12 Relatedly, in 2008, we found that DOD’s quality specialists, including those at DCMA, had to scale back the amount of oversight they provided as a result of downsizing. GAO, Best Practices: Increased Focus on Requirements and Oversight Needed to Improve DOD’s Acquisition Environment and Weapon System Quality, GAO-08-294 (Washington, D.C.: Feb. 1, 2008).
Even with DCMA’s recent efforts to rebuild workforce capacity, the large percentage of retirement-eligible employees presents challenges. Over half of DCMA’s workforce is retirement eligible or qualified for early retirement incentives. For example, as of the end of fiscal year 2010, about 24 percent of the DCMA workforce was eligible to retire, and an additional 28 percent qualified for early retirement incentives. The large number of retirement-eligible employees continues to make DCMA vulnerable to the loss of valuable technical expertise and organizational knowledge. In part, DCMA plans to mitigate this risk through aggressive recruiting and knowledge management activities, such as bringing back retired annuitants to help raise the skill levels of the newer employees.

Concluding Observations

In conclusion, Mr. Chairman, DOD has focused much needed attention to rebuild its acquisition workforce and has made some progress in terms of growing the workforce, identifying the skills and competencies it needs, and using such information to help update its training curriculum. More needs to be done, however, especially for those individuals who do not fit within the traditional definition of DOD’s acquisition workforce. The fiscal and budget challenges facing this nation and DOD underscore the need for DOD to strategically manage its workforce to ensure that they have the right skills, capabilities, and training to effectively acquire and manage the billions of dollars DOD spends on goods and services each year. These same fiscal and budget pressures may present DOD with additional challenges in meeting its acquisition workforce goals. Whether DOD achieves all of its previously planned growth and related workforce improvement initiatives remains uncertain, but what is certain is the department can ill-afford not to succeed in preparing its workforce to meet its future needs.

Chairman Lankford, Ranking Member Connolly, and members of the Subcommittee, this concludes my prepared statement. I would be happy to respond to any questions you may have at this time.

Contacts and Acknowledgment

For further information about this statement, please contact me at (202) 512-4841 or huttonj@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. Individuals who made key contributions to this statement include Penny Berrier, Assistant Director; Timothy DiNapoli; Laura Holliday; Victoria Klepacz; John Krump; and Janet McKelvey.
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