United States Government Accountability Office

Report to the Chairman, Committee on Homeland Security and Governmental Affairs, U.S. Senate

July 2021

FEDERAL CONTRACTING

Senior Leaders Should Use Leading Companies' Key Practices to Improve Performance

Accessible Version

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GAO-21-491

GAO Highlights

Highlights of GAO-21-491, a report to the Chairman of the Committee on Homeland Security and Governmental Affairs, U.S. Senate

July 2021

FEDERAL CONTRACTING

Senior Leaders Should Use Leading Companies' Key Practices to Improve Performance

Why GAO Did This Study

Federal agencies face significant, long-standing procurement challenges that increase the risk of waste and mismanagement.

GAO was asked to review key procurement practices in the private sector and assess whether federal agencies could adopt them. This report examines key practices that leading companies use to improve the performance of their procurement organizations, and the extent to which procurement leaders at selected federal agencies use those practices.

GAO interviewed senior procurement leaders at seven leading companies, and experts from four professional associations and five academic institutions. GAO selected these individuals based on literature reviews and conversations with knowledgeable officials. GAO compared key practices they identified to those used at six federal agencies selected based on the dollar value and number of their procurement actions, among other factors. GAO analyzed documentation on each agency's procurement management practices, and interviewed the agencies' senior procurement leaders.

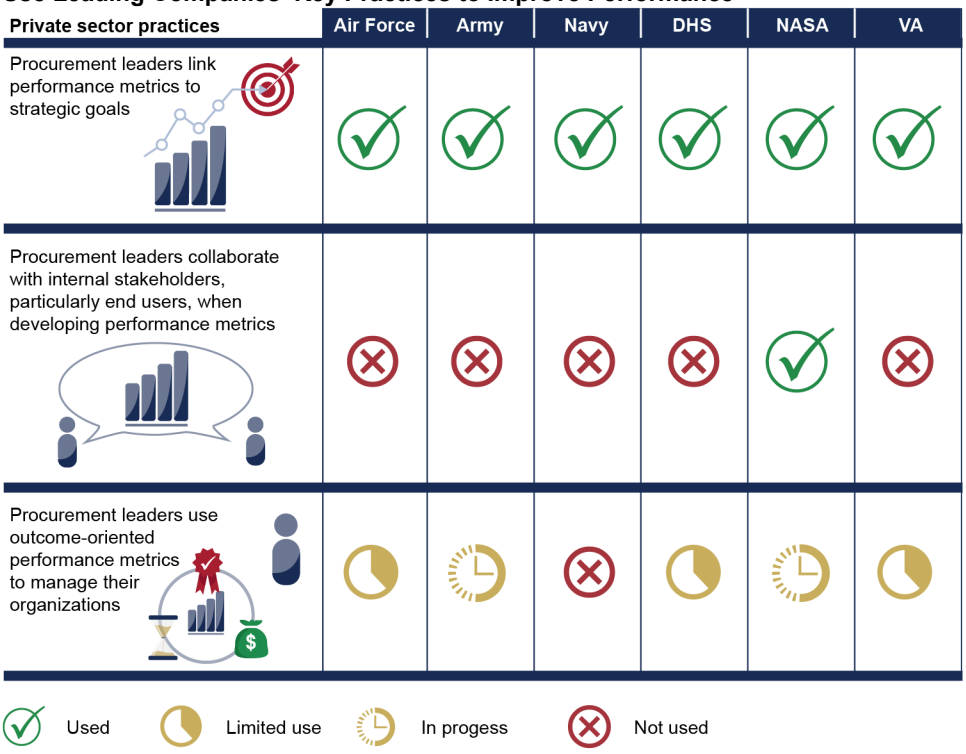
The federal government does not have generally accepted definitions for outcome-oriented and process-oriented metrics. For the purposes of this report, GAO defined outcome-oriented metrics as those metrics that measure the results of organizations' procurement activities. GAO defined process-oriented metrics as those metrics that measure the type or level of procurement activities conducted.

View GAO-21-491. For more information, contact Timothy J. DiNapoli at (202) 512-4841 or DiNapoliT@gao.gov.

What GAO Found

Each year, federal agencies spend over $500 billion to buy a wide variety of products and services, ranging from cutting-edge military aircraft to common office supplies. Given the amount of federal funds spent and the missions these contracts support, it is critical that agencies' procurement leaders manage their organizations effectively. However, GAO found procurement leaders at six of the federal government's largest agencies did not consistently use key practices that leading companies use to improve the performance of their procurement organizations (see figure).

Procurement Leaders at the Federal Agencies GAO Reviewed Did Not Consistently Use Leading Companies' Key Practices to Improve Performance



NASA = National Aeronautics and Space Administration
DHS = Department of Homeland Security
VA = Department of Veterans Affairs

Source: GAO analysis of federal agencies procurement practices. | GAO-21-491

Data table for Procurement Leaders at the Federal Agencies GAO Reviewed Did Not Consistently Use Leading Companies' Key Practices to Improve Performance

	Air Force	Army	Navy	DHS	NASA	VA
Procurement leaders link performance metrics to strategic goals	Used	Used	Used	Used	Used	Used
Procurement leaders collaborate with internal stakeholders, particularly end users, when developing performance metrics	Not uses	Not uses	Not uses	Not uses	Used	Not uses
Procurement leaders use outcome-oriented performance metrics to manage their organizations	Limited Use	In Progress	Not used	Limited Use	In Progress	Limited Use

Note: GAO's assessment of procurement leaders' collaboration when developing performance metrics reflects the extent to which they collaborated with end users.

Source: GAO analysis of federal agencies procurement practices. | GAO-21-491

Link performance metrics to strategic goals. Procurement leaders at all the agencies in GAO's review linked their performance metrics to their agencies' strategic goals. These leaders stated that doing so helps ensure acquisition personnel are focused on the right things to support their agency's mission.

These statements are consistent with statements from procurement leaders at leading companies.

Collaborate with internal stakeholders, particularly end users, when developing performance metrics. When they were developing performance metrics, procurement leaders at all six of the agencies in GAO's review collaborated with other members of the procurement community. However, only the procurement leaders at the National Aeronautics and Space Administration (NASA) collaborated with end users, such as technical experts from installation centers. One procurement leader said he did not collaborate with end users when he developed performance metrics because too much end user influence could lead to suboptimal results, but leaders do not have to cede control when they collaborate with end users. End users can help procurement leaders increase the usefulness and use of performance information in program management and policy, and corporate procurement leaders told GAO that collaboration with end users during the development and implementation of performance metrics increases coordination and improves performance at the strategic level.

Use outcome-oriented performance metrics to manage procurement organizations. GAO found the leaders at all six of the agencies reviewed rely primarily on process-oriented metrics (such as small business utilization rates) when managing their procurement organizations. These leaders cited various reasons for not implementing metrics that are more outcome-oriented. For example, two leaders stated they did not use outcome-oriented performance metrics because of unreliable data. Three of the leaders, however, are working to improve data that can facilitate outcome-oriented assessments.

Additionally, procurement leaders at most of the agencies GAO reviewed have ongoing or planned efforts to use performance metrics to measure at least one of the four procurement outcomes identified as important by corporate procurement leaders. These outcomes include (1) cost savings/avoidance, (2) timeliness of deliveries, (3) quality of deliverables, and (4) end-user satisfaction. For example, the Air Force's senior procurement leader has used a cost savings/avoidance metric to manage the Air Force's procurement organizations, and as of March 2021, the Air Force leader had identified $2.38 billion in cost savings and avoidance. Additionally, the Army's senior procurement leader told GAO that she began to pursue outcome-oriented metrics in late 2020, after GAO provided her an interim assessment comparing Army practices to private sector practices.

GAO has previously reported that using a balanced set of performance measures, including both process- and outcome-oriented measures—and obtaining complete and reliable performance information—can help federal agencies identify improvement opportunities, set priorities, and allocate resources.

What GAO Recommends

GAO is making a total of 11 recommendations to the six agencies reviewed. Specifically, GAO recommends that they (a) collaborate with end users to develop performance metrics, and (b) use a balanced set of performance metrics to manage their procurement organizations, including outcome-oriented metrics for (1) cost savings/avoidance, (2) timeliness of deliveries, (3) quality of deliverables, and (4) end-user satisfaction.

In total, the agencies concurred with seven of the recommendations, and did not concur with four. Three of the agencies concurred with the recommendation to collaborate with end users to develop performance metrics; two did not. Four of the agencies concurred with the recommendation to use a balanced set of performance metrics to manage their procurement organizations, including outcome-oriented metrics; two did not. GAO continues to believe that all of the recommendations are warranted, as discussed in the report.

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Abbreviations

ASN (RDA)	Assistant Secretary of the Navy for Research, Development, and Acquisition
CPARS	Contractor Performance Assessment Reporting System
DCMA	Defense Contract Management Agency
DAWIA	Defense Acquisition Workforce Improvement Act
DHS	Department of Homeland Security
DOD	Department of Defense
DOE	Department of Energy
FAR	Federal Acquisition Regulation
FPDS	Federal Procurement Data System

GPRA	Government and Performance Results Act of 1993
GSA	General Services Administration
HCA	Head of Contracting Activity
IT	information technology
NASA	National Aeronautics and Space Administration
OMB	Office of Management and Budget
P&G	Procter and Gamble
PALT	Procurement Administrative Lead Time
RFP	request for proposal
SPE	Senior Procurement Executive
TALT	Total Acquisition Lead Time
TINA	Truth in Negotiations Act
UCA	undefinitized contract action
VA	Department of Veterans Affairs
VSEM	Vision, Strategy, Execution, and Metrics

441 G St. N.W.
Washington, DC 20548

July 27, 2021

The Honorable Gary C. Peters
Chairman
Committee on Homeland Security and Governmental Affairs
United States Senate

Dear Mr. Chairman:

Each year, federal agencies spend over $500 billion on contracts to buy a wide variety of products and services, ranging from cutting-edge military aircraft to common office supplies. Given the amount of federal funds spent and the missions these contracts support, it is critical that agencies' procurement leaders manage their organizations effectively. Federal agencies, however, face significant, longstanding procurement challenges. For almost 30 years, we have included aspects of contracting at the Department of Defense (DOD) and the National Aeronautics and Space Administration (NASA) on our High-Risk List, which identifies government operations with greater vulnerabilities to fraud, waste, abuse, and mismanagement; or that are in need of transformation to address economy, efficiency, or effectiveness challenges.[1] Additionally, we have included acquisitions at the Departments of Homeland Security and Veterans Affairs (VA) on our High-Risk List since 2013 and 2019, respectively.

Similar to federal agencies, private companies also buy a wide variety of products and services critical to their operations, and it is essential they manage their procurement organizations effectively to be successful. In previous reports, we have identified opportunities for federal agencies to leverage key practices used by private sector procurement organizations. For example, we found federal agencies could emulate leading companies by implementing strategic sourcing and category management principles, which moves organizations away from numerous individual

[1]GAO, *High-Risk Series: Dedicated Leadership Needed to Address Limited Progress in Most High-Risk Areas,* GAO-21-119SP (Washington, D.C.: Mar. 2, 2021).

procurements to a more integrated purchasing approach.[2] We also found that DOD could develop service contracting strategies similar to those used in the private sector to save money and improve performance.[3]

You asked us to review key procurement practices in the private sector and assess whether there are additional practices that federal agencies could adopt. This report examines (1) key practices corporate procurement leaders at leading companies use to improve the performance of their procurement organizations, and (2) the extent to which procurement leaders at selected federal agencies use those same practices.

To identify key practices corporate procurement leaders at leading companies use to improve the performance of their procurement organizations, we interviewed senior procurement leaders at seven leading companies representing a variety of business sectors; representatives of professional associations focused on contract and supply management and global procurement; and subject matter experts from the private sector and academia with professional experience in contract management, supply chain management, and global procurement. We analyzed their statements, organized them by common themes, and identified key practices generally used by procurement leaders at leading companies.

To select the companies included in our scope, we analyzed information from the Fortune 100 list and targeted U.S.-based companies that procure a diverse range of products and services. The following companies are included in our review:

- AT&T,
- ExxonMobil,
- Facebook,

[2]GAO, *Federal Buying Power: OMB Can Further Advance Category Management Initiative by Focusing on Requirements, Data, and Training*, GAO-21-40 (Washington, D.C.: Nov. 30, 2020); and GAO, *Strategic Sourcing: Leading Commercial Practices Can Help Federal Agencies Increase Savings When Acquiring Services*, GAO-13-417 (Washington, D.C.: Apr. 15, 2013).

[3]GAO, *Best Practices: Improved Knowledge of DOD Service Contracts Could Reveal Significant Savings,* GAO-03-661 (Washington, D.C.:June 9, 2003).

- General Electric (Aviation),
- Kroger,
- Procter & Gamble, and
- Raytheon Technologies.[4]

To collect additional perspectives on key procurement practices, we reviewed published work and interviewed representatives from the following four professional associations focused on contract and supply chain management, and global procurement:

- The National Contract Management Association,
- The Institute for Supply Management,
- The American Productivity & Quality Center, and
- World Commerce & Contracting (formerly the International Association of Contract and Commercial Managers Inc.).

For additional information on key practices, and to obtain academic perspectives on private sector procurement approaches, we interviewed five academic experts with professional experience in supply chain management, contract management, and global procurement.

To determine the extent to which procurement leaders at selected federal agencies use the same key practices as procurement leaders at leading companies when managing their procurement organizations, we assessed procurement management practices at six agencies. To select the agencies in our review, we used the Federal Procurement Data System (FPDS) to identify agencies with the largest contract obligations and greatest number of contract actions for fiscal years 2017 to 2019,[5] and we cross-referenced them against those agencies that had been included on GAO's 2019 High-Risk List because of contract management challenges.[6] We determined the FPDS data were sufficiently reliable for describing total contract obligations and total number of contract actions

[4]The views of Raytheon Technologies were collected from interviews with procurement leaders at Raytheon Company prior to its merger with United Technologies Corporation.

[5]Contract actions are those actions, including modifications and orders, reported in FPDS pursuant to FAR 4.6.

[6]GAO, *High-Risk Series: Substantial Efforts Needed to Achieve Greater Progress on High-Risk Areas,* GAO-19-157SP (Washington, D.C.: Mar 6, 2019).

by agency for fiscal years 2017 to 2019. Figure 1 identifies the selected agencies for this review.

Figure 1: Federal Agencies GAO Reviewed to Assess Key Practices Procurement Leaders Use to Improve the Performance of Procurement Organizations

Source: Agencies. | GAO-21-491

At each of these agencies, we interviewed senior procurement leaders and reviewed documentation that established the agency's mission and strategic goals, the procurement organization's goals and performance metrics, and examples of how procurement leaders used performance information. We established the following four categories to indicate the extent to which agency leaders used the leading companies' key practices.

- Used: We found that the agency leader used this practice or outcome-oriented metric.
- Limited Use: We found that the agency leader used this practice or outcome-oriented metric, but not in a comprehensive manner.
- In Progress: We found that the agency leader had taken steps to use this practice or outcome-oriented metric in the future, but was not yet using it.
- Not Used: We found that the agency leader did not use this practice or outcome-oriented metric.

A more detailed description of our scope and methodology is presented in appendix I.

We conducted this performance audit from July 2019 to July 2021 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit 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.

Background

Federal agencies have inherent authority to procure products and services in support of their respective missions and activities. Agencies award contracts that specify the government's requirements, price and payment arrangements, and other terms and conditions. The Federal Acquisition Regulation (FAR) states that the federal acquisition system will satisfy the customer in terms of cost, quality, and timeliness of the delivered product or service; and states that the principal customers of the federal acquisition system are the users and line managers acting on behalf of the American taxpayer.[7] The FAR also states that the federal acquisition system must be responsive and adaptive to customer needs, concerns, and feedback.[8]

There are a variety of officials responsible for managing the contracting functions at federal agencies. The FAR establishes that, unless specifically prohibited by another provision of law, authority and responsibility to contract for products and services is vested in the agency head.[9] The FAR also states that the agency head may establish contracting activities, and delegate broad authority to manage the agency's contracting functions to the Heads of the Contracting Activities (HCA). Further, the Services Acquisition Reform Act established that non-DOD agencies' Senior Procurement Executives (SPE) are generally responsible for (1) ensuring that procurement goals align with agencies' missions, (2) establishing procurement policies, and (3) managing the agencies' procurement activities.[10] Table 1 presents the senior procurement leaders—HCAs and SPEs—we focused on in this review.

[7]FAR 1.102, 1.102-2.

[8]FAR 1.102-2.

[9]FAR 1.601.

[10]Services Acquisition Reform Act of 2003, Pub. L. No. 108-136, § 1421, 117 Stat. 1663 (codified as amended at 41 U.S.C. § 1702).

Table 1: Senior Procurement Leaders at the Federal Agencies Included in GAO's Review

Agencies	Senior Procurement Leaders
Department of the Air Force	Deputy Assistant Secretary of the Air Force (Contracting) / Head of Contracting Activity (HCA)
Department of the Army	Deputy Assistant Secretary of the Army (Procurement) / HCA
Department of the Navy	Deputy Assistant Secretary of the Navy (Procurement) / HCA
Department of Homeland Security	Chief Procurement Officer / Senior Procurement Executive (SPE)
National Aeronautics and Space Administration	Assistant Administrator, Office of Procurement / SPE
Department of Veterans Affairs	Executive Director, Office of Acquisition and Logistics / SPE

Source: GAO analysis of agency documentation. | GAO-21-491

Note: The Army and the Navy have a total of four and 11 HCAs, respectively. In addition to the senior procurement leaders identified in this table who have department-wide responsibilities, the Army and Navy have HCAs with narrower areas of responsibility, for example, at an individual command.

Prior GAO Work on Performance Management

Congress has taken actions to improve performance management across the federal government, including the management of agencies' procurement operations. In 1993, Congress passed, and the President signed into law, the Government Performance and Results Act (GPRA) to improve agencies' performance by establishing a framework for developing and integrating agencies' missions, strategic priorities, and performance goals, among other things.[11] Congress subsequently amended GPRA with the GPRA Modernization Act of 2010, which includes several provisions that provide an opportunity for agencies to increase federal agencies' use of information to improve their performance.[12] We previously reported on how agencies can better meet the intent of GPRA and the GPRA Modernization Act. For example, we identified key practices agencies can take to implement these laws, including the following.

- **Linkage between individual performance and organization success:** We found that explicit linkage helps individuals see the connection between their daily activities and organizational goals, and

[11]Pub. L. No. 103-62.

[12]Pub. L. No. 111-352, § 2(b).

encourages individuals to focus on how they can help achieve those goals.[13]

- **Collaborating with stakeholders on performance management:** We found it is valuable for performance evaluators to develop relationships with stakeholders to gain their input and buy-in, and that doing so can increase the usefulness and use of performance information in program management and policy.[14]
- **Using performance information:** We found that agencies should establish and use a balanced set of performance measures, including outcome and process measures, and that they should obtain complete and reliable performance information.[15] We found these actions help federal agencies identify improvement opportunities, set priorities, and allocate resources.

For the purposes of this report, we established two categories of performance metrics for contracting: (1) outcome-oriented performance metrics, and (2) process-oriented performance metrics. The federal government does not have generally accepted definitions for these categories, so we defined them as follows. Outcome-oriented performance metrics for procurement organizations are those metrics that measure the results of organizations' procurement activities. Process-oriented performance metrics for procurement organizations are those metrics that measure the type or level of procurement activities conducted. Both types of measures have merit. See table 2 for examples of outcome and process-oriented performance metrics for procurement organizations, whether in the government or the private sector.

[13]GAO, *Managing for Results: Further Progress Made in Implementing the GPRA Modernization Act, but Additional Actions Needed to Address Pressing Governance Challenges*, GAO-17-775 (Washington, D.C.: Sept. 29, 2017); and GAO, *Results-Oriented Cultures: Creating a Clear Linkage between Individual Performance and Organizational Success,* GAO-03-488 (Washington, D.C.: Mar. 14, 2003).

