

Acquisition Reform, Again

Written by Nick Sanders

Wednesday, 08 June 2016 00:00

The Federal acquisition system and, in particular, the DOD acquisition system, is broken and nobody knows how to fix it.

Sure, we've had Better Buying Power in at least three different flavors—all woefully limited in results obtained. We've had should-cost teams and peer reviews and Review Boards and a new DOD Directorate of Pricing was created—and problems still persist. The system remains broken.

It's not like we haven't written about this topic before. We have. We certainly have. We've opined and asserted and ranted and pointed out that individuals from within the bureaucracy are probably the worst people to try to make radical changes to that bureaucracy. Of course, nobody in power did anything in response to our pontifications ... because they've probably never heard of this boutique consultancy. We've been told by people who should know that those SES and Schedule C leaders are doing the best they can. We've been told that it's an almost impossible task and nobody is setting out to waste taxpayer money with doomed-to-fail reform efforts.

Yeah. But still ...

Congress thinks it's time for some radical changes to the bureaucracy, at least as expressed in this year's not-yet-final National Defense Authorization Act (NDAA). If enacted as drafted, the NDAA will drive an "avalanche of acquisition reforms," according to Sandra Irwin, [writing](#) for the National Defense Industrial Association. She lists some of the proposed reforms—but notes that not every proposal is expected to survive to the final bill that gets sent to President Obama. The list of proposed reforms includes—

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Roll-back military benefits

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Disband the office of the Under Secretary for Acquisition, Technology, and Logistics

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Redefine the role of the Chairman of the Joint Chiefs of Staff

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Penalize the Pentagon for issuing cost-type contracts (Irwin writes that the penalty would equal 2 percent of the funds obligated for procurement contracts or 1 percent of funds provided for research, development, testing and engineering contracts.)

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Reduce the number of general and flag officers by 25 percent and reduce the number of four-star officers to 27 from 41

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Require a DOD review of whether to allow small-business contractors to remain temporarily eligible for small-business set-aside contracts even if they outgrow size limits because of growing commercial sales

And that's not all. Reportedly, Title VIII of the bill goes from Section 801 to Section 899, indicating there are at least 99 statutory reforms included.

In addition to the list above, Paul Pompeo [wrote](#) that the NDAA proposes “establishment of a new Cost Accounting Standards (CAS) Board to be housed within the Department of Defense (DoD).” According to Mr. Pompeo (a Government Contracts attorney at the firm of Arnold & Porter)—

The Committee had no kind words for the existing CAS Board. The Committee noted that the CAS Board has not met in more than three years, does not have a quorum, and that ‘it is doubtful that any credible reform will emanate out of [the CAS] Board in the future ...’ The Committee also asserted a need for a DoD-based CAS Board to meet national security needs better.

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On that point, we have ourselves railed at the inactive CAS Board. For example, in [this article](#) we wrote—

The CAS Board needs to be active. The CAS Board needs to be soliciting input. There are real challenges that need to be addressed. For instance, we need a definition of ‘increased costs in the aggregate’ and we need to know whether the CAS Board accepts that the FAR Council took on the role of defining CAS rules, regulations and terms with respect to the 2005 revisions to FAR Part 30.6 and related CAS clauses. Does the CAS Board agree that [concurrent changes](#) in cost accounting practice must be calculated independently, without any offsets?

We need a workable approach to determining the value of an ID/IQ-type contract for CAS purposes. We need to take a look at the \$700,000 floor for CAS coverage to see whether imposing the CAS requirements on such tiny contracts is in the best interests of the taxpayers.

There are a lot of things the CAS Board could be doing, but we’re not hearing about any of it, nor does the CAS site indicate that anything is happening. And that’s a real problem, in our view.

The lack of activity by the CAS Board has come to the attention of the Senate and they are proposing a significant reform in order to fix the perceived problem. In his article, Mr. Pompeo discusses why the fix might be worse than the problem. In our view, Ms. Rung (the CAS Board Chair) needs to attend to her duties and get the CAS train moving again.

So that’s the thing with respect to these upcoming acquisition reforms, isn’t it? Will the proposed fixes—and there are many of them—actually solve any problems, or will they make the problems worse. If recent history is any guide, it will be the latter.