[14]See for example, GAO, *Program Evaluation: Strategies to Facilitate Agencies' Use of Evaluation in Program Management and Policy Making,* GAO-13-570 (Washington, D.C.: June 26, 2013); GAO, *Managing for Results: Enhancing Agency Use of Performance Information for Management Decision Making*, GAO-05-927 (Washington, D.C.: Sept. 9, 2005); and GAO, *Executive Guide: Effectively Implementing the Government Performance and Results Act*, GAO/GGD-96-118 (Washington, D.C.: June 1, 1996).

[15]GAO, *Managing for Results: Implementation of GPRA Modernization Act Has Yielded Mixed Progress in Addressing Pressing Governance Challenges*, GAO-15-819 (Washington, D.C.: Sept. 30, 2015); GAO-05-927; and GAO/GGD-96-118.

Table 2: Examples of Performance Metrics for Procurement Organizations

Outcome-oriented	Process-oriented
Quality of product or services procured	Number of contract awards
Timeliness of deliveries to end users	Competition rates[a]
Cost savings or avoidance	Small business utilization rates

Source: GAO analysis of leading practices for private sector companies and agencies in our review. | GAO-21-491

[a]In general, "competition rate" measures the extent to which contracts are competitively awarded pursuant to the Federal Acquisition Regulation.

Additionally, for the purposes of this report, we are using the term end users to identify internal stakeholders that use the products and services procured. Some individuals identify end users as "customers," but we are not using the term customer, except when agencies use it in formal documentation. We chose the term end user because some key leaders told us they did not agree with the unequal partnership the term customer implies.

Government-wide Benchmarking Initiative

In 2014, the Office of Management and Budget (OMB) and the General Services Administration (GSA) established a benchmarking initiative intended to improve procurement efficiency and operational quality across several mission support areas, including procurement.[16] This initiative uses a common set of government-wide performance metrics to collect information across federal agencies. The Chief Acquisition Officers Council, which includes the senior procurement leaders from more than 30 federal agencies, reassesses the performance metrics for the procurement area annually.[17] These performance metrics are generally process oriented, and are intended to provide agency procurement leaders information to set priorities, allocate resources, and improve processes within their respective agencies. See table 3 for the list of the Fiscal Year 2021 benchmarking metrics for procurement.

[16]The other mission support areas are finance, human capital, information technology, and real property.

[17]All six agencies we reviewed are represented on the Chief Acquisition Officers Council.

Table 3: List of Fiscal Year 2021 Government-wide Benchmarking Metrics for Procurement

Metric Type	Metric
Efficiency	Cost to spend ratio: contracting program costs (salary, training, supplies, etc.) divided by total procurement obligations
	Spend under management: obligations on contracts that meet certain criteria, e.g. that are agency- or government-wide contracts for commonly procured products and services[a]
Operational quality	One bid rate for competitive acquisitions for contracts[b]
	One bid rate for competitive acquisitions for orders on previously awarded contracts
	Overall one bid rate for all competitive acquisitions (contract and orders)
	Overall employee engagement index for contracting professionals
	Procurement Administrative Lead Time: number of calendar days between the solicitation issue date and award date divided by number of actions that requires a solicitation

Source: GAO analysis of Office of Management and Budget (OMB) and General Services Administration documentation. | GAO-21-491

[a]OMB established the spend under management metric as part of its government-wide category management initiative, which is intended to help federal agencies buy like a single enterprise so they can better leverage the government's buying power.

[b]One bid rate refers to the percentage of dollars for contracts awarded using competitive procedures for which only one offer is received.

The benchmarking initiative also includes a survey that solicits responses about end-user satisfaction with the procurement function, and according to OMB and GSA officials, the results could be used as a starting point for agencies to conduct further analysis.

Differences between Procurement Organizations at Companies and Agencies

Leading companies and federal agencies both buy a wide variety of products and services critical to their operations. However, procurement leaders at leading companies operate in a different environment than procurement leaders at federal agencies. Procurement leaders at leading companies often focus on financial measures like profit margins and return on investment, but procurement leaders at federal agencies do not. Further, procurement leaders' actions are subject to laws and regulations intended to promote transparency and fairness, and to support socio-economic goals. For example, procurement leaders are expected to maximize competition for government contracts, and meet small business utilization goals, which can introduce additional dimensions to procurement leaders' management responsibilities at federal agencies.[18]

[18]Federal program managers are required to engage in acquisition planning to ensure maximum competition, while considering small business contract goals. FAR 7.105.

Our prior work identified leading practices for federal agencies to obtain best value for taxpayer dollars and meet socio-economic goals. For example, to leverage the government's buying power, we recommended that agencies enhance various category management efforts intended to improve how the government buys common products and services.[19] To meet socio-economic goals, we recommended the Small Business Administration improve oversight of the women-owned small business program, and improve record keeping of federal contracting and subcontracting opportunities for small businesses.[20]

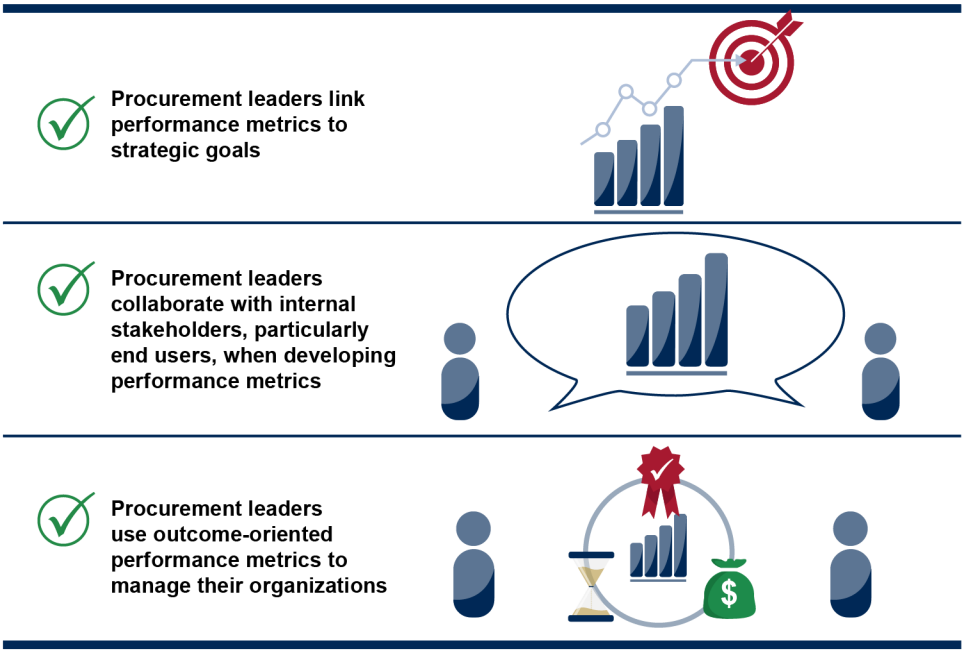
Procurement Leaders at Leading Companies Generally Use Three Key Practices to Improve Organizational Performance

Corporate procurement leaders and subject matter experts we interviewed told us leading companies have increasingly recognized the extent to which procurement operations help them achieve their overarching business goals. Based on those interviews, we identified three key practices leading companies use to improve the performance of their procurement organizations and help their companies achieve strategic goals (see figure 2).

[19]GAO-21-40; GAO, *Federal Procurement: Smarter Buying Initiatives Can Achieve Additional Savings, but Improved Oversight and Accountability Needed*, GAO-17-164 (Washington, D.C.: Oct. 26, 2016); and GAO, *Best Practices: Using Spend Analysis to Help Agencies Take a More Strategic Approach to Procurement*, GAO-04-870 (Washington, D.C.: Sept. 16, 2004).

[20]GAO, *Small Business Contracting: Better Documentation and Reporting Needed on Procurement Center Representatives*, GAO-20-462 (Washington, D.C.: June 30, 2020); and GAO, *Women-Owned Small Business Program: Actions Needed to Address Ongoing Oversight Issues*, GAO-19-168 (Washington, D.C.: Mar. 14, 2019).

Figure 2: Procurement Leaders at Leading Companies Generally Use Three Key Practices When Managing Their Procurement Organizations



Source: GAO analysis of private sector companies' procurement practices. | GAO-21-491

Text of Figure 2: Procurement Leaders at Leading Companies Generally Use Three Key Practices When Managing Their Procurement Organizations

- Procurement leaders link performance metrics to strategic goals
- Procurement leaders collaborate with internal stakeholders, particularly end users, when developing performance metrics
- Procurement leaders use outcome-oriented performance metrics to manage their organizations

Source: GAO analysis of private sector companies' procurement practices. | GAO-21-491

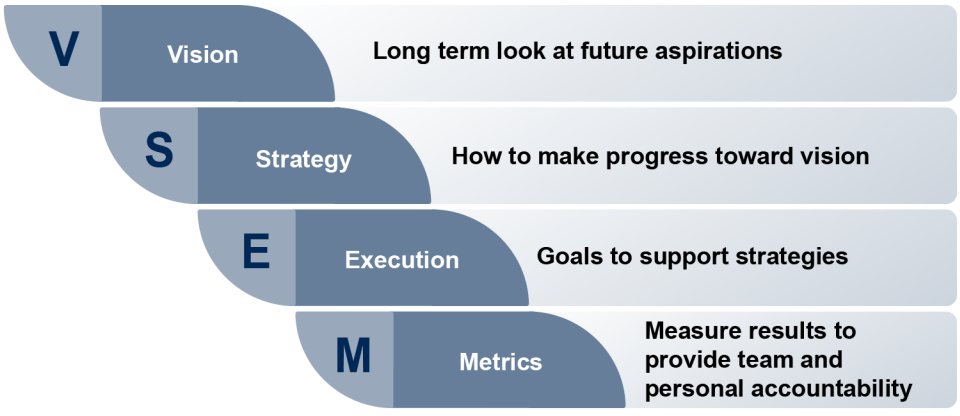
Corporate Procurement Leaders Link Performance Metrics to Strategic Goals

In interviews, corporate procurement leaders and subject matter experts emphasized the importance of linking performance metrics and procurement goals to corporate strategic goals. For example, a procurement expert at the Naval Postgraduate School told us the private sector has come to appreciate the extent to which procurement

operations help companies achieve their overarching business goals, and that it is now common for corporate level goals to drive procurement-specific goals and metrics. He added that companies can make better purchasing decisions when their procurement teams understand how they are expected to contribute to corporate goals. Similarly, a procurement executive who served as a senior contracting leader at a private technology firm, and prior to that in similar positions at several federal agencies, told us that successful private sector contracting leaders and organizations link their procurement teams' goals to the overall organization's goals. Procurement leaders from leading companies provided us examples of how they linked performance metrics to strategic goals, including the following.

- **Facebook** procurement leaders told us the company uses the Vision, Strategy, Execution, and Metrics (VSEM) method—which was originally pioneered by Cisco—to link the procurement team's metrics to the company's top-level goals. Facebook representatives said the VSEM method allows the procurement team to understand how its activities contribute to the company's overarching strategy. For example, procurement representatives told us they used the VSEM method to translate Facebook's strategic goals—which focus on quality, speed, protecting Facebook, and cost—into performance metrics (see figure 3).

Figure 3: The Vision, Strategy, Execution, and Metrics Method



Source: GAO depiction of VSEM concept by Stewart McCutcheon and Ecolab. | GAO-21-491

Text of Figure 3: The Vision, Strategy, Execution, and Metrics Method

- Vision: Long term look at future aspirations
- Strategy: How to make progress toward vision

- Execution: Goals to support strategies
- Metrics: Measure results to provide team and personal accountability

Source: GAO depiction of VSEM concept by Stewart McCutcheon and Ecolab. | GAO-21-491

- **General Electric (Aviation)** procurement leaders told us their company's leadership uses the Hoshin Kanri process to link procurement goals and performance metrics to strategic goals (see figure 4). This process is well established, and used by other leading companies—including Toyota and Hewlett Packard—to communicate strategic goals throughout the company and link them to lower-order goals and metrics, including goals and metrics for procurement teams. For example, a strategic goal to improve product quality could drive a procurement goal for reducing defects in components procured from key suppliers, and a corresponding metric that measures the number of defects per thousand units procured.

Figure 4: The Hoshin Kanri Process

Source: GAO depiction of the Hoshin Kanri process from "*The Seven Steps of Hoshin Planning*" (Waldo, Lean Methods Group). | GAO-21-491

Text of Figure 4: The Hoshin Kanri Process

- Step 1: Establish organizational vision
- Step 2: Develop strategic objectives
- Step 3: Develop annual objectives
- Step 4: Deploy annual objectives
- Step 5: Implement annual objectives
- Step 6: Conduct monthly review
- Step 7: Conduct annual review

Source: GAO depiction of the Hoshin Kanri process from "The Seven Steps of Hoshin Planning" (Waldo, Lean Methods Group). | GAO-21-491

- **Procter and Gamble's (P&G)** senior procurement leader told us he ensured that there was linkage between his company's strategic goals and his procurement team's performance metrics. Specifically, he told us he uses language from the strategic goals when reviewing his procurement team's work plans, and that this approach facilitates consistent messaging, which is critical to building a team and common goals.

Procurement Leaders Collaborate with Internal Stakeholders, Particularly End Users, When Developing Performance Metrics

Corporate procurement leaders told us they also collaborate with internal stakeholders to determine what procurement performance metrics should measure. These leaders said it is particularly important to collaborate with the internal stakeholders that use the products and services their teams procure, who are often referred to as "end users." The procurement leaders told us that collaboration with end users and end-user representatives increases coordination across functional teams—for example sales, logistics, finance—and improves performance at the strategic level. For example:

- **Raytheon Technologies** procurement leaders told us they continually collaborate with other functional teams when establishing performance metrics and goals to ensure they do not conflict with one another. For example, a procurement team with a unit-price metric may be incentivized to buy large volumes of a commodity to get a discount rate, but this approach could conflict with a logistics team's efforts to decrease warehousing costs. Raytheon Technologies' procurement leaders told us they mitigate these types of conflicts through cross-functional coordination focused on strategic goals, such as reducing total operating costs.
- One of **ExxonMobil's** senior procurement leaders told us that procurement teams are expected to collaborate and maximize efficiencies across functional teams when they are buying products and services. He explained that it is important for procurement teams and stakeholders to have clarity as to why purchasing must be done a certain way. ExxonMobil has various types of businesses, including fuel and chemical businesses. End users from these businesses often collaborate with one another and procurement teams to determine whether they should buy a particular product, such as a valve, on a micro-scale or at an enterprise-level. ExxonMobil's senior procurement leader told us the company's procurement team managers understand they are expected to meet the needs of the business units to help create value for shareholders.
- **AT&T** procurement leaders told us they collaborate with internal stakeholders to establish goals and metrics for their procurement teams that support the company's strategic goals. For instance, in pursuit of a strategic goal for revenue growth, the procurement

leaders worked closely with the sales and logistics teams to establish metrics for measuring availability and turnover of inventory.

Procurement Leaders Use Outcome-Oriented Performance Metrics to Manage Their Organizations

Experts at academic institutions and professional associations told us companies use outcome-oriented performance metrics to enhance procurement operations. They said companies use these metrics to identify which of their procurement teams are achieving desired outcomes, such as reducing costs and improving performance. The corporate procurement leaders we interviewed emphasized the importance of using four types of outcome-oriented metrics: (1) cost savings/avoidance, (2) timeliness of deliveries, (3) quality of deliverables, and (4) end-user satisfaction. Corporate procurement leaders provided specific examples of how they have used outcome-oriented performance data to make management decisions, including the following.

- **Facebook** procurement leaders told us they use outcome-oriented performance metrics to identify operational deficiencies and make needed improvements, and that these metrics measure (1) whether products and services cost more or less than they should, (2) on-time deliveries, and (3) failure rates indicating the quality of deliverables. They emphasized that Facebook is a metric-heavy organization, and that it would be counter to their operating model to make decisions in the absence of outcome-oriented metrics. They also provided an example of how they used outcome-oriented procurement data. During a performance assessment, procurement leaders found some groups were missing performance targets for quality and timeliness of deliveries. This discovery drove additional analysis, and the procurement team determined that the lack of a dedicated contract execution team was contributing to these issues. After various discussions, company leadership created a contract execution team to help improve the quality and timeliness of deliveries.
- **Kroger's** senior procurement leader told us Kroger uses data to demonstrate how procurement teams are benefitting the company. As part of this effort, the leader told us he uses outcome-oriented metrics to measure cost savings, timeliness of deliveries, and quality of deliverables. He also said that prior to having a strong procurement organization with reliable outcome-oriented performance data, many management decisions were based on "I think, I feel, and I want," which led to poor decisions.

Data Reliability

Procurement leaders at leading companies told us the reliability of their performance data is as important as the performance metrics they establish. For example, procurement representatives from **Raytheon Technologies** told us data are critical to performance improvement efforts, and that the company invests significant resources in data integrity. Similarly, one of the senior procurement leaders at **ExxonMobil** told us his procurement organization has a data analytics team with a global presence that works to improve performance data. The senior procurement executive at **Kroger** also told us his company has made the collection of reliable performance data a priority.

- **Raytheon Technologies** procurement leaders told us they have several outcome-oriented metrics, which measure cost savings, delivery times, and supplier quality. A senior procurement representative told us that these metrics are reviewed regularly to determine how the procurement organization is performing.
- **AT&T** procurement leaders told us they used end-user survey data to adjust their procurement team's buying behavior to better meet the company's needs. Specifically, they told us AT&T relies on real time data and feedback from its frontline employees to adjust and optimize productivity while focusing on continuous process improvements.

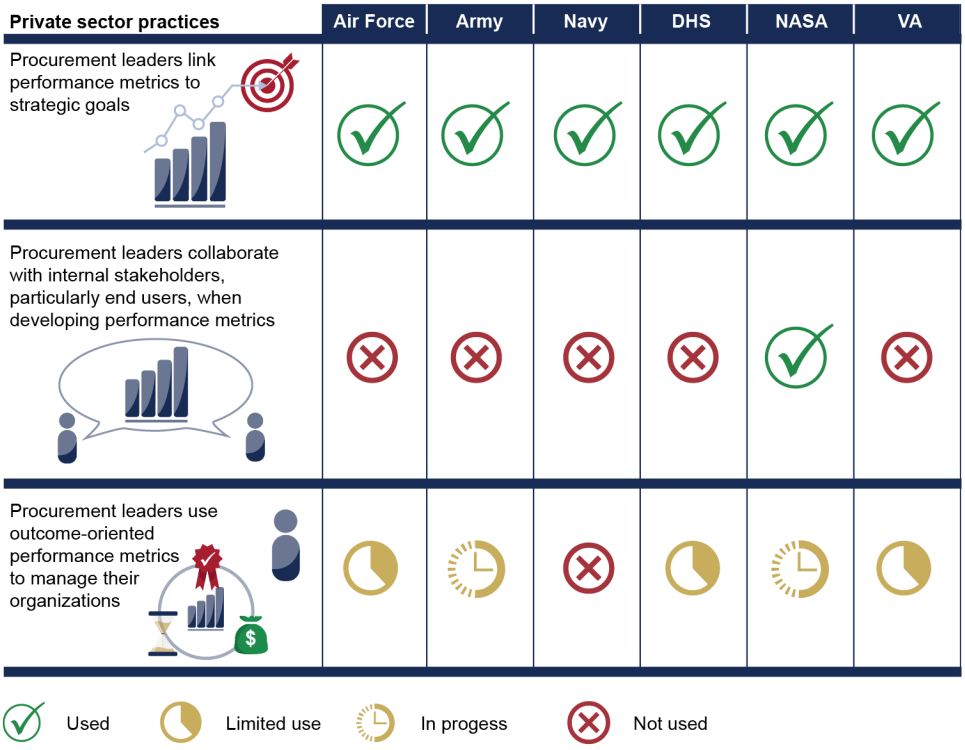
Procurement Leaders at Selected Federal Agencies Did Not Consistently Use Key Practices to Improve Organizational Performance

Procurement leaders at all six of the federal agencies we reviewed linked the performance metrics for their procurement organizations to their agency's strategic goals to help procurement personnel see connections between their daily activities and their agency's mission. However, procurement leaders at five of the six agencies we reviewed told us that they did not collaborate with end users to develop performance metrics. Procurement leaders told us that they did not collaborate with end users for various reasons, including that end users were not particularly interested in the types of process-oriented metrics used to assess procurement organizations, and that they could define metrics appropriately without formal end-user input. As a result, the leaders missed opportunities to increase the usefulness and use of performance information in program management and policy. Additionally, the procurement leaders' use of outcome-oriented metrics was limited, as they primarily relied instead on process-oriented metrics. The leaders cited various reasons for not using more outcome-oriented metrics. For example, two leaders told us that their current performance data for product and service quality are unreliable. As a result, the leaders lack balanced sets of performance measures that include both process- and outcome-oriented metrics, which we previously found help federal

agencies identify improvement opportunities, set priorities, and allocate resources.[21]

Figure 5 shows the extent to which federal agencies used leading companies' key practices when managing their procurement organizations.

Figure 5: Federal Agencies Consistently Used One of the Three Key Practices Leading Companies Use When Managing Their Procurement Organizations



Source: GAO analysis of federal agencies procurement practices. | GAO-21-491

[21]GAO-15-819.

Data table for Figure 5: Federal Agencies Consistently Used One of the Three Key Practices Leading Companies Use When Managing Their Procurement Organizations

	Air Force	Army	Navy	DHS	NASA	VA
Procurement leaders link performance metrics to strategic goals	Used	Used	Used	Used	Used	Used
Procurement leaders collaborate with internal stakeholders, particularly end users, when developing performance metrics	Not uses	Not uses	Not uses	Not uses	Used	Not uses
Procurement leaders use outcome-oriented performance metrics to manage their organizations	Limited Use	In Progress	Not used	Limited Use	In Progress	Limited Use

Source: GAO analysis of federal agencies procurement practices. | GAO-21-491

Note: Our assessment of procurement leaders' collaboration when developing performance metrics reflects the extent to which they collaborated with end users.

Procurement Leaders at Federal Agencies GAO Reviewed Linked Performance Metrics to Strategic Goals

Procurement leaders at all the agencies in our review linked their performance metrics to their agencies' strategic goals. These leaders stated that doing so helps ensure acquisition personnel are focused on the right things to support their agency's mission. These statements are consistent with statements we heard from procurement leaders at leading companies. Additionally, our previous work on creating a results-oriented culture found that explicit alignment between individuals' daily activities and organizational goals encourages individuals to focus on how they can help achieve those goals.[22]

[22]GAO-17-775; and GAO-03-488.

Department of the Air Force

The Air Force's senior procurement leader has established procurement goals that help link performance metrics for procurement organizations to the department's strategic goals. For example, the Air Force's procurement leader measures cost avoidance to assess progress toward the procurement goal to "build credibility and achieve cost savings and avoidance." This procurement-specific goal supports the Air Force's strategic goal of increasing the number of operational squadrons by reducing budget requirements for non-operational requirements. Figure 6 depicts this example.

Figure 6: Example of Linkage between the Air Force's Strategic Goals and Performance Metrics for Procurement Organizations

Source: GAO analysis of Air Force documentation. | GAO-21-491

Note: The procurement goal of "build credibility and achieve cost savings/avoidance" supports the Air Force's strategic goal of "increasing the number of operational squadrons" by reducing budget requirements for non-operational requirements.

In December 2018, the Air Force's senior procurement leader and the Air Force's Contracting Board of Directors created a document called the Contracting Flight Plan that established 14 procurement goals intended to strengthen the acquisition workforce, and increase the efficiency and effectiveness of procurement operations, among other things.[23] These procurement goals help connect performance metrics—such as cost savings and procurement administrative lead time—to the department's

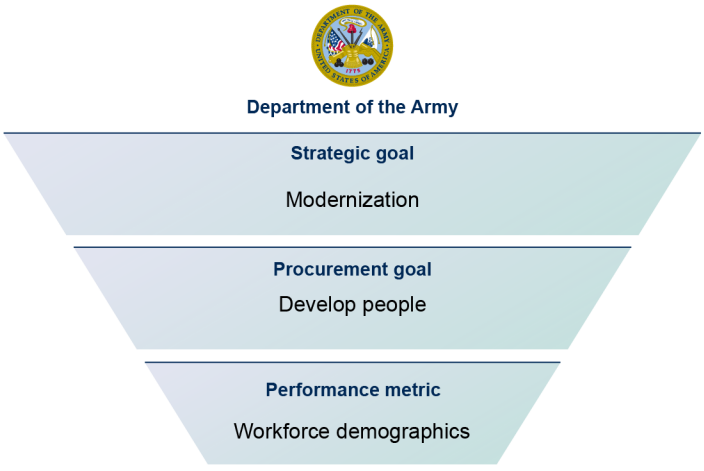
[23]Air Force Contracting Flight Plan: Mission-Focused Business Leadership, December 2018.

three strategic goals: (1) increasing the number of operational squadrons, (2) building a more lethal and ready force, and (3) fielding tomorrow's Air Force faster and smarter. The Air Force's senior procurement leader said this linkage shifts acquisition personnel's focus from compliance to meeting the Air Force mission, while underscoring the importance of the procurement community's work. Appendix II presents a list of the Air Force's strategic goals, procurement goals, and performance metrics for procurement organizations.

Department of the Army

The Army's senior procurement leader developed a procurement strategy document in fiscal year 2021 that links performance metrics for the Army's procurement organizations to the department's strategic goals. For example, the Army's senior procurement leader measures workforce demographics, which help identify experience levels in pursuit of the procurement-specific goal of developing people. Identifying experience levels and developing people helps improve the contracting workforce's ability to collaborate with industry and helps the Army achieve its strategic goal of modernizing technology. Figure 7 depicts this example.

Figure 7: Example of Linkage between the Army's Strategic Goals and Performance Metrics for Procurement Organizations



Source: GAO analysis of Army documentation. | GAO-21-491

Note: The Army's performance metric "workforce demographics" helps identify experience levels in pursuit of the procurement-specific goal to "develop people." Identifying experience levels and developing people helps improve the contracting workforce's ability to collaborate with industry and helps the Army achieve its strategic goal of "modernization."

After we shared our interim assessment of Army practices with Army procurement leaders in August 2020, the Army's senior procurement leader issued a new strategy document that links procurement goals and performance metrics to the department's four strategic goals: (1) Readiness, (2) Modernization, (3) Reform, and (4) Alliances and Partnerships.[24] The Army's senior procurement leader intends for the linkage to enhance the procurement workforce's dedication and keep the Army's strategic goals at the forefront of their decision-making. Appendix III presents a list of the Army's strategic goals, procurement goals, and performance metrics for procurement organizations.

Department of the Navy

The Navy's senior procurement leader has linked performance metrics for procurement organizations to the department's strategic goals through procurement-related goals established by the Assistant Secretary of the Navy for Research, Development, and Acquisition (ASN (RDA)). For example, the procurement leader measures the number of contracting staff who have met federal certification requirements. This measure links to the procurement goal to "build workforce to compete and win," which links to the Navy's strategic goal to "prioritize learning as a strategic advantage." Figure 8 depicts this example.

Figure 8: Example of Linkage between the Navy's Strategic Goals and Performance Metrics for Procurement Organizations

Source: GAO analysis of Navy documentation. | GAO-21-491

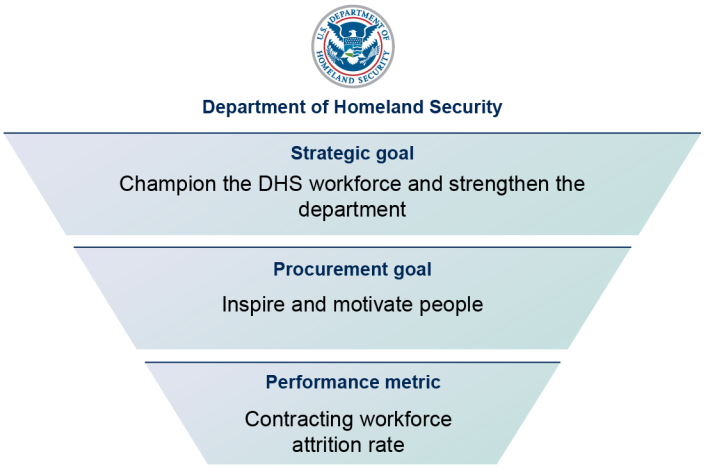
[24]The Army Strategy: Readiness, Modernization and Reform (2018).

The 14 performance metrics the Navy's senior procurement leader uses to assess the Navy's procurement organizations link to one or more of the four ASN (RDA) goals: (1) increase agility, (2) drive affordability, (3) deliver and sustain lethal capability, and (4) build workforce to compete and win. These ASN (RDA) goals link to the Navy's strategic goals, for example "Modernize business operations."[25] The Navy's senior procurement leader told us the linkage helps the department's acquisition workforce deliver needed capabilities to the warfighter in a timely manner. Appendix IV presents a list of the Navy's strategic goals, procurement goals, and performance metrics for procurement organizations.

Department of Homeland Security

DHS's senior procurement leader has established procurement-specific goals and performance metrics for the department's procurement organizations that link to the department's strategic goal. For example, the procurement leader measures contracting workforce attrition rates, which can help assess progress toward the procurement goal to inspire and motivate the procurement workforce. This procurement-specific goal links to DHS's strategic goal of championing the DHS workforce. Figure 9 depicts this example.

Figure 9: Example of Linkage between the Department of Homeland Security's Strategic Goals and Performance Metrics for Procurement Organizations



Source: GAO analysis of Department of Homeland Security (DHS) documentation. | GAO-21-491

[25]Department of the Navy, *Secretary of the Navy Year 3 Strategic Vision, Goals, and Implementation Guidance (Fiscal Years 2020-2023)*, May 18, 2020.

DHS's senior procurement leader has developed 13 performance metrics to assess the performance of the department's 10 HCAs, and these metrics generally align with the department's procurement goals: (1) inspire and motivate people, (2) deliver exceptional results, (3) enhance mission capabilities, and (4) promote meaningful communication.[26] We determined that these procurement goals directly link to one of DHS's six strategic goals: champion the DHS workforce and strengthen the department.[27] DHS's senior procurement leader told us there is also a relationship, albeit less direct, between the procurement goals and DHS's five other strategic goals, such as "Counter Terrorism and Homeland Security Threats," and "Secure U.S. Borders and Approaches." For example, delivering exceptional procurement results can include high-quality systems used to secure the border. The official told us that this linkage—from performance metrics to procurement goals to strategic goals—helps the DHS acquisition workforce meet the department's procurement needs and effectively support the mission. Appendix V presents a list of the DHS's strategic goals, procurement goals, and performance metrics for procurement organizations.

National Aeronautics and Space Administration

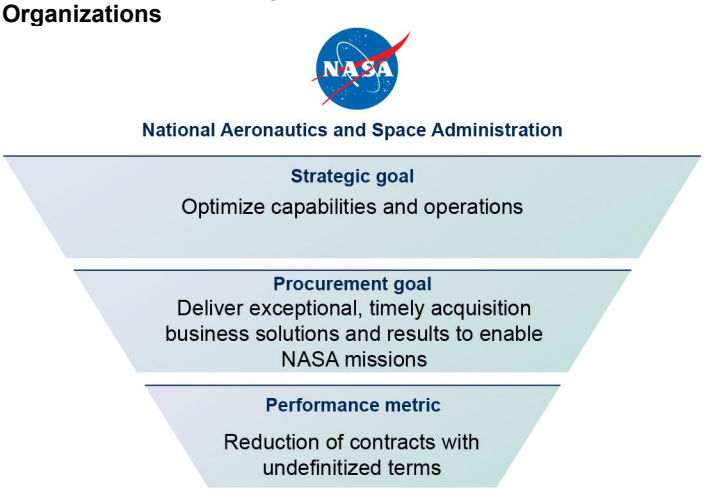
NASA's procurement leaders have established procurement-specific goals and performance metrics for the department's procurement organizations that link to one of NASA's strategic goals. For example, NASA's procurement leaders measure the reduction of the number of contracts with undefinitized terms that authorize contractors to begin work before reaching final agreement on contract terms, specifications, or price.[28] That metric links to NASA's procurement goal to deliver timely acquisition business solutions, which in turn links to NASA's strategic goal of optimizing operations. Figure 10 depicts this example.

[26]The Department of Homeland Security, Office of the Chief Procurement Officer, Annual Report Fiscal Year 2019.

[27]The Department of Homeland Security Strategic Plan for Fiscal Years 2020-2024.

[28]The FAR describes a letter contract as a written preliminary contractual instrument that authorizes the contractor to begin immediately manufacturing supplies or performing services. The FAR states that a letter contract may be used when the government's interests demand that the contractor be given a binding commitment so that work can start immediately and negotiating a definitive contract is not possible in sufficient time to meet the requirement. FAR § 16.603.

Figure 10: Example of Linkage between the National Aeronautics and Space Administration's Strategic Goals and Performance Metrics for Procurement Organizations



Source: GAO analysis of National Aeronautics and Space Administration documentation. | GAO-21-491

Note: Contracts with undefinitized terms, such as letter contracts authorize contractors to begin work before reaching final agreement on contract terms, specifications, or price.

To assess procurement activities across NASA's 11 installation centers, NASA's procurement leaders use performance metrics that NASA's annual mission strategy document links to two procurement-specific goals: (1) develop sound and flexible procurement processes that integrate the acquisition workforce, and (2) deliver exceptional, timely acquisition business solutions and results to enable NASA missions.[29] These goals link to one of NASA's strategic goals: optimize capabilities and operations.[30] NASA's procurement leaders told us the linkage between the performance metrics, the procurement goals, and the strategic goal help provide NASA's acquisition workforce the tools, techniques, and skills needed to help NASA execute its mission. Appendix VI presents a list of NASA's strategic goals, procurement goals, and performance metrics for procurement organizations.

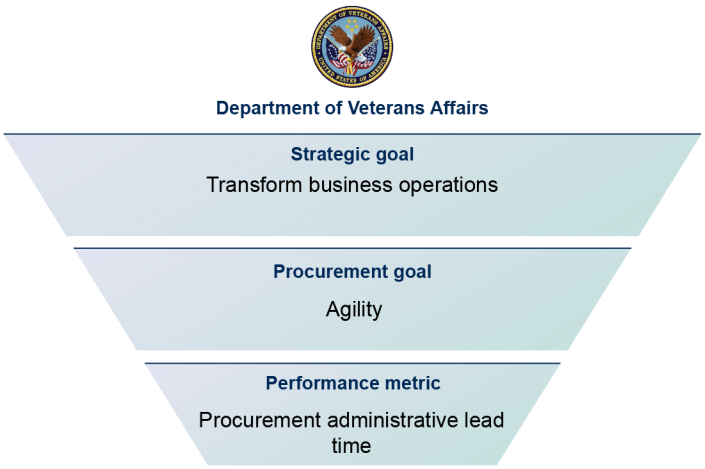
[29]For the four procurement goals, see the National Aeronautics and Space Administration, *State of NASA Procurement, 2019: A Year in Review*, 2019.

[30]The National Aeronautics and Space Administration, *2018 Strategic Plan*, February 18, 2018.

Department of Veterans Affairs

VA's senior procurement leader linked performance metrics for procurement organizations to a procurement-specific goal and one of the department's strategic goals. For example, the procurement leader defines procurement administrative lead time as the time between the date on which an initial solicitation for a contract or order is issued and the date of the award of the contract or order, and measures reductions against this metric. This metric can help assess the extent to which the acquisition workforce is meeting the procurement goal of "agility," which links to the department's overall strategic goal "transform business operations." Figure 11 depicts this example.

Figure 11: Example of Linkage between the Department of Veterans Affairs' (VA) Strategic Goals and Performance Metrics for Procurement Organizations



Source: GAO analysis of Department of Veterans Affairs documentation. | GAO-21-491

Note: VA defines procurement administrative lead time as the time between the date on which an initial solicitation for a contract or order is issued and the date of the award of the contract or order.

VA's senior procurement leader linked six performance metrics to the department's procurement-related goal: agility, which focuses on VA's ability to adapt to changing business environments and veterans' needs through streamlined services, among other things. This procurement-related goal falls under the department's strategic goal of transforming business operations to provide world-class customer service to veterans and the department's employees.[31] According to VA's senior procurement leader, the linkage between the performance metrics and the

[31]Department of Veterans Affairs, *FY 2018- 2024 Strategic Plan*, May 31, 2019.

department's strategic goal helps her gauge the overall health of the acquisition workforce and identify areas for improvement. Appendix VII presents a list of VA's strategic goals, procurement goals, and performance metrics for procurement organizations.

Procurement Leaders at Most of the Federal Agencies Reviewed Did Not Collaborate with End Users When Developing Performance Metrics

Procurement leaders at the six agencies in our review derived their performance metrics from statute, federal regulations, and OMB metrics, and collaborated with other members of the procurement community to develop performance metrics. However, only the procurement leaders from **NASA** collaborated with end users from the installation centers—such as technical experts—when developing performance metrics. In early 2021, NASA procurement leaders collaborated with these end users to develop a survey tool that collects quantitative and qualitative information that reflects end-user priorities. For example, the survey tool asks end users to rate the extent to which procurement officials met their needs, and gauges end-users satisfaction with procurement officials' communication. NASA officials told us they initiated development of the survey tool in an effort to develop an end-user satisfaction performance metric after we provided them information about the key practices corporate leaders use in August 2020.

Procurement leaders at the other five agencies we reviewed did not collaborate with end users when they developed their performance metrics.

- The senior procurement leader at the **Air Force** told us he did not collaborate with end users, such as wing commanders, when developing performance metrics because he did not want end users to influence contracting operations excessively. He said too much end-user influence could discourage contracting officers from being business leaders, and lead to suboptimal results, such as narrowly pursuing specific, less-innovative solutions from industry. Instead, he collaborated with subordinate procurement leaders and members of the Air Force's financial management community to develop performance metrics for cost savings and cost avoidance, among other things.
- The senior procurement leader at the **Army** said she did not collaborate with end users, such as brigade commanders, and instead

collaborated only within the procurement community when developing performance metrics.

- Procurement leaders at **Navy** headquarters, including the Navy's senior procurement leader, told us they did not collaborate with end users, including those representing the fleets, but that individual HCAs did collaborate with end users to develop performance metrics for their individual areas of responsibility. However, as a result, the performance metrics the Navy's senior procurement leader uses to assess activities across the entirety of the Navy are not informed by end-user input.
- **DHS's** senior procurement leader told us she did not collaborate with end users or their representatives when she developed performance metrics. She explained that end-user representatives, such as the leadership of the Border Patrol, are not particularly interested in the types of process-oriented metrics DHS uses to assess procurement organizations, including small business utilization rates and workforce certifications. Instead, the DHS's senior procurement leader collaborated with other members of the procurement community, such as HCAs and small business proponents, to refine performance metrics and the associated targets. For example, for fiscal year 2020, she worked with the HCA for Immigration and Customs Enforcement to revise the component's "spend under management" target from $592 million to $779 million based on the prior year's performance.[32]
- In March 2021, **VA** procurement leaders told us their current performance metrics were not informed by end user input, but that they were in the process of testing a new survey tool they may use in the future, and that they had solicited end-user input through contracting officer representatives as part of that testing.[33]

Procurement leaders in the private sector told us that collaboration with end users during the development and implementation of performance metrics increases coordination and improves performance at the strategic

[32]The Office of Management and Budget uses a spend under management model to identify contracts that adhere to category management principles. When contracts adhere to those principles, that spending is considered "managed." According to the General Services Administration, increasing spend under management will decrease costs, contract duplication, and inefficiency; and lead to better buying outcomes. For additional information on spend under management, see GAO-21-40.

[33]Contracting officers representatives are designated and authorized in writing by the contracting officer to collaborate with requiring activities and contractors to perform specific technical or administrative functions. FAR 2.101.

level. While one senior procurement leader told us that too much end-user influence could lead to suboptimal results, leaders do not have to cede control when they collaborate with end users, and we have previously found that obtaining stakeholder input can increase the usefulness and use of performance information in program management and policy.[34]

Procurement Leaders Primarily Rely on Process-oriented Metrics, but Most Have Plans to Use At Least One Outcome-oriented Metric In the Future

Procurement leaders at most of the agencies we reviewed have ongoing or planned efforts to use performance metrics to measure at least one procurement outcome, such as cost savings and end-user satisfaction. However, we found the leaders at all six of the agencies we reviewed rely primarily on metrics measuring processes, as they have in the past. These metrics are largely derived from OMB or statutorily-required goals, and measure competition rates, small business utilization, and workforce certifications, among other things.

These leaders cited various reasons for not implementing metrics that are more outcome-oriented. For example, one leader said that too much focus on end-user satisfaction is a risk because some of the procurement community's innovations are achieved by focusing on mission rather than end-user satisfaction. While we recognize that too much end-user influence can introduce risk, corporate procurement leaders we interviewed emphasized the importance of measuring end-user satisfaction as part of their efforts to improve the performance of their procurement organizations. Additionally, two leaders told us current performance data for product and service quality are unreliable, although half of the leaders in our review are working to improve the quality of this data at their respective agencies, which can help facilitate the use of outcome-oriented metrics. Private sector procurement leaders we interviewed also noted they made concerted efforts to improve the quality of high-priority data.

We have previously reported that establishing a balanced set of performance measures, including both process- and outcome-oriented measures, and obtaining complete and reliable performance information

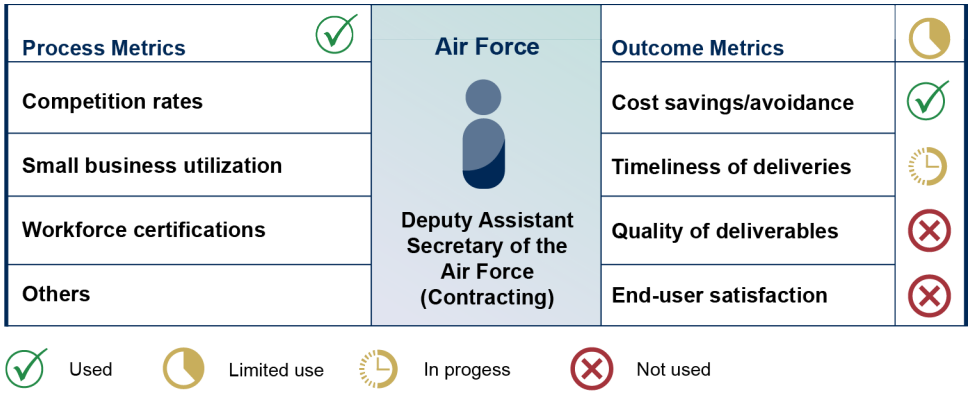
[34]GAO-13-570; and GAO-05-927.

can help federal agencies identify improvement opportunities, set priorities, and allocate resources.[35] Below, we assess the extent to which senior procurement leaders at the agencies we reviewed used the four types of outcome-oriented metrics used at leading companies: (1) cost savings/avoidance, (2) timeliness of deliveries, (3) quality of deliverables, and (4) end-user satisfaction.

Department of the Air Force

The Air Force's senior procurement leader has used a cost savings/cost avoidance metric to manage the Air Force's procurement organizations and is working to develop an outcome-oriented timeliness metric to supplement existing process-oriented metrics (see figure 12).[36]

Figure 12: Air Force Performance Metrics for Procurement Organizations



Source: GAO analysis of Air Force documentation. | GAO-21-491

Text for Figure 12: Air Force Performance Metrics for Procurement Organizations

- Process metrics – used
- outcome metrics – limited use
- cost savings/avoidance – used
- timeliness of deliveries – in progress
- quality of deliverables – not used

[35]GAO-15-819; GAO-05-927; and GAO/GGD-96-118.

[36]See appendix II for a complete list of the Air Force's performance metrics for procurement organizations.

- end user satisfaction – not used

Source: GAO analysis of Air Force documentation. | GAO 21-491

The Air Force's senior procurement leader established a cost-savings tracker to identify, track, and validate **cost savings and avoidance** across the department. As of March 2021, the Cost Savings Tracker had identified $2.38 billion in cost savings and avoidance.[37] For example, the Cost Savings Tracker identified $158 million in cost savings for information technology (IT), which the Air Force achieved by adjusting IT refresh rates so they were driven by need rather than funding availability. Air Force procurement leaders told us they used the Cost Savings Tracker to identify additional opportunities to save or avoid costs, including by reassessing IT refresh rates. Additionally, the Air Force's senior procurement leader told us he was taking initial steps to obtain congressional approval for a pilot program to reinvest some of these savings back into the Air Force, which he said will incentivize decision makers to reduce costs.

The Air Force's senior procurement leader is also working to develop an outcome-oriented metric for **timeliness of deliveries**, which he designated as Total Acquisition Lead Time (TALT). The Air Force defined TALT as the time from the identification of a requirement to the delivery of a capability. The Air Force's senior procurement leader told us the Air Force does not currently have the technical capability necessary to measure TALT, but there are efforts underway to develop this capability.

In addition to these outcome-oriented metrics, the Air Force's senior procurement leader told us the Air Force currently uses **process-oriented** metrics to manage procurement organizations. For example, the Air Force assessed cycle time data for sole source contract awards and identified factors contributing to longer cycle times. To address these factors, the Air Force's senior procurement leader deployed DOD's sole source streamlining toolbox, which identifies actions procurement personnel can take to reduce cycle times and award these contracts faster.

[37]As part of this process, the Air Force has standardized definitions for cost savings and avoidance. It has defined cost savings as reductions to budget lines or funded programs resulting from a new policy, process, or activity with no adverse impact on mission. It has defined cost avoidance as reductions in (1) the need for increased funding if present management practices continued; (2) unfunded requirements that were avoided; and (3) productivity gains, such as a reduction in required labor hours.

However, the Air Force's senior procurement leader has not pursued metrics to assess **end-user satisfaction** and the **quality of deliverables**. The official said this is because opinions vary about what end users should expect from procurement organizations, and what constitutes "quality" products and services. He also said that too much focus on end-user satisfaction is a risk because some of the procurement community's innovations are achieved by focusing on mission rather than end-user satisfaction. While we recognize that too much end-user influence can introduce risk, corporate procurement leaders we interviewed emphasized the importance of measuring end-user satisfaction as part of their efforts to improve the performance of their procurement organizations.

In addition, the Air Force's senior procurement leader told us he considers existing data on the quality of deliverables, specifically data in the Contractor Performance Assessment Reporting System (CPARS), to be generally unreliable.[38] This is a common challenge, and half of the leaders in our review are working to improve the quality of CPARS data at their respective agencies—which would facilitate more reliable outcome-oriented assessments. Private sector procurement leaders consistently told us it is important to measure the quality of deliverables, and that they make concerted efforts to improve the quality of important data. By using additional outcome-oriented metrics to assess the quality of deliverables and end-user satisfaction, the Air Force's senior procurement leader would have a more balanced set of performance measures to help identify improvement opportunities, set priorities, and allocate resources.

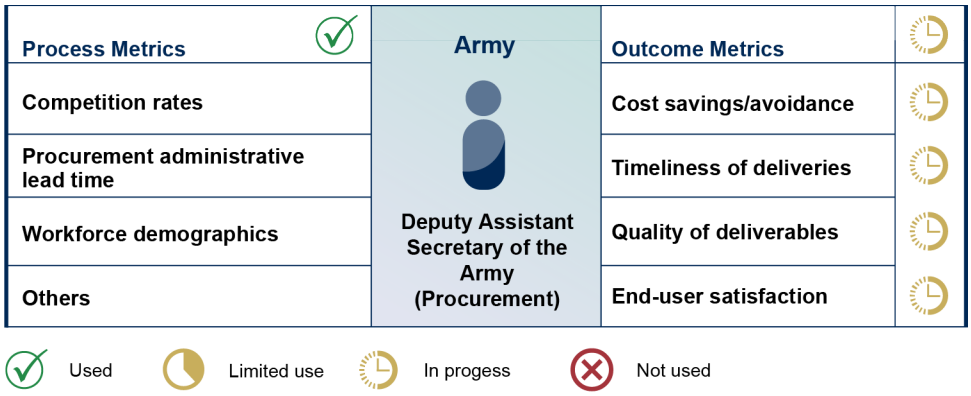
Department of the Army

The Army's senior procurement leader is developing several outcome-oriented metrics to supplement existing process-oriented metrics in an effort to field a balanced set of performance measures and better manage the Army's procurement organizations (see figure 13).[39]

[38]The contractor performance evaluation contained in CPARS is a method of recording contractor performance as required by FAR 42.15 and is used in source selection evaluations as required by FAR Part 15.

[39]See appendix III for a complete list of the Army's performance metrics for procurement organizations.

Figure 13: Army Performance Metrics for Procurement Organizations



Source: GAO analysis of Army documentation. | GAO-21-491

Text of Figure 13: Army Performance Metrics for Procurement Organizations

- Process metrics – used
- outcome metrics – in progress
- cost savings/avoidance – in progress
- timeliness of deliveries – in progress
- quality of deliverables – in progress
- end user satisfaction – in progress

Source: GAO analysis of Army documentation. | GAO-21-491

In the past, Army leadership reviewed **process-oriented metrics** at quarterly meetings to identify challenges and opportunities for improvement. For example, the Army's quarterly assessments of procurement administrative lead time helped the Army update workforce certification programs to provide acquisition personnel the knowledge needed to shorten lead times. The official told us the Army will continue to use process-oriented data to inform management decisions in the future, but procurement officials told us she suspended the quarterly review in 2020 when she started modifying the reviews to incorporate outcome-oriented metrics, among other things. As of March 2021, the Army had not yet determined a date for resuming quarterly reviews.

The Army's senior procurement leader has proposed using **outcome-oriented metrics** that match the types of outcome-oriented metrics commonly used by procurement leaders in the private sector: (1) negotiated **cost savings**, (2) **timeliness of deliveries**, (3) **quality of**

deliverables, and (4) **end-user satisfaction**. The Army's senior procurement leader told us she began to pursue these outcome-oriented metrics in late 2020, after we provided her our interim assessment of the Army practices and how they differed from private sector practices. The Army's senior procurement leader envisions a dashboard where procurement organizations' performance can be viewed at any time, and plans to conduct reviews of outcome-oriented data on a quarterly basis. If the Army is able to develop this type of dashboard and consistently conduct quarterly reviews, it may provide the Army's senior procurement leader a balanced set of performance measures to help identify improvement opportunities, set priorities, and allocate resources.

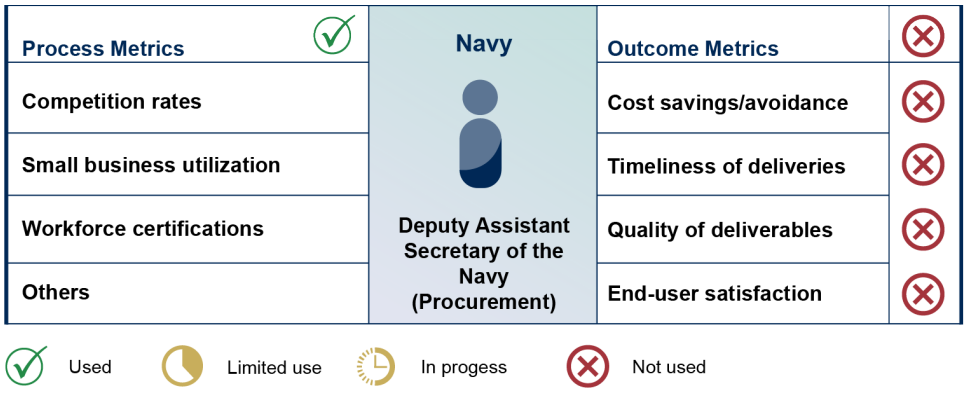
In addition to performance metrics, the Army's senior procurement leader also uses Procurement Management Reviews to assess the health of the Army's procurement organizations. These reviews focus, in part, on workforce management and compliance with statutes and regulations, and they culminate in risk ratings for the Army's procurement organizations. The reviews are also a source for best practices, such as delivering training on key topics related to quality assurance. The Army's senior procurement leader is working to update the Procurement Management Review program to better align to procurement and Army-level strategic goals. The revised Procurement Management Review is intended to improve visibility into the Army's procurement organization's cost, schedule, and performance and identify any compliance problems.

Department of the Navy

The Navy's senior procurement leader has used process-oriented metrics to manage the Navy's procurement organizations and deferred responsibility for outcome-oriented performance assessments to the Navy's other HCAs, in accordance with ASN (RDA) direction (see figure 14).[40]

[40]See appendix IV for a complete list of the Navy's performance metrics for procurement organizations.

Figure 14: Navy Performance Metrics for Procurement Organizations



Source: GAO analysis of Navy documentation. | GAO-21-491

Text of Figure 14: Navy Performance Metrics for Procurement Organizations

- Process metrics –used
- outcome metrics – not used
- cost savings/avoidance – not used
- timeliness of deliveries – not used
- quality of deliverables – not used
- end user satisfaction – not used

Source: GAO analysis of Navy documentation. | GAO-21-491

The Navy's senior procurement leader told us she has implemented a centralized approach for using **process-oriented metrics**—such as competition rates and small business utilization—across the department. The official told us that centralized process-oriented assessments provide broad visibility into HCAs' procurement processes and facilitate assessments of how well department-wide procurement processes are working. Additionally, the Navy's senior procurement leader uses the Navy's Procurement Performance Management Assessment Program, which primarily involves HCA self-assessments of procurement processes. These self-assessments are reviewed by senior Navy procurement personnel and subject matter experts to identify challenges, good practices, and lessons learned, which the Navy's senior procurement leader disseminates through a yearly newsletter. The Navy's senior procurement leader also participates in the Navy's "Two-Pass Seven-Gate" process, which the Chief of Naval Operations, Commandant of the Marine Corps, ASN (RDA), and other Navy leaders use to make

investment decisions for large system acquisitions. The Navy's senior procurement leader told us this process provides her opportunities to influence procurement outcomes on a case-by-case basis.

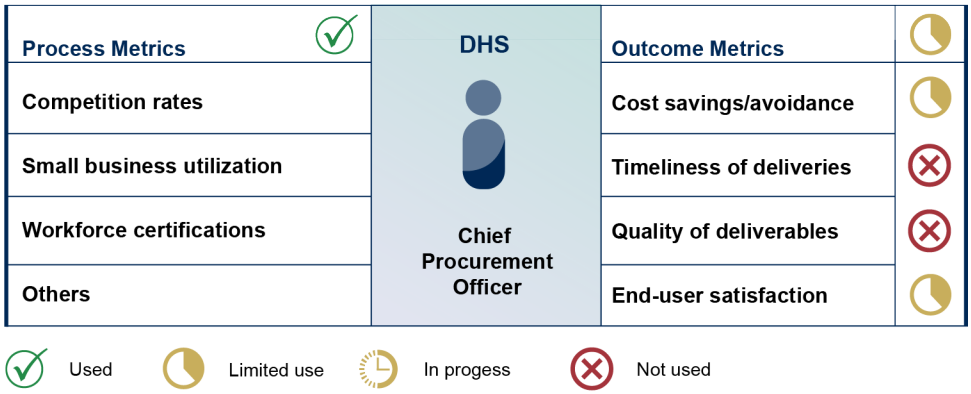
The Navy's senior procurement leader told us she has not developed **outcome-oriented metrics**. The official defers outcome-oriented performance assessments to the Navy's 10 other HCAs, who have developed metrics unique to their organizations, because Navy leadership uses a decentralized approach to manage the department's various commands. However, a decentralized approach does not preclude the senior procurement leader from using outcome-oriented performance metrics in the same manner she uses process-oriented performance metrics. By using outcome-oriented performance metrics, the Navy's senior procurement leader would have a balanced set of performance measures to help identify improvement opportunities, set priorities, and allocate resources.

Department of Homeland Security

DHS's senior procurement leader has routinely used process-oriented performance metrics to manage DHS's procurement organizations, and has used end-user satisfaction and cost savings metrics on a limited basis. However, DHS's senior procurement leader has not used other outcome-oriented performance metrics (see figure 15).[41]

[41]See appendix V for a complete list of DHS's performance metrics for procurement organizations.

Figure 15: Department of Homeland Security Performance Metrics for Procurement Organizations



Source: GAO analysis of Department of Homeland Security (DHS) documentation. | GAO-21-491

Text of Figure 15: Department of Homeland Security Performance Metrics for Procurement Organizations

- Process metrics – Used
- outcome metrics – Limited use
- cost savings/avoidance – not used
- timeliness of deliveries – not used
- quality of deliverables – not used
- end user satisfaction – Limited use

Source: GAO analysis of DHS documentation. | GAO-21-491

DHS's senior procurement leader routinely uses **process-oriented metrics** to manage HCAs' performance in terms of competition rates, small business utilization, and other process-oriented activities. DHS's senior procurement leader regularly meets with the department's HCAs and reviews plans detailing the actions the HCAs intend to take to meet their targets for these process-oriented activities. DHS's senior procurement leader and HCAs also review policies, procedures, and training courses to identify additional opportunities to improve procurement processes. In addition to the metrics targeting the HCAs' performance, DHS's senior procurement leader uses metrics to assess industry engagement, and the extent to which contracting organizations value innovation, human relations, and other organizational traits.

DHS also measures **cost savings** achieved through category management activities, which are intended to improve how agencies procure common products and services, such as office supplies and building maintenance support. DHS officials told us the department's spending on common products and services accounted for about half of DHS's total contract obligations in fiscal year 2019 ($8.9 billion of $17.6 billion), and that the department saved $601 million through category management activities that fiscal year.[42] However, DHS's senior procurement leader told us it would be difficult to identify cost savings for the remainder of the department's contract obligations because of unreliable data. DHS's senior procurement leader explained the department could compare actual contract costs to independent government cost estimates, but the quality of independent government cost estimates is inconsistent. DHS's senior procurement leader told us the estimates are often set to match the funding level the department has set aside for the contract in the budget, for example—a point that is consistent with our prior findings, where agency officials told us some independent government cost estimates were dictated by budget. As a result, DHS does not currently account for a large portion of its contract obligations when it calculates cost savings. Despite the challenge, corporate procurement leaders consistently told us it is important to measure cost savings/avoidance, and that they make concerted efforts to improve the quality of important data.

Similarly, DHS's senior procurement leader has used an **end-user satisfaction** metric, but on a limited basis. DHS uses Acquisition 360 reviews to obtain feedback from stakeholders involved in a procurement, including contracting officer representatives. The department uses this process to review 100 contracts per year, assessing feedback on all aspects of the contracting process and identifying opportunities to improve operations. Furthermore, DHS established the Procurement Innovation Lab in 2015 to explore innovative procurement techniques, such as streamlined contracting approaches, and to share lessons learned—based in part on end-user feedback—among DHS's procurement community. In turn, DHS has disseminated the lessons learned to at least 1,750 personnel through training courses and other means. However, lessons learned through the Procurement Innovation Lab are based on a relatively small number of contracts. At the end of

[42]In November 2020, we recommended OMB report cost savings from the category management initiative by agency, and OMB concurred with the substance of our recommendation. See GAO-21-40. We are continuing to track OMB's actions in response to this recommendation.

fiscal year 2019, DHS had awarded a total of 50 contracts through the Lab, but DHS awarded more than 23,800 contracts in fiscal year 2020 alone.

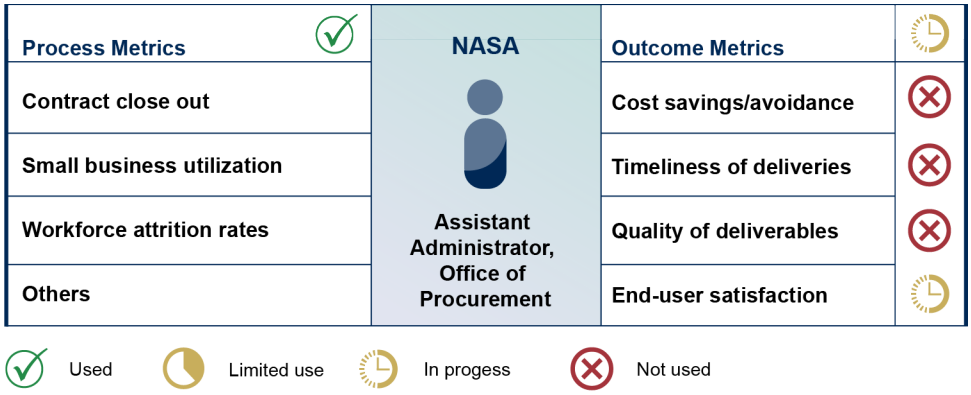
DHS's senior procurement leader told us the department does not have outcome-oriented metrics for the **timeliness of deliveries** and **the quality of deliverables** in large part because DHS lacks reliable data for these types of performance metrics, and applying the metrics to unreliable data would produce misleading results. For example, to measure timeliness and quality, DHS's senior procurement leader told us the department could attempt to use CPARS data, but it is challenging to ensure the quality of these data. This statement is consistent with the Air Force's senior procurement leader's position about CPARS data for Air Force organizations. Nonetheless, DHS's senior procurement leader, and leaders at the Army and VA, are working to improve the quality of CPARS data at their respective agencies, which would facilitate more reliable outcome-oriented assessments. Private sector procurement leaders consistently told us it is important to measure the timeliness and quality of deliverables, and that they make concerted efforts to improve the quality of important data. By using outcome-oriented metrics, DHS's senior procurement leader would have a balanced set of performance measures to help identify improvement opportunities, set priorities, and allocate resources.

National Aeronautics and Space Administration

NASA implemented process-oriented performance metrics across its procurement organizations, but NASA's procurement leaders have not yet used outcome-oriented performance metrics to manage NASA's procurement organizations (see figure 16).[43]

[43]See appendix VI for a complete list of NASA's performance metrics for procurement organizations.

Figure 16: National Aeronautics and Space Administration Performance Metrics for Procurement Organizations



Source: GAO analysis of National Aeronautics and Space Administration (NASA) documentation. | GAO-21-491

Text of Figure 16: National Aeronautics and Space Administration Performance Metrics for Procurement Organizations

- Process metrics – Used
- outcome metrics – in progress
- cost savings/avoidance – not used
- timeliness of deliveries – not used
- quality of deliverables – not used
- end user satisfaction – in progress

Source: GAO analysis of NASA documentation. | GAO-21-491

NASA's procurement leaders told us they have quarterly meetings with the procurement leaders at NASA's 11 installation centers to discuss their organizations' performance against NASA's **process-oriented procurement metrics**, which measure contract closeout rates, small business utilization, and other aspects of the procurement process. Through these meetings, NASA's procurement leaders determine what processes are working well and what processes they should revise. For example, they observed an increased use of contracts with undefinitized terms and determined that it was due to lengthy proposal evaluations. They took steps to make evaluations timelier, which reduced the use of such contracts. However, NASA's procurement leaders have not set annual goals for the HCAs at the installation centers. Instead, NASA's procurement leaders have focused on whether NASA's installation centers are collectively achieving agency-wide goals. NASA's

procurement leaders told us this approach is consistent with NASA's recent efforts to increasingly manage procurement across the installation centers as a single enterprise. They added that NASA's procurement leaders consistently work to ensure procurement organizations are adhering to the FAR. For example, the FAR states that firm-fixed-price contracts should be closed within 6 months, and NASA's procurement leaders monitor how long it is taking installation centers to close firm-fixed-price contracts.[44]

In addition to performance metrics, NASA procurement leaders also use information collected and analyzed through procurement initiatives aimed at improving their procurement practices. For example, NASA established a Source Selection Capability Group—comprised of subject matter experts from different installation centers—that assessed delays contributing to longer procurement lead times, and developed standardized document templates to increase efficiencies.

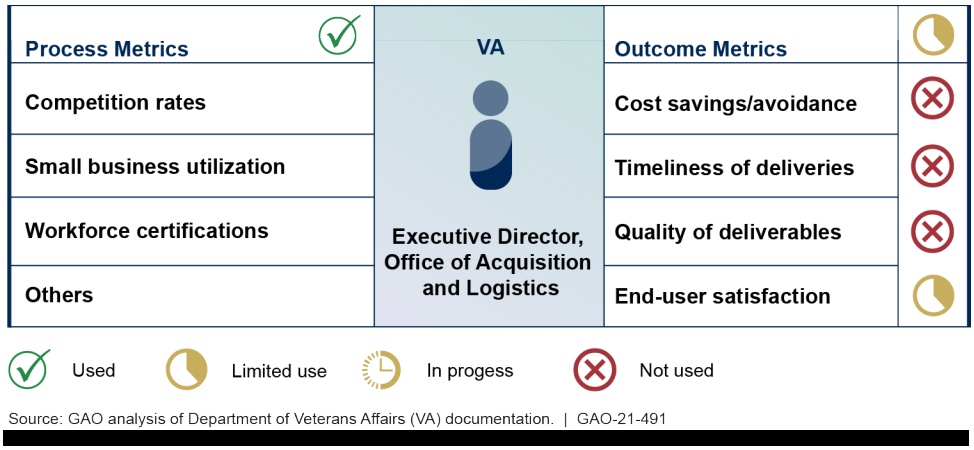
In August 2020, NASA's procurement leaders told us NASA was exclusively focused on implementing process-oriented performance metrics, rather than outcome-oriented metrics, because NASA's procurement leaders hoped process assessments and improvements would lead to better outcomes over time. As a result, NASA's procurement leaders do not have specific plans to use metrics measuring **cost savings/avoidance**, **the timeliness of deliveries**, or the **quality of deliverables**. However, in March 2021, NASA officials told us they had developed an **end-user satisfaction** survey in response to our interim assessment of their practices, that this survey is intended to help them develop end-user satisfaction metrics, and that they plan to start presenting the survey results during quarterly performance reviews by the end of fiscal year 2021. Using end-user satisfaction survey results in this way has the potential to facilitate more robust performance reviews, but NASA procurement leaders could better identify improvement opportunities, set priorities, and allocate resources by using a more balanced set of performance measures that include outcome-oriented metrics for cost savings and avoidance, timeliness of deliveries and quality of deliverables.

[44]FAR 4.804-1 stated that firm-fixed-price contracts, other than those using simplified acquisition procedures, should be closed within 6 months after the date on which the contracting officer receives evidence of physical completion. Contracts that require settlement of indirect cost rates should be closed within 36 months and other contracts should be closed within 20 months.

Department of Veterans Affairs

VA's senior procurement leader has used process-oriented performance metrics to manage procurement organizations and implemented an end-user satisfaction metric, but lacks other outcome-oriented metrics (see figure 17).[45]

Figure 17: Department of Veterans Affairs Performance Metrics for Procurement Organizations



Source: GAO analysis of Department of Veterans Affairs (VA) documentation. | GAO-21-491

Text of Figure 17: Department of Veterans Affairs Performance Metrics for Procurement Organizations

- Process metrics – Used
- outcome metrics – limited use
- cost savings/avoidance – not used
- timeliness of deliveries – not used
- quality of deliverables – not used
- end user satisfaction – limited use

Source: GAO analysis of Dept. of Veteran Affairs documentation. | GAO-21-491

VA's senior procurement leader told us she primarily relies on **process-oriented metrics**— such as competition rates and small business utilization—to manage the department's procurement organizations. The

[45]See appendix VII for a complete list of VA's performance metrics for procurement organizations.

official said these process-oriented data can help identify performance weaknesses and enable her to take corrective actions. For example, VA's percentage of competitive acquisitions receiving one bid ranked 21st out of 24 federal agencies in fiscal year 2018, and the VA's senior procurement leader told us she is currently working on collecting data to identify what factors have contributed to the department's low standing among other federal agencies with regard to this metric.[46] Further, the official has implemented an online knowledge portal and hosted acquisition innovation symposiums to help develop the department's procurement workforce. The VA's senior procurement leader is also co-chair of the Senior Procurement Council, which is composed of the department's HCAs and other internal stakeholders, such as small business proponents and attorneys. The VA's senior procurement leader told us the council meets at least quarterly to identify and address issues affecting the department's procurement organizations, such as the COVID-19 pandemic and the passage of the CARES Act.

The VA's senior procurement leader also piloted an Acquisition Management Review Program in fiscal year 2020 aimed at improving operations at VA's acquisition centers. Among other things, these management reviews included interviews with end-users such as clinical subject matter experts. For example, during the VA's National Acquisition Center management review, end users expressed concerns about poor communication with contracting staff. In response, the review team recommended that contracting officers hold regular meetings with end users.

Additionally, VA's senior procurement leader has undertaken efforts to improve **the end-user satisfaction** survey. For example, VA's senior procurement leader told us she is currently vetting potential updates to make the survey more useful for management decisions. In particular, VA's senior procurement leader told us she is expanding the scope of the survey to cover the entire acquisition lifecycle, including requirements development and contract execution, since prior surveys focused solely on the contract award process. Further, VA's senior procurement leader said she is broadening the survey's target audience in an effort to improve the survey's response rate of 14 percent in fiscal year 2019. The

[46]Competitive acquisitions receiving one bid refers to contracts awarded using competitive procedures for which only one offer is received. See GAO, *Federal Contracting: Opportunities Exist to Increase Competition and Assess Reasons When Only One Offer is Received*, GAO-10-833 (Washington, D.C.:July 26, 2010).

leader's efforts to improve the end-user satisfaction survey could help VA develop and use an end-user satisfaction metric.

VA's senior procurement leader, however, does not have similarly specific plans to improve visibility into **cost savings/avoidance**, the **timeliness of deliveries**, or the **quality of deliverables**, but did express a desire to eventually establish these types of metrics. Until these metrics are in place, VA's senior procurement leader will lack a balanced set of performance measures to help identify improvement opportunities, set priorities, and allocate resources.

Conclusions

There are inherent differences between the procurement organizations at federal agencies and leading companies. For example, procurement leaders at leading companies often focus on profit margins and return on investment, while procurement leaders at federal agencies do not. Additionally, procurement personnel at federal agencies are subject to laws and regulations intended to promote transparency and fairness, and to support socioeconomic goals. That said, there are also significant similarities between the procurement organizations at federal agencies and leading companies. Both buy a wide variety of critical products and services, and company leaders are expected to be good custodians of shareholder funds in the same way agency leaders are expected to be good custodians of federal funds. As such, there are opportunities for agency leaders to improve their organizations' performance by using some practices commonly employed by company leaders.

Unlike senior procurement leaders at leading companies, the senior procurement leaders at most of the federal agencies we reviewed did not collaborate with end users when they developed their performance metrics. While one procurement leader told us that too much end-user influence could lead to poor results, the leaders can collaborate with end users without ceding control to them. This type of collaboration increases buy-in from key stakeholders and the usefulness of the resulting performance information in management decision-making. Additionally, the leaders at the federal agencies did not routinely use performance metrics to measure key procurement outcomes, including (a) cost savings/avoidance, (b) timeliness of deliveries, (c) quality of deliverables, and (d) end-user satisfaction. Most of the leaders have plans to use some outcome-oriented measures in the future, and in certain instances they have taken the initial step of developing the metrics. However, they

generally have not yet implemented the metrics in a routine or comprehensive manner, and two leaders said they had not done so because performance data for product and service quality were unreliable. Half of the leaders in our review were working to improve these data at their respective agencies, but currently the leaders' performance assessments face common limitations. They focus mainly on opportunities to improve procurement processes, while procurement outcomes receive less consideration. This imbalance is significant because the agencies' senior leaders use the assessments to set priorities and allocate resources intended to improve their organizations' performance.

Recommendations for Executive Action

We are making a total of 11 recommendations, including two to the Department of the Air Force, two to the Department of the Army, two to the Department of the Navy, two to the Department of Homeland Security (DHS), one to the National Aeronautics and Space Administration (NASA), and two to the Department of Veterans Affairs (VA). Specifically:

- The Secretary of the Air Force should ensure the Deputy Assistant Secretary of the Air Force (Contracting) collaborates with end users to develop performance metrics for procurement organizations. (Recommendation 1)
- The Secretary of the Army should ensure the Deputy Assistant Secretary of the Army (Procurement) collaborates with end users to develop performance metrics for procurement organizations. (Recommendation 2)
- The Secretary of the Navy should ensure the Deputy Assistant Secretary of the Navy (Procurement) collaborates with end users to develop performance metrics for procurement organizations. (Recommendation 3)
- The Secretary of Homeland Security should ensure the DHS Chief Procurement Officer collaborates with end users to develop performance metrics for procurement organizations. (Recommendation 4)
- The Secretary of Veterans Affairs should ensure the VA Senior Procurement Executive (SPE) collaborates with end users to develop performance metrics for procurement organizations. (Recommendation 5)

- The Secretary of the Air Force should ensure the Deputy Assistant Secretary of the Air Force (Contracting) uses a balanced set of performance metrics to manage the department's procurement organizations, including outcome-oriented metrics to measure (a) timeliness of deliveries, (b) quality of deliverables, and (c) end-user satisfaction. (Recommendation 6)
- The Secretary of the Army should ensure the Deputy Assistant Secretary of the Army (Procurement) uses a balanced set of performance metrics to manage the department's procurement organizations, including outcome-oriented metrics to measure (a) cost savings/avoidance, (b) timeliness of deliveries, (c) quality of deliverables, and (d) end-user satisfaction. (Recommendation 7)
- The Secretary of the Navy should ensure the Deputy Assistant Secretary of the Navy (Procurement) uses a balanced set of performance metrics to manage the department's procurement organizations, including outcome-oriented metrics to measure (a) cost savings/avoidance, (b) timeliness of deliveries, (c) quality of deliverables, and (d) end-user satisfaction. (Recommendation 8)
- The Secretary of Homeland Security should ensure the DHS Chief Procurement Officer uses a balanced set of performance metrics to manage the department's procurement organizations, including outcome-oriented metrics to measure (a) cost savings/avoidance, (b) timeliness of deliveries, (c) quality of deliverables, and (d) end-user satisfaction. (Recommendation 9)
- The Administrator of NASA should ensure the NASA SPE uses a balanced set of performance metrics to manage the agency's procurement organizations, including outcome-oriented metrics to measure (a) cost savings/avoidance, (b) timeliness of deliveries, (c) quality of deliverables, and (d) end-user satisfaction. (Recommendation 10)
- The Secretary of Veterans Affairs should ensure the VA SPE uses a balanced set of performance metrics to manage the department's procurement organizations, including outcome-oriented metrics to measure (a) cost savings/avoidance, (b) timeliness of deliveries, (c) quality of deliverables, and (d) end-user satisfaction. (Recommendation 11)

Agency Comments and Our Evaluation

We provided a draft of this product for comment to the Departments of the Air Force, the Army, the Navy, Homeland Security, and Veterans Affairs,

respectively; and NASA. The agencies' comments are reproduced in appendixes VIII through XI. In total, the agencies concurred with seven of our recommendations, and did not concur with four. The agencies' specific responses to each recommendation, provided in the order that the recommendations were made, follow.

The Department of the Air Force concurred with recommendation 1, which states that the Deputy Assistant Secretary of the Air Force (Contracting) (DASA(C)) should collaborate with end users to develop performance metrics for procurement organizations. The Air Force stated that it has established teams to review existing contracting metrics and develop new contracting metrics. This action has the potential to address our recommendation if the teams include end users.

The Department of the Army concurred with recommendation 2, which states that the Deputy Assistant Secretary of the Army (Procurement) (DASA(P)) should collaborate with end users to develop performance metrics for procurement organizations. The Army stated the DASA(P) office is working with end users, such as base commanders, to establish a dashboard for end users and contracting activities to manage service acquisitions. This action has the potential to address our recommendation if the Army also includes similar actions for products in their efforts.

The Department of the Navy did not concur with recommendation 3, which states that the Deputy Assistant Secretary of the Navy (Procurement (DASN(P)) should collaborate with end users to develop performance metrics for procurement organizations. The Navy stated that procurement leaders working with individual Heads of Contracting Activities are collaborating with end users to develop and implement performance metrics, as we noted in our draft report. However, the DASN(P) has not collaborated with end users when developing the performance metrics used to assess activities across the entirety of Navy. End users can help procurement leaders increase the usefulness of performance information in program management and policy, and private sector procurement leaders told us that collaboration with end users improves performance at the strategic level. For these reasons, we continue to believe the Navy should address our recommendation.

The Department of Homeland Security did not concur with recommendation 4, which states that the DHS Chief Procurement Officer (CPO) should collaborate with end users to develop performance metrics for procurement organizations. DHS stated that end-user collaboration can be helpful to better understand and meet mission needs, but that the CPO does not believe end-user collaboration is needed when developing performance metrics for procurement organizations. DHS stated that the CPO office instead collaborates with other members of the acquisition

community. However, DHS also stated the CPO office would consider whether end-user feedback would enhance its performance metrics in a meaningful way. As we stated above, end users can help procurement leaders increase the usefulness of performance information in program management and policy, and private sector procurement leaders identified that collaboration with end users improves performance at the strategic level. For these reasons, we continue to believe DHS should address our recommendation.

The Department of Veterans Affairs concurred with recommendation 5, which states that the VA Senior Procurement Executive (SPE) should collaborate with end users to develop performance metrics for procurement organizations. The VA stated it will identify the specific actions it will take within 6 months of the report's public release.

The Department of the Air Force did not concur with recommendation 6, which states that the DASA(C) should use a balanced set of performance metrics to manage the Air Force's procurement organizations, including outcome-oriented metrics to measure (a) timeliness of deliveries, (b) quality of deliverables, and (c) end-user satisfaction. The Air Force stated that it is developing new outcome-oriented performance metrics and is working to improve data availability. The Air Force stated it did not concur, however, with our recommendation because the draft report used the term "end-user" inconsistently. Further, the Air Force raised questions about the term "customer." The Air Force stated that this term could refer to taxpayers and contractors from whom the Air Force purchases products and services. The Air Force also stated that the Defense Contract Management Agency (DCMA) measures and reports on cost, schedule, and quality for the majority of dollars spent, and that the Air Force should not duplicate this activity. Finally, based on its statements about the term "customer" and DCMA, the Air Force stated that the use of red X's in our figures oversimplifies the issues.

We appreciate the Air Force's stated intent to develop a balanced set of performance metrics, including outcome-oriented metrics, which has the potential for addressing our recommendation. In response to the Air Force's other comments, the report consistently uses the term "end-user" to refer to internal stakeholders that use the products and services procured. Additionally, we explicitly state that we chose not to use the term "customer" except when agencies use it in formal documentation. As for the Air Force's statement about DCMA data, our recommendation focuses on the DASA(C)'s use of outcome-oriented metrics, and the DASA(C) can use DCMA data if the DASA(C) determines the DCMA data are useful for that purpose. Based on our responses about the term "customer" and DCMA, we believe that the use of red X's in our figures

does not oversimplify the issues. Finally, the Air Force stated that performance metrics need to be flexible and tailorable to a wide range of mission partners. We believe our recommendation, as worded, provides the necessary flexibility.

The Army concurred with recommendation 7, which states that the DASA(P) should use a balanced set of performance metrics to manage the Army's procurement organizations, including outcome-oriented metrics. The Army stated the DASA(P) is establishing metrics that measure cost, schedule, and performance outcomes, with a focus on customer service, as we had noted in our draft report. This action has the potential to help address our recommendation if the DASA(P) uses the metrics to manage the Army's procurement organizations.

The Department of the Navy concurred with recommendation 8, which states that the Deputy Assistant Secretary of the Navy (Procurement) (DASN(P)) should use a balanced set of performance metrics to manage the Navy's procurement organizations, including outcome-oriented metrics. The Navy stated that the DASN(P) is developing tools that will provide greater visibility and real-time access to existing data, and an ability to create new metrics. This action has the potential to help address our recommendation if the DASN(P) uses the new metrics to manage the Navy's procurement organizations.

DHS did not concur with recommendation 9, which states that the DHS CPO should use a balanced set of performance metrics to manage DHS's procurement organizations, including outcome-oriented metrics to measure (a) cost savings/avoidance, (b) timeliness of deliveries, (c) quality of deliverables, and (d) end-user satisfaction. DHS stated that it supports the use of outcome-oriented metrics, but disagrees that the specific metrics included in our recommendation necessarily capture the most relevant aspects of procurement organizations' performance. However, DHS also stated the CPO office would review its current metrics to determine whether they appropriately measure outcomes. The corporate procurement leaders we interviewed emphasized the importance of using the four types of outcome-oriented metrics we specify in our recommendation, but consistent with our recommendation, we agree that DHS could identify additional outcome-oriented metrics tailored to DHS's needs.

NASA concurred with recommendation 10, which states that the NASA Senior Procurement Executive (SPE) should use a balanced set of performance metrics to manage the agency's procurement organizations, including outcome-oriented metrics. NASA stated that the Office of Procurement is pursuing the collection and reporting of outcome-oriented metrics. This action has the potential to help address our

recommendation if the NASA SPE uses the new metrics to manage NASA's procurement organizations.

The VA concurred with recommendation 11, which states that the VA SPE should use a balanced set of performance metrics to manage the VA's procurement organizations, including outcome-oriented metrics. The VA stated it will identify the specific actions it will take within 6 months of the report's public release.

In addition to commenting on our recommendations, DHS stated that many private-sector practices are not appropriate for federal agency adoption unless the Office of Federal Procurement Policy modifies the federal environment, and that the report's analysis oversimplifies significant differences between procurement organizations at companies and federal agencies. Our draft report acknowledged the inherent differences between the procurement organizations at federal agencies and leading companies. We also noted, however, there are significant similarities. Both buy a wide variety of critical products and services, and company leaders are expected to be good custodians of shareholder funds in the same way agency leaders are expected to be good custodians of federal funds. The Federal Acquisition Regulation states that the federal acquisition system will satisfy users, acting on behalf of the American taxpayer, in terms of cost, quality, and timeliness of the delivered product or service; and that the system must be responsive and adaptive to the users' needs, concerns, and feedback. Given the similarities, there are opportunities for agency leaders to improve their organizations' performance by using the corporate practices we recommend.

We are sending copies of this report to appropriate congressional committees; the Secretary of Defense and the Under Secretary of Defense for Acquisition and Sustainment; the Secretaries of the Air Force, the Army, the Navy, Homeland Security, and Veterans Affairs, respectively; the Administrator of the National Aeronautics and Space Administration; the Director, Office of Management and Budget; and other interested parties. In addition, the report is available at no charge on the GAO website at https://www.gao.gov.

If you or your staff have any questions about this report, please contact me at (202) 512-4841 or DiNapoliT@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix XII.

Sincerely yours,

Timothy J. DiNapoli
Director, Contracting and National Security Acquisitions

Appendix I: Objective, Scope & Methodology

We were asked to review key procurement practices in the private sector and assess whether there are practices federal agencies could adopt. This report examines (1) key practices corporate procurement leaders at leading companies use to improve the performance of their procurement organizations, and (2) the extent to which procurement leaders at selected federal agencies use those same practices.

To identify key practices corporate procurement leaders at leading companies use to improve the performance of their procurement organizations, we interviewed senior procurement leaders at seven leading companies using semi-structured interview questions focused on goal setting, collaboration, and performance management. To select the companies included in our scope, we analyzed information from the Fortune 100 list and targeted U.S.-based companies that procure a diverse range of products and services. We developed a list of 18 companies for initial outreach. Several companies did not respond to our requests for interviews or chose not to be interviewed. The following the companies participated in our review:

- AT&T,
- ExxonMobil,
- Facebook,
- General Electric (Aviation),
- Kroger,
- Procter & Gamble, and
- Raytheon Technologies.[1]

To collect additional perspectives on key procurement leadership practices, we interviewed subject matter experts from four professional associations and five academic institutions, and two independent experts with federal government and private sector experience. We used semi-structured interview questions focused on alignment of mission and

[1]The views of Raytheon Technologies were collected from interviews with procurement leaders at Raytheon Company prior to its merger with United Technologies Corporation.

performance measures, collaboration, and performance management. To identify relevant professional associations, we conducted online research and a literature review focused on contract and supply chain management, and global procurement, reviewed our prior work, and consulted internal subject matter experts. We collected key information about the professional associations including their mission, related publications, and names of any notable experts. We interviewed experts from the following four organizations:

- The National Contract Management Association,
- The Institute for Supply Management,
- The American Productivity & Quality Center, and
- World Commerce & Contracting (formerly the International Association of Contract and Commercial Managers Inc.).

To identify experts in academia, we conducted online research and a literature review focused on contract and supply chain management, and global procurement, and we considered referrals from other experts and professional associations. We interviewed five experts from the following institutions:

- Georgetown University,
- University of Virginia,
- Howard University,
- Naval Postgraduate School, and
- Pennsylvania State University.

We also interviewed two independent experts who had experience in procurement operations and supply chain management at both leading companies and federal agencies.

We analyzed the responses from the company leaders and subject matter experts, organized their statements by common themes, and identified three key practices generally used by procurement leaders at leading companies:

1. procurement leaders link performance metrics to strategic goals,
2. procurement leaders collaborate with internal stakeholders, particularly end users, when developing performance metrics, and

3. procurement leaders use outcome-oriented performance metrics to manage their organizations.

To validate our list of key practices, we shared the results of our analysis with the corporate procurement leaders and selected subject matter experts and solicited their feedback.

To determine the extent to which procurement leaders at selected federal agencies use the same key practices as procurement leaders at leading companies when managing their procurement organizations, we assessed procurement leadership practices at six agencies. To select the agencies in our review, we used the Federal Procurement Data System to identify agencies with the largest contract obligations and greatest number of contract actions for fiscal years 2017 to 2019, and we cross-referenced them against those agencies that had been included in our High-Risk List because of contract management challenges.[2] We determined the FPDS data were sufficiently reliable for describing total contract obligations and total number of contract actions by agency for fiscal years 2017 to 2019. In addition, we consulted with internal subject matter experts at the different agencies. We reviewed the following agencies:

- The Department of Homeland Security (DHS),
- The Department of Veterans Affairs (VA),
- The National Aeronautics and Space Administration (NASA), and
- The three military departments within the Department of Defense (DOD):
    - The Department of the Air Force,
    - The Department of the Army, and
    - The Department of the Navy.

For each of the six agencies, we reviewed documentation that established the agency's mission and strategic goals, the procurement organization's goals and performance metrics, and examples of how procurement leaders used performance information. We also reviewed documentation that depicted the structure and organization of the

[2]In addition to the agencies we selected, GAO's High-Risk List includes the Department of Energy's (DOE) Contract Management for the National Nuclear Security Administration and Office of Environmental Management. We did not include DOE in the scope of this review because it primarily relies on maintenance and operations contracts and agreements, which are unique to DOE.

procurement function, communicated leadership initiatives, and captured the results of procurement reviews.

At each of these agencies, we also interviewed the senior procurement leader to better understand why the leader had used or not used key practices that procurement leaders at leading companies use to improve the performance of their procurement organizations. Among other things, we asked the leaders about the alignment of strategic and procurement goals, internal collaboration, performance management, and data collection and analysis. We then provided the agency leaders our interim assessment results identifying similarities and differences between their practices and corporate practices, solicited their feedback on the interim assessments, and updated our analysis accordingly.

We subsequently established four categories to indicate the extent to which agency leaders used the leading companies' three key practices. We also applied these categories to the four types of outcome-oriented metrics used by the leading companies: (1) cost savings/avoidance, (2) timeliness of deliveries, (3) quality of deliverables, and (4) end-user satisfaction. We defined the four categories as follows.

- Used: We found that the agency leader used this practice or outcome-oriented metric.
- Limited Use: We found that the agency leader used this practice or outcome-oriented metric, but not in a comprehensive manner. For example, VA officials told us their end-user satisfaction survey achieved a 14 percent response rate in 2019, which limits the procurement leaders' ability to use the survey as a metric to manage the VA's procurement organizations.
- In Progress: We found that the agency leader had taken steps to use this practice or outcome-oriented metric in the future, but was not yet using it. For example, in March 2021, NASA officials told us they had developed a survey to measure end-user satisfaction, and that its implementation was in progress, but they would not present the survey results at quarterly performance reviews until later in fiscal year 2021.
- Not Used: We found that the agency leader did not use this practice or outcome-oriented metric.

When we assessed the extent to which agency procurement leaders used the second key practice used at leading companies—collaborate with internal stakeholders, particularly end users, when developing

performance metrics—we categorized the agency leaders' use of this practice based on their collaboration with end users. It is important for agencies to collaborate with various internal stakeholders, but if they do not collaborate with end users, they are not using a critical component of the practice.

When we assessed the extent to which agency procurement leaders used the third key practice used at leading companies—use outcome oriented performance metrics to manage their organizations—we categorized the leaders' efforts as Limited if we had categorized their use of one or more outcome-oriented metric as Limited. We categorized the leaders' efforts as In Progress if we did not categorize their use of any outcome-oriented metric as Limited, but did categorize their use of one or more outcome-oriented metric as In Progress. We categorized the leaders' efforts as Not Used if we categorized their use of all of the outcome-oriented metrics as Not Used. We did not categorize any of the leaders' efforts as Used because none of the leaders Used all four types of outcome-oriented metrics.

We conducted this performance audit from July 2019 to July 2021 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit 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.

Appendix II: Department of the Air Force Agency Profile

Figure 18 shows the Department of the Air Force's strategic goals, procurement goals, procurement metrics, and other selected information.

Figure 18: Department of the Air Force Procurement Goals and Metrics, and Other Selected Information

Department of the Air Force

Mission: Fly, Fight and Win in Air, Space and Cyberspace.

Strategic Goals	Increasing the number of operational squadrons to 386.	Building a more lethal and ready Air Force.	Fielding tomorrow's Air Force faster and smarter.

Procurement Goals

Building mission-focused business leaders

1) Attract, Access and Retain Key Talent
2) Reimagine training and culture from initial skills through executive level
3) Leverage and formalize key strategic external partner ships

Tools not rules!

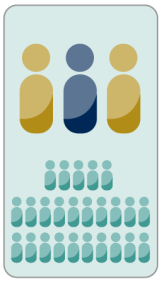
4) Reimagine Air Force Contracting online presence
5) Eliminate all Mandatory Procedures below Air Force level to include flatten and align contractual authority
6) Enhance Instructional Guidance
7) Build Dashboards to enable data-driven decision-making

Owning the High Ground: Optimizing the Acquisition Enterprise

8) Efficiency – Attain aggregate cycle time savings
9) Effectiveness – Build credibility and achieve cost savings/avoidance
10) Experimentation – Exploit lessons learned from closed loop innovation efforts

Expeditionary Contracting as a Joint Force Capability

11) Readiness - Present a ready total contingency contracting force
12) Development - Sharpen expeditionary capabilities through training and exercises
13) Integration - Enhance contracting command and control (C2) as a warfighting capability
14) Proficiency - Amplify US Air Force Operational Contract Support (OCS) competencies



Reporting Structure

- Secretary of the Air Force
  - Assistant Secretary of the Air Force for Acquisition, Technology and Logistics
    - Senior Procurement Leader: Deputy Assistant Secretary of the Air Force (Contracting)
      - 25 Senior Contracting Officials located in program executive offices, operational commands, and enterprise support offices

Contracting officers and specialists

FY 2020 6,077

Contract obligations

FY 2020 $77.8 billion

Contract actions

FY 2020 114,620

Procurement Metrics

Offensive Metrics

1) Cost savings
2) Cost avoidance
3) Total Acquisition Lead Time (in progress)

Defensive Metrics

1) Procurement Administrative Lead Time
2) Contract Closeout
3) Actions & Dollars
4) Request for Proposal (RFP) to Contract Award (systems)
5) Undefinitized Contract Actions (UCAs)
6) Commercial Item Exceptions to Truth in Negotiations Act (TINA) and TINA/Cost Accounting Standards (CAS) Waiver Report
7) Major Commands (MAJCOM)/Direct Reporting Unit (DRU) Reporting of Deviations
8) Bridge Contract Action Report
9) Express Contract Action Reporting System (ECARS) Mismatch
10) Military Interdepartmental Purchase Request (MIPR) Metrics
11) Air Force Competition
12) GAO Protest Sustainment Rate
13) Defense Acquisition Workforce Improvement Act (DAWIA) Certifications
14) DAWIA Continuous Learning Points
15) Air Force Warrant Tracker
16) Air Force Small Business Metrics
17) AbilityOne Goals (Air Force-wide)
18) Women in Science, Technology, Engineering and Math (STEM)
19) Spend Under Management
20) Best-in-Class
21) Tier 0 contract reduction

Source: GAO analysis of Federal Procurement Data System-Next Generation and Air Force documentation. | GAO-21-491

Text of Figure 18: Department of the Air Force Procurement Goals and Metrics, and Other Selected Information

Department of Air Force

Strategic Goals:

- Increasing the number of operational squadrons to 386.
- Building a more lethal and ready air force
- Fielding tomorrow's Air Force faster and smarter

Procurement Goals:

- Building mission-focused business leaders

1) Attract, Access and Retain Key Talent

2) Reimagine training and culture from initial skills through executive level

3) Leverage and formalize key strategic external partnerships

- Tools not rules!

4) Reimagine Air Force Contracting online presence

5) Eliminate all Mandatory Procedures below Air Force level to include flatten and align contractual authority

6) Enhance Instructional Guidance

7) Build Dashboards to enable data-driven decision-making

- Owning the High Ground: Optimizing the Acquisition Enterprise

8) Efficiency – Attain aggregate cycle time savings

9) Effectiveness – Build credibility and achieve cost savings/avoidance

10) Experimentation – Exploit lessons learned from closed loop innovation efforts

- Expeditionary Contracting as a Joint Force Capability

11) Readiness - Present a ready total contingency contracting force

12) Development - Sharpen expeditionary capabilities through training and exercises

13) Integration - Enhance contracting command and control (C2) as a warfighting capability

14) Proficiency - Amplify US Air Force Operational Contract Support (OCS) competencies

Procurement Metrics

- Offensive Metrics

1) Cost savings

2) Cost avoidance

3) Total Acquisition Lead Time (in progress)

- Defensive Metrics

1) Procurement Administrative Lead Time

2) Contract Closeout

3) Actions & Dollars

4) Request for Proposal (RFP) to Contract Award (systems)

5) Undefinitized Contract Actions (UCAs)

6) Commercial Item Exceptions to Truth in Negotiations Act (TINA) and TINA/Cost Accounting Standards (CAS) Waiver Report

7) Major Commands (MAJCOM)/Direct Reporting Unit (DRU) Reporting of Deviations

8) Bridge Contract Action Report

9) Express Contract Action Reporting System (ECARS) Mismatch

10) Military Interdepartmental Purchase Request (MIPR) Metrics

11) Air Force Competition

12) GAO Protest Sustainment Rate

13) Defense Acquisition Workforce Improvement Act (DAWIA) Certifications

14) DAWIA Continuous Learning Points

15) Air Force Warrant Tracker

16) Air Force Small Business Metrics

17) AbilityOne Goals (Air Force-wide)

18) Women in Science, Technology, Engineering and Math (STEM)

19) Spend Under Management

20) Best-in-Class

21) Tier 0 contract reduction

Reporting Structure

- Secretary of the Air Force
- Assistant Secretary of the Air Force for Acquisition, Technology and Logistics
- Senior Procurement Leader: Deputy Assistant Secretary of the Air Force (Contracting)
- 25 Senior Contracting Officials located in program executive offices, operational commands, and enterprise support offices

Contracting information

- FY2020 = 6,077 contracting officers and specialists
- Contract obligations: FY 2020 = $77.8 billion
- Contract actions: FY 2020 = 114,620

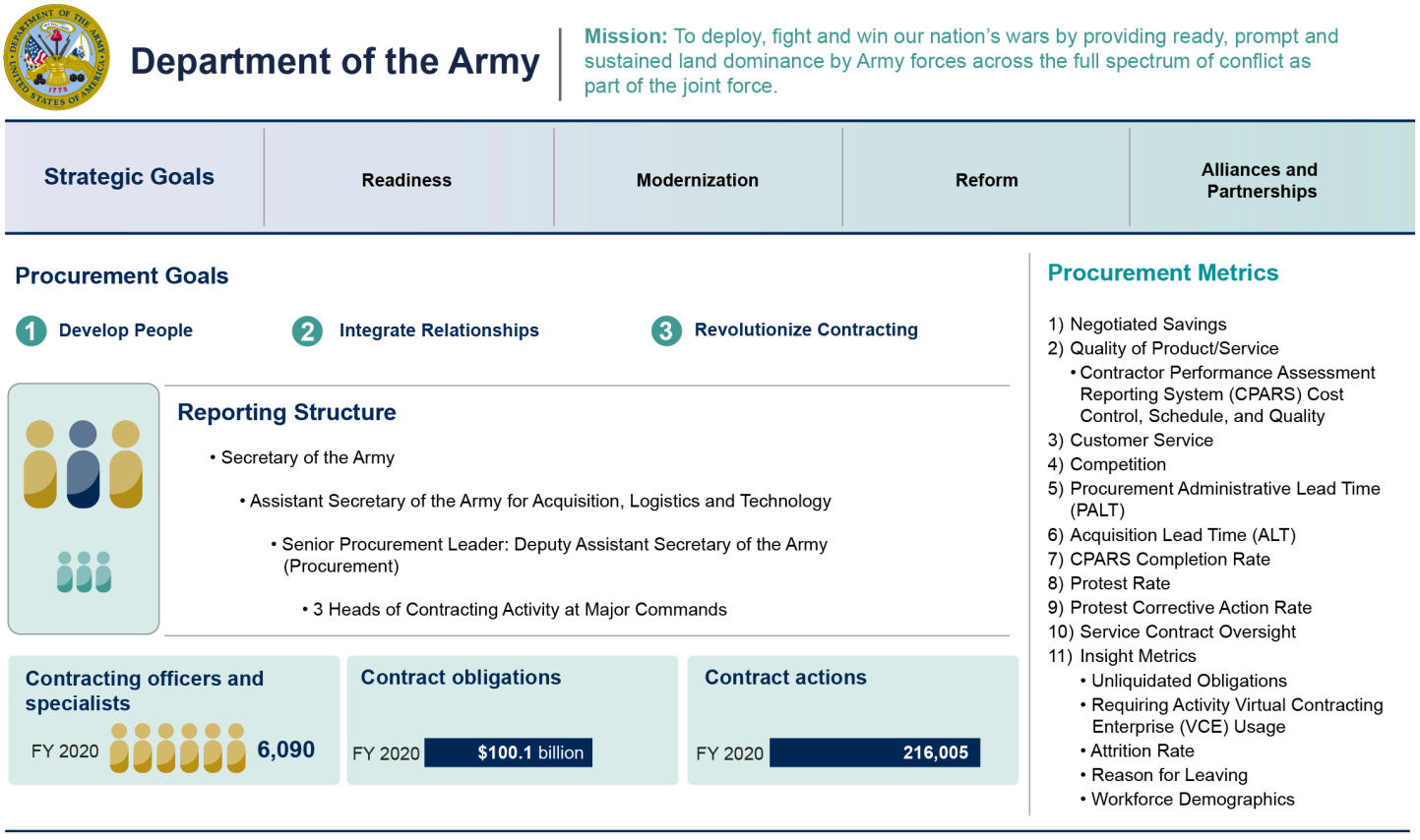
Note: Individual terms and processes are defined in agency policies and documents.

Source: GAO analysis of Federal Procurement Data System-Next Generation and Air Force documentation. | GAO-21-491

Appendix III: Department of the Army Agency Profile

Figure 19 shows the Department of the Army's strategic goals, procurement goals, procurement metrics, and other selected information.

Figure 19: Department of the Army Procurement Goals and Metrics, and Other Selected Information



Source: GAO analysis of Federal Procurement Data System-Next Generation and Army documentation. | GAO-21-491

Text of Figure 19: Department of the Army Procurement Goals and Metrics, and Other Selected Information

Dept of the Army

Strategic Goals:

- Readiness
- Modernization
- Reform
- Alliances and Partnerships

Procurement Metrics

1) Negotiated Savings

2) Quality of Product/Service

- Contractor Performance Assessment Reporting System (CPARS) Cost Control, Schedule, and Quality

3) Customer Service

4) Competition

5) Procurement Administrative Lead Time (PALT)

6) Acquisition Lead Time (ALT)

7) CPARS Completion Rate

8) Protest Rate

9) Protest Corrective Action Rate

10) Service Contract Oversight

11) Insight Metrics

- Unliquidated Obligations
- Requiring Activity Virtual Contracting Enterprise (VCE) Usage

- Attrition Rate
- Reason for Leaving
- Workforce Demographics

Reporting Structure

- Secretary of the Army
- Assistant Secretary of the Army for Acquisition, Logistics and Technology
- Senior Procurement Leader: Deputy Assistant Secretary of the Army (Procurement)
- 3 Heads of Contracting Activity at Major Commands

Contracting information

- 6,090 contracting officers and specialists in FY 2020
- $100.1billion in contract obligations in FY 2020
- 216,005 contract actions in FY 2020

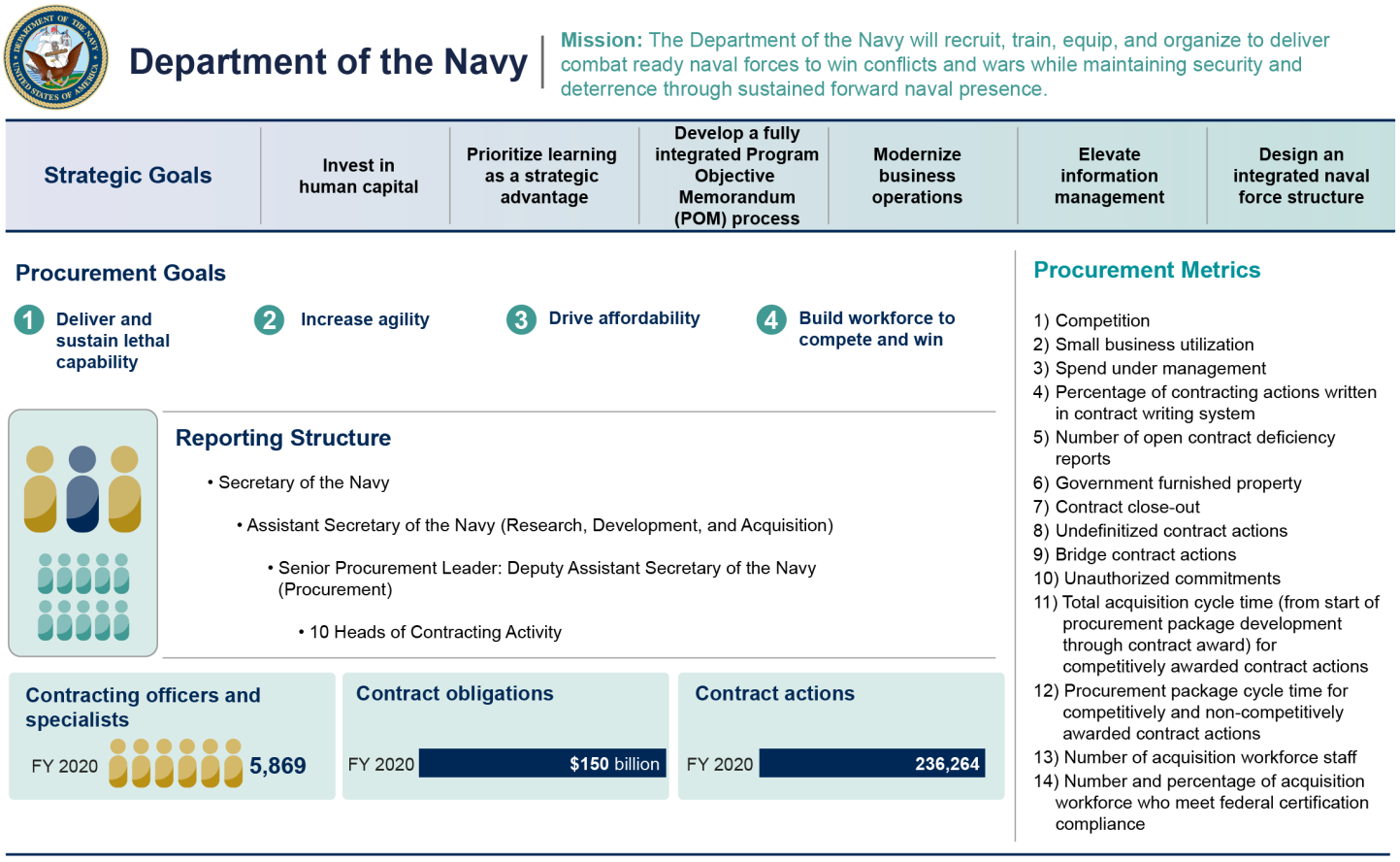
Note: Individual terms and processes are defined in agency policies and documents.

Source: GAO analysis of Federal Procurement Data System-Next Generation and Army documentation. | GAO-21-491

Appendix IV: Department of the Navy Agency Profile

Figure 20 shows the Department of the Navy's strategic goals, procurement goals, procurement metrics, and other selected information.

Figure 20: Department of the Navy Procurement Goals and Metrics, and Other Selected Information



Source: GAO analysis of Federal Procurement Data System-Next Generation and Navy documentation. | GAO-21-491

Text of Figure 20: Department of the Navy Procurement Goals and Metrics, and Other Selected Information

Dept of the Navy

Strategic Goals:

- Invest in human capital
- Prioritize learning as a strategic advantage
- Develop a fully integrated Program Objective Memorandum (POM) process
- Modernize business operations
- Elevate information management
- Design an integrated naval force structure

Procurement Goals

- Deliver and sustain lethal capability
- Increase agility
- Drive affordability
- Build workforce to compete and win

Procurement Metrics

1) Competition

2) Small business utilization

3) Spend under management

4) Percentage of contracting actions written in contract writing system

5) Number of open contract deficiency reports

6) Government furnished property

7) Contract close-out

8) Undefinitized contract actions

9) Bridge contract actions

10) Unauthorized commitments

11) Total acquisition cycle time (from start of procurement package development through contract award) for competitively awarded contract actions

12) Procurement package cycle time for competitively and non-competitively awarded contract actions

13) Number of acquisition workforce staff

14) Number and percentage of acquisition workforce who meet federal certification compliance

Reporting Structure

- Secretary of the Navy
- Assistant Secretary of the Navy (Research, Development, and Acquisition)
- Senior Procurement Leader: Deputy Assistant Secretary of the Navy (Procurement)
- 10 Heads of Contracting Activity

Contracting information

- 5,869 contracting officers and specialists in FY 2020
- $150 billion in contract obligations in FY 2020
- 236,264 contract actions in FY 2020

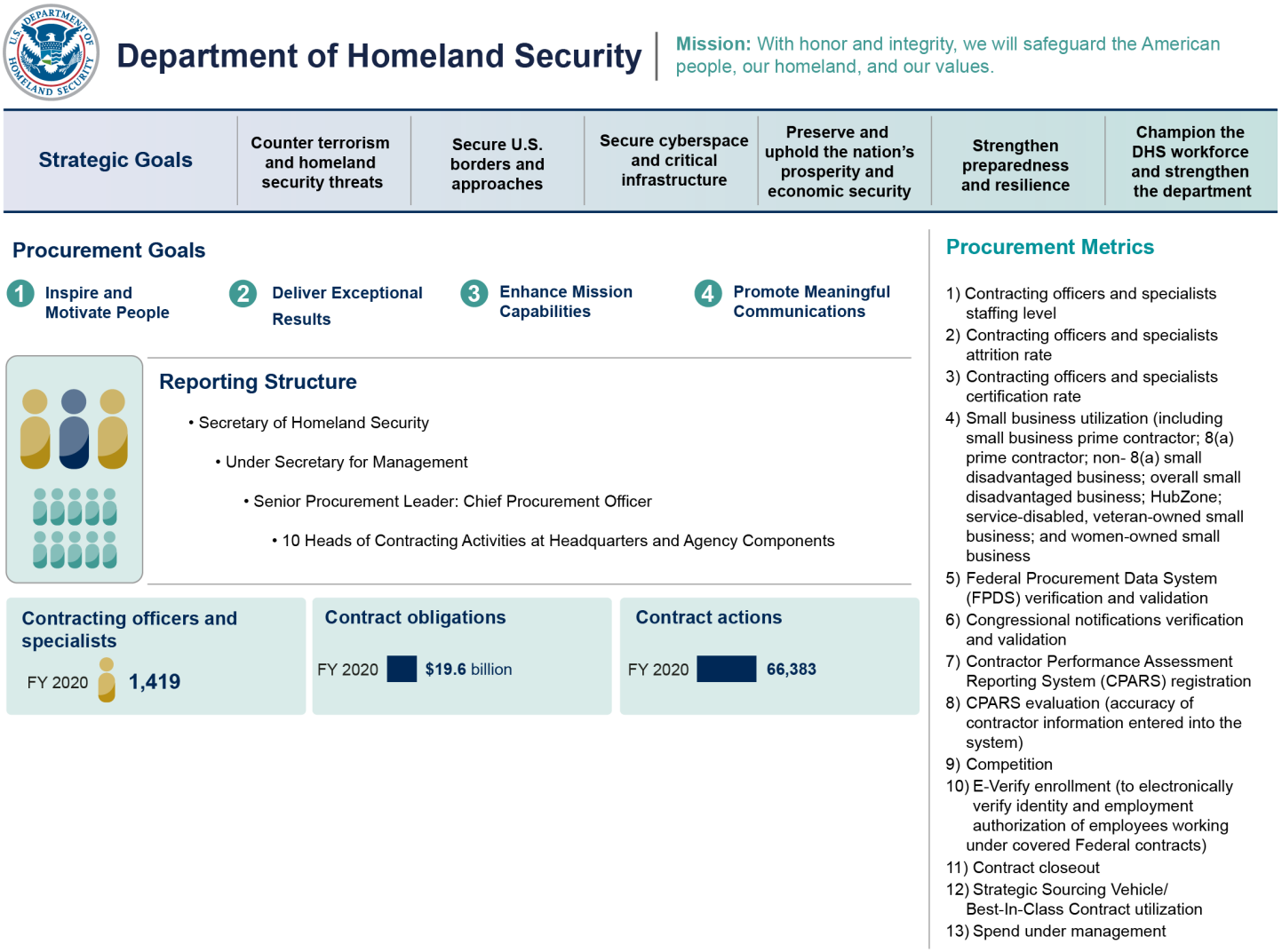
Note: Individual terms and processes are defined in agency policies and documents.

Source: GAO analysis of Federal Procurement Data System-Next Generation and Navy documentation. | GAO-21-491

Appendix V: Department of Homeland Security Agency Profile

Figure 21 shows the Department of Homeland Security's strategic goals, procurement goals, procurement metrics, and other selected information.

Figure 21: Department of Homeland Security Procurement Goals and Metrics, and Other Selected Information



Source: GAO analysis of Federal Procurement Data System-Next Generation and Department of Homeland Security documentation. | GAO-21-491

Text of Figure 21: Department of Homeland Security Procurement Goals and Metrics, and Other Selected Information

Dept of Homeland Security

Strategic Goals

- Counter terrorism and homeland security threats

- Secure U.S. borders and approaches
- Secure cyberspace and critical infrastructure
- Preserve and uphold the nation's prosperity and economic security
- Strengthen preparedness and resilience
- Champion the DHS workforce and strengthen the department

Procurement goals:

- Inspire and Motivate People
- Deliver Exceptional Results
- Enhance Mission Capabilities
- Promote Meaningful Communications

Procurement Metrics

1) Contracting officers and specialists staffing level

2) Contracting officers and specialists attrition rate

3) Contracting officers and specialists certification rate

4) Small business utilization (including small business prime contractor; 8(a) prime contractor; non- 8(a) small disadvantaged business; overall small disadvantaged business; HubZone; service-disabled, veteran-owned small business; and women-owned small business

5) Federal Procurement Data System (FPDS) verification and validation

6) Congressional notifications verification and validation

7) Contractor Performance Assessment Reporting System (CPARS) registration

8) CPARS evaluation (accuracy of contractor information entered into the system)

9) Competition

10) E-Verify enrollment (to electronically verify identity and employment authorization of employees working under covered Federal contracts)

11) Contract closeout

12) Strategic Sourcing Vehicle/ Best-In-Class Contract utilization

13) Spend under management

Reporting Structure

- Secretary of Homeland Security
- Under Secretary for Management
- Senior Procurement Leader: Chief Procurement Officer
- 10 Heads of Contracting Activities at Headquarters and Agency Components

Contracting information

- 1,419 contracting officers and specialists in FY 2020
- $19.6 billion in contract obligations in FY 2020
- 66,393 contract actions in FY 2020

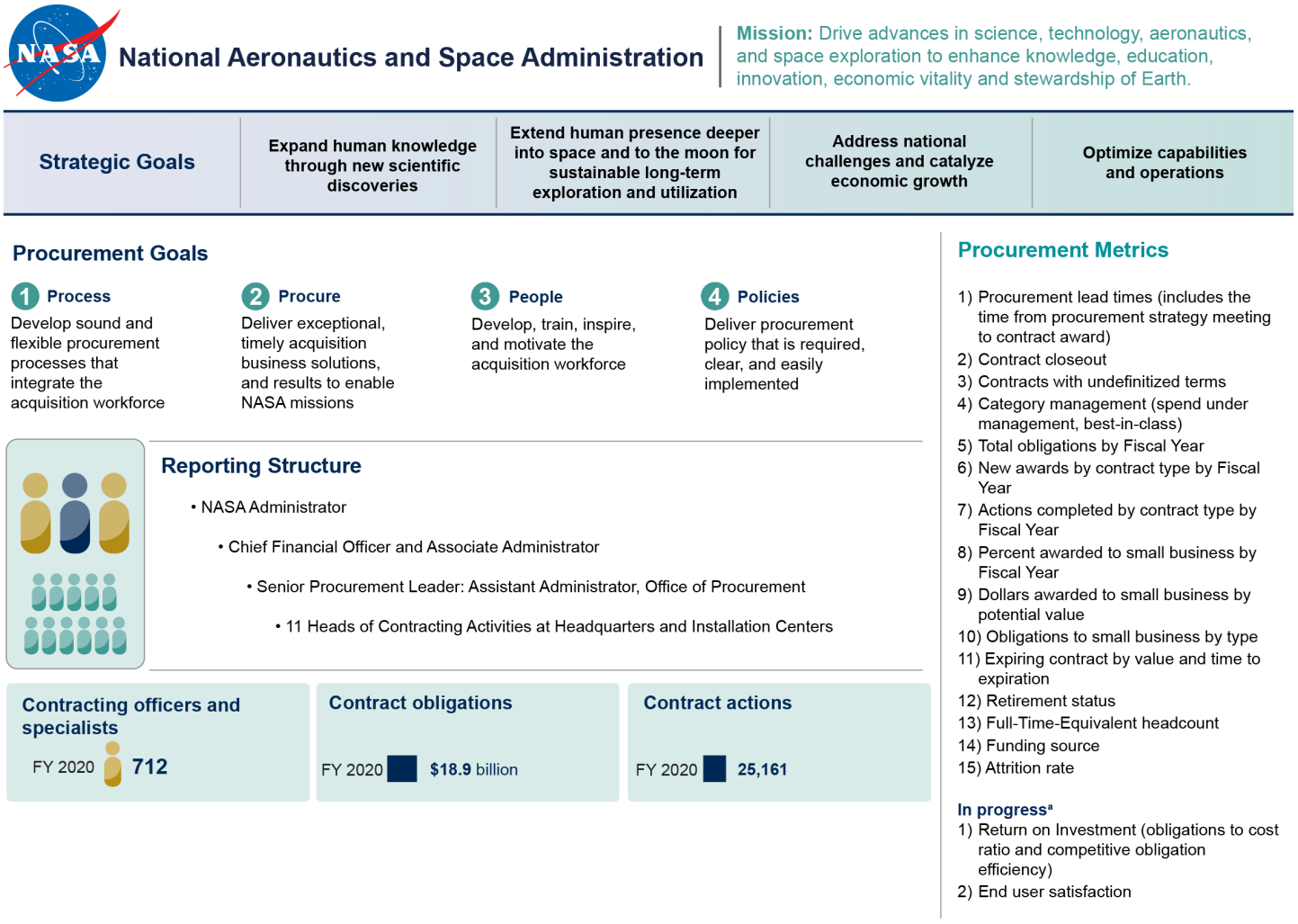
Note: Individual terms and processes are defined in agency policies and documents.

Source: GAO analysis of Federal Procurement Data System-Next Generation and Department of Homeland Security documentation. | GAO-21-491

Appendix VI: National Aeronautics and Space Administration Agency Profile

Figure 22 shows the National Aeronautics and Space Administration's strategic goals, procurement goals, procurement metrics, and other selected information.

Figure 22: National Aeronautics and Space Administration Procurement Goals and Metrics, and Other Selected Information



Source: GAO analysis of Federal Procurement Data System-Next Generation and National Aeronautics and Space Administration documentation. | GAO-21-491

Text of Figure 22: National Aeronautics and Space Administration Procurement Goals and Metrics, and Other Selected Information

NASA

Strategic Goals

- Expand human knowledge through new scientific discoveries

- Extend human presence deeper into space and to the moon for sustainable long-term exploration and utilization
- Address national challenges and catalyze economic growth
- Optimize capabilities and operations

Procurement goals

- Process: Develop sound and flexible procurement processes that integrate the acquisition workforce
- Procure: Deliver exceptional, timely acquisition business solutions, and results to enable NASA missions
- People: Develop, train, inspire, and motivate the acquisition workforce
- Policies: Deliver procurement policy that is required, clear, and easily implemented

Procurement Metrics

1) Procurement lead times (includes the time from procurement strategy meeting to contract award)

2) Contract closeout

3) Contracts with undefinitized terms

4) Category management (spend under management, best-in-class)

5) Total obligations by Fiscal Year

6) New awards by contract type by Fiscal Year

7) Actions completed by contract type by Fiscal Year

8) Percent awarded to small business by Fiscal Year

9) Dollars awarded to small business by potential value

10) Obligations to small business by type

11) Expiring contract by value and time to expiration

12) Retirement status

13) Full-Time-Equivalent headcount

14) Funding source

15) Attrition rate

In progress/a/

1) Return on Investment (obligations to cost ratio and competitive obligation efficiency)

2) End user satisfaction

Reporting Structure

- NASA Administrator
- Chief Financial Officer and Associate Administrator
- Senior Procurement Leader: Assistant Administrator, Office of Procurement
- 11 Heads of Contracting Activities at Headquarters and Installation Centers

Contracting information

- 712 contracting officers and specialists in FY 2020
- $18.9 billion in contract obligations in FY 2020
- 25,161 contract actions in FY 2020

[a]The National Aeronautics and Space Administration's Office of Procurement plans to include these new metrics in its third and fourth quarter performance reviews in fiscal year 2021.

Note: Individual terms and processes are defined in agency policies and documents.

Source: GAO analysis of Federal Procurement Data System-Next Generation and National Aeronautics and Space Administration documentation. | GAO-21-491

Appendix VII: Department of Veterans Affairs Agency Profile

Figure 23 shows the Department of Veterans Affairs' strategic goals, procurement goals, procurement metrics, and other selected information.

Figure 23: Department of Veterans Affairs Procurement Goals and Metrics, and Other Selected Information

Department of Veterans Affairs

Mission: To fulfill President Lincoln's promise, "To care for him who shall have borne the battle and for his widow, and his orphan" by serving and honoring the men and women who are America's Veterans.

Strategic Goals	Veterans choose VA for easy access, greater choices, and clear information to make informed decisions	Veterans receive highly reliable and integrated care and support and excellent customer service that emphasized their well-being and independence throughout their life journey	Veterans trust VA to be consistently accountable and transparent	VA will transform business operations by modernizing systems and focusing resources more efficiently to be competitive and to provide world-class customer service to veterans and its employees

Procurement Goal

1 Agility

VA's infrastructure improvements, improved decision-making protocols, and streamlined services enable VA to adapt to changing business environments and Veterans needs

Reporting Structure

- Secretary of Veterans Affairs
  - Principal Executive Director, Office of Acquisition, Logistics and Construction
    - Senior Procurement Leader: Executive Director, Office of Acquisition and Logistics
      - 8 Heads of Contract Activity, located at VA's operating administrations and department-wide procurement offices

Contracting officers and specialists

FY 2020 2,749

Contract obligations

FY 2020 $36.9 billion

Contract actions[a]

FY 2020 4.7 million

Procurement Metrics

1) Average satisfaction rating of procurement customers receiving acquisition services
2) Spend on contracts that meet OMB criteria for management maturity; (Spend under management)
3) Percent of VA's ten category managers with a 2-Year plan approved by the senior accountable official
4) Reduction in department contract actions
5) Cost to spend ratio
6) Procurement administrative lead time (PALT)

Source: GAO analysis of Federal Procurement Data System-Next Generation and Department of Veterans Affairs documentation. | GAO-21-491

Text of Figure 23: Department of Veterans Affairs Procurement Goals and Metrics, and Other Selected Information

Dept of Veterans Affairs

Strategic Goals

- Veterans choose VA for easy access, greater choices, and clear information to make informed decisions
- Veterans receive highly reliable and integrated care and support and excellent customer service that emphasized their well-being and independence throughout their life journey
- Veterans trust VA to be consistently accountable and transparent
- VA will transform business operations by modernizing systems and focusing resources more efficiently to be competitive and to provide world-class customer service to veterans and its employees

Procurement goals

- Agility: VA's infrastructure improvements, improved decision-making protocols, and streamlined services enable VA to adapt to changing business environments and Veterans needs

Procurement Metrics

1) Average satisfaction rating of procurement customers receiving acquisition services

2) Spend on contracts that meet OMB criteria for management maturity; (Spend under management)

3) Percent of VA's ten category managers with a 2-Year plan approved by the senior accountable official

4) Reduction in department contract actions

5) Cost to spend ratio

6) Procurement administrative lead time (PALT)

Reporting Structure

- Secretary of Veterans Affairs
- Principal Executive Director, Office of Acquisition, Logistics and Construction
- Senior Procurement Leader: Executive Director, Office of Acquisition and Logistics
- 8 Heads of Contract Activity, located at VA's operating administrations and department-wide procurement offices

Contracting information

- 2,749 contracting officers and specialists in FY 2020
- $36.9 billion in contract obligations in FY 2020
- 4.7 million contract obligations in FY 2020 /a/

[a]In the Federal Procurement Data System, the Department of Veterans Affairs reports multiple contract actions under a single transaction for certain contracts. Under this approach, one transaction could have 1,500 actions attached, affecting the total number of contract actions reported.

Note: Individual terms and processes are defined in agency policies and documents.

Appendix VIII: Comments from the Department of Defense

OFFICE OF THE UNDER SECRETARY OF DEFENSE
3000 DEFENSE PENTAGON
WASHINGTON, DC 20301-3000

ACQUISITION
AND SUSTAINMENT

Mr. Timothy J. DiNapoli
Director, Contracting and National Security Acquisitions
U.S. Government Accountability Office
441 G Street, NW
Washington DC 20548

Dear Mr. DiNapoli:

This is the Department of Defense (DoD) response to the Government Accountability Office (GAO) Draft Report, GAO-21-491, "FEDERAL CONTRACTING: Senior Leaders Should Use Leading Companies' Key Practices to Improve Performance," dated June 10, 2021 (GAO Code 103664).

The DoD response to each recommendation is enclosed. My point of contact is Mr. Michael Pelkey, 703-614-1253 or michael.f.pelkey.civ@mail.mil.

Sincerely,

CALISTI.SCOTT.R.1028133959 Digitally signed by CALISTI.SCOTT.R.1028133959 Date: 2021.07.14 13:58:39 -04'00'

for John M. Tenaglia
Principal Director,
Defense Pricing and Contracting

Enclosure:
As stated

Enclosure

GAO DRAFT REPORT DATED JUNE 10, 2021
GAO-21-491 (GAO CODE 103664)

"FEDERAL CONTRACTING: SENIOR LEADERS SHOULD USE LEADING COMPANIES' KEY PRACTICES TO IMPROVE PERFORMANCE"

DEPARTMENT OF DEFENSE COMMENTS TO THE GAO RECOMMENDATION

RECOMMENDATION 1: The Secretary of the Air Force should ensure the Deputy Assistant Secretary of the Air Force (Contracting) collaborates with end users to develop performance metrics for procurement organizations.

DoD RESPONSE: Concur. The Deputy Assistant Secretary of the Air Force, (Contracting) (SAF/AQC) is developing forward–looking performance metrics as part of a comprehensive review of all contracting metrics. SAF/AQC established two Key Results (KR) teams focused on metrics under its annual Flight Plan. The first KR team is reviewing all existing contracting metrics driven by federal law and regulation, Department regulations and policy and lower-level regulations and policy. The team will assess the validity of the metrics and recommend any changes to improve the effectiveness of the metrics, and to recommend how to most efficiently collect metrics data and to present the resulting information to all levels of users within the DAF.

The second KR team is developing new performance metrics that are forward-looking, outcome-oriented, and responsive to mission partner needs, which is a significant change from the mostly legal and regulatory acquisition compliance-oriented metrics in place today. The KR team is researching industry best practices to guide metrics development with the recognition that some commercial forces and private-industry motivations may differ substantially from the legal and mission-driven requirements guiding the Department of Defense.

RECOMMENDATION 2: The Secretary of the Army should ensure the Deputy Assistant Secretary of the Army (Procurement) collaborates with end users to develop performance metrics for procurement organizations.

DoD RESPONSE: Concur. The Office of the Deputy Assistant Secretary of the Army (Procurement) (DASA(P)/(ODASA(P)) is working with contracting organizations and end users--such as base commanders--to establish the Services Senior Leader Dashboard. The dashboard will be an Enterprise tool for requiring activities (i.e., end users) and contracting activities to manage services acquisitions. Examples of anticipated metrics that will be tracked by the tool include "Active Service Contracts Expiring in the Next 180 days," "Forecasted New Starts," and "Services Category Oversight." The data are used to provide leaders with insight into performance against enterprise-wide metrics such as Procurement Administrative Lead Time (PALT) and competition, and to assist commanders with prioritizing acquisitions. The initial capability of the dashboard is anticipated to include all Services Acquisition Category I (SCAT I), ($1 billion or more) acquisitions.

RECOMMENDATION 3: The Secretary of the Navy should ensure the Deputy Assistant Secretary of the Navy (Procurement) collaborates with end users to develop performance metrics for procurement organizations.

DoD RESPONSE: Non-concur. Department of the Navy (DON) procurement leaders at the Head of Contracting Activity (HCA) level are collaborating with end users via their representatives in the program offices/requiring activities during the development and implementation of performance metrics as it pertains to the particular product or service. The DON Senior Procurement Executive (SPE) has delegated a considerable amount of authority to the HCAs who have in turn delegated authority to the command's procurement lead. Each HCA is solely responsible for executing its delegated contracting authority for assigned acquisition programs and cognizant areas of responsibilities subject to any established limitation. The examples of outcome-oriented performance metrics cited, specifically, quality of product or services procured and timeliness of deliveries to end-users, are areas where the business team (i.e., contracting organization) and technical team (Program Offices & Requirements Activities) collaborate to achieve specific mission and program outcomes. Thus, contracting leadership at each of the DON HCAs is obtaining end-user input via the designated program manager or directly from the end-user in identifying improvement opportunities, setting priorities and to appropriating allocate resources. In addition, metrics associated with Quality Assurance, Inspection and Acceptance are also maintained post award by Defense Contract Management Agency or Navy Supervisor of Shipbuilding (SUPSHIP). One final point on collaboration with end users, the Chief of Naval Operations (CNO)/Commandant of Marine Corps (CMC) as user representatives (program and resource sponsor) have a continuous interaction with the SPE/Service Acquisition Executive (SAE), the Assistant Secretary of the Navy (Research, Development and Acquisition) (ASN(RD&A)), through the acquisition process to meet required procurement mission capabilities (user-based cost, schedule, and total force performance requirements). During the Two-Pass Seven-Gate process, the program and resource sponsors and SPE/SAE in a collaborative manner assess the overall progress and health of DON procurement programs.

RECOMMENDATION 6: The Secretary of the Air Force should ensure the Deputy Assistant Secretary of the Air Force (Contracting) uses a balanced set of performance metrics to manage the department's procurement organizations, including outcome-oriented metrics to measure (a) timeliness of deliveries, (b) quality of deliverables, and (c) end user satisfaction.

DoD RESPONSE: Non-concur. The Deputy Assistant Secretary of the Air Force (Contracting), SAF/AQC, is developing new performance metrics that are forward-looking, outcome-oriented and responsive to mission partner needs which is a significant change from the mostly legal and regulatory acquisition compliance-oriented metrics in place today. Key Result teams are researching industry best practices to guide metrics development with the recognition that some commercial forces and private-industry motivations may differ substantially from the legal and mission-driven requirements guiding the Department of Defense.

Importantly, SAF/AQC recognizes that performance metrics need to be flexible and tailorable to the wide range of mission partners supported by Air Force Contracting. Timeliness, quality and

end-user satisfaction may have very different meanings to an Air Force Civil Engineer seeking to contract for the construction of a building when compared to the occupants of the new building. Moreover, the aforementioned performance metrics may also differ for an Air Force Program Manager seeking to contract for a new jet fighter when compared to the pilot flying the resulting aircraft.

Key to developing responsive metrics is to ensure underlying data associated with Air Force contracts is digitized and readily available to any end user with a strong set of visualization tools in order to tailor responsive measures of performance to end-user needs. Air Force Contracting is working to automate its contracting processes to a common data standard to facilitate data availability as well as analysis and visualization based on end-user needs.

Specifically, SAF/AQC non-concurs based on the contradictory use of the term "end user" included in the recommendation of "end user satisfaction" as an "outcome oriented metric." The report narrative is not always consistent with the term's definition assigned within the report. Recommend greater clarity in use of the term —who are the "end users" and "customers" for both the companies and for Government procurement leaders? For example, the discussion of "end user" under "What GAO Found" states that "end users can help procurement leaders increase the usefulness and use of performance information in program management and policy." This appears to define the term "end user" within the acquisition team context vice the report definition "internal stakeholders that use the products and services procured."

While the report briefly acknowledges the context of a Government procurement organization is different from a company context with a much broader set of stakeholders/end users; the report does not clearly articulate how these differences should be accounted to highlight what the report labels as deficiencies. "End users" or "customers" for companies are internal relative to their in-house supply chain purchasing system. For their Government counterpart procurement leader, "customers" include not only internal program managers and warfighters, but also Executive and Legislative branch oversight, taxpayers, and even the contractors from whom the Air Force purchases. Those contractors seek to overturn procurement decisions/outcomes in the courts, driving longer timelines and rework. There are also required non-mission related process and outcome metrics driven by law/regulation that are often in conflict with, or the opposite of, "customer" desires. As a result, the use of the graphics in the report where an "X" indicates procurement leaders are deficient in relation to their corporate procurement leaders' counterparts is at least an oversimplification and possibly misleading.

SAF/AQC also recommends that GAO acknowledge in the report that, for the vast majority of dollars spent, performance metrics, to include cost, schedule and performance/quality, are all measured and reported to the "customer" centrally at the DoD-level through the Defense Contract Management Agency and not by/through each service procurement leader. The Air Force does not concur that the Secretary of the Air Force should direct service procurement leaders to reproduce or duplicate performance metrics already captured separately by a Defense Agency specifically designed and resourced for that purpose even if the company procurement leader exemplars we are compared to have that capability internally. Again, an "X" (reference Figure 5: Federal Agencies Consistently Used One of the Three Key Practices Leading

Companies Use When Managing Their Procurement Organization) suggests it is not done and implies a deficiency, which may be an oversimplification of the comparison.

RECOMMENDATION 7: The Secretary of the Army should ensure the Deputy Assistant Secretary of the Army (Procurement) uses a balanced set of performance metrics to manage the department's procurement organizations, including outcome-oriented metrics to measure (a) cost savings/avoidance, (b) timeliness of deliveries, (c) quality of deliverables, and (d) end user satisfaction.

DoD RESPONSE: Concur. In March 2021, DASA(P) announced the Army Contracting Enterprise strategic metrics (https://spcs3.kc.army.mil/asaalt/procurement/PARC/PARC.aspx). The metrics are aligned with the Army's strategic lines of effort, such as modernization and readiness. Strategic balance is enhanced by establishing metrics that measure cost, schedule, and performance outcomes, with a focus on customer service.

RECOMMENDATION 8: The Secretary of the Navy should ensure the Deputy Assistant Secretary of the Navy (Procurement) uses a balanced set of performance metrics to manage the department's procurement organizations, including outcome-oriented metrics to measure (a) cost savings/avoidance, (b) timeliness of deliveries, (c) quality of deliverables, and (d) end user satisfaction.

DoD RESPONSE: Concur. DON should be using a balanced set of performance metrics to management the department's procure organizations, including outcome-oriented metrics. The Deputy Assistant Secretary of the Navy (Procurement) (DASN (P)) is looking into/developing tools (e.g., dashboards) that will provide DASN(P) as well as ASN(RD&A) greater visibility and real-time access to existing metrics/data and an ability to create/generate new metrics as needed.

Text of Appendix VIII: Comments from the Department of Defense

Mr. Timothy J. DiNapoli

Director, Contracting and National Security Acquisitions

U.S. Government Accountability Office 441 G Street, NW

Washington DC 20548 Dear Mr. DiNapoli:

This is the Department of Defense (DoD) response to the Government Accountability Office (GAO) Draft Report, GAO-21-491, “FEDERAL CONTRACTING: Senior Leaders Should Use Leading Companies’ Key Practices to Improve Performance,” dated June 10, 2021 (GAO Code 103664).

The DoD response to each recommendation is enclosed. My point of contact is Mr. Michael Pelkey, 703-614-1253 or michael.f.pelkey.civ@mail.mil.

Sincerely,

Digitally signed by CALISTI.SCOTT.R

for

John M. Tenaglia Principal Director,

Defense Pricing and Contracting

Enclosure: As stated

GAO DRAFT REPORT DATED JUNE 10, 2021 GAO-21-491 (GAO CODE 103664) “FEDERAL CONTRACTING: SENIOR LEADERS SHOULD USE LEADING COMPANIES’ KEY PRACTICES TO IMPROVE PERFORMANCE”

DEPARTMENT OF DEFENSE COMMENTS TO THE GAO RECOMMENDATION

RECOMMENDATION 1: The Secretary of the Air Force should ensure the Deputy Assistant Secretary of the Air Force (Contracting) collaborates with end users to develop performance metrics for procurement organizations.

DoD RESPONSE: Concur. The Deputy Assistant Secretary of the Air Force, (Contracting) (SAF/AQC) is developing forward–looking performance metrics as part of a comprehensive review of all contracting metrics. SAF/AQC established two Key Results (KR) teams focused on metrics under its annual Flight Plan. The first KR team is reviewing all existing contracting metrics driven by federal law and regulation, Department regulations and policy and lower-level regulations and policy. The team will assess the validity of the metrics and recommend any changes to improve the effectiveness of the metrics, and to recommend how to most efficiently collect metrics data and to present the resulting information to all levels of users within the DAF.

The second KR team is developing new performance metrics that are forward-looking, outcome- oriented, and responsive to mission partner needs, which is a significant change from the mostly legal and regulatory acquisition compliance-oriented metrics in place today. The KR team is researching industry best practices to guide metrics development with the recognition that some commercial forces and private-industry motivations may differ substantially from the legal and mission-driven requirements guiding the Department of Defense.

RECOMMENDATION 2: The Secretary of the Army should ensure the Deputy Assistant Secretary of the Army (Procurement) collaborates with end users to develop performance metrics for procurement organizations.

DoD RESPONSE: Concur. The Office of the Deputy Assistant Secretary of the Army (Procurement) (DASA(P)/(ODASA(P)) is working with contracting organizations and end users-

-such as base commanders--to establish the Services Senior Leader Dashboard. The dashboard will be an Enterprise tool for requiring activities (i.e., end users) and contracting activities to manage services acquisitions. Examples of anticipated metrics that will be tracked by the tool include “Active Service Contracts Expiring in the Next 180 days,” “Forecasted New Starts,” and “Services Category Oversight.” The data are used to provide leaders with insight into performance against enterprise-wide metrics such as Procurement Administrative Lead Time (PALT) and competition, and to assist commanders with prioritizing acquisitions. The initial capability of the dashboard is anticipated to include all Services Acquisition Category I (SCAT I), ($1 billion or more) acquisitions.

RECOMMENDATION 3: The Secretary of the Navy should ensure the Deputy Assistant Secretary of the Navy (Procurement) collaborates with end users to develop performance metrics for procurement organizations.

DoD RESPONSE: Non-concur. Department of the Navy (DON) procurement leaders at the Head of Contracting Activity (HCA) level are collaborating with end users via their representatives in the program offices/requiring activities during the development and implementation of performance metrics as it pertains to the particular product or service. The DON Senior Procurement Executive (SPE) has delegated a considerable amount of authority to the HCAs who have in turn delegated authority to the command's procurement lead. Each HCA is solely responsible for executing its delegated contracting authority for assigned acquisition programs and cognizant areas of responsibilities subject to any established limitation. The examples of outcome-oriented performance metrics cited, specifically, quality of product or services procured and timeliness of deliveries to end-users, are areas where the business team (i.e., contracting organization) and technical team (Program Offices & Requirements Activities) collaborate to achieve specific mission and program outcomes. Thus, contracting leadership at each of the DON HCAs is obtaining end-user input via the designated program manager or directly from the end-user in identifying improvement opportunities, setting priorities and to appropriating allocate resources. In addition, metrics associated with Quality Assurance, Inspection and Acceptance are also maintained post award by Defense Contract Management Agency or Navy Supervisor of Shipbuilding (SUPSHIP). One final point on collaboration with end users, the Chief of Naval Operations (CNO)/Commandant of Marine Corps (CMC) as user representatives (program and resource sponsor) have a continuous interaction with the SPE/Service Acquisition Executive (SAE), the Assistant Secretary of the Navy (Research, Development and Acquisition) (ASN(RD&A)), through the acquisition process to meet required procurement mission capabilities (user-based cost, schedule, and total force performance requirements). During the Two-Pass Seven-Gate process, the program and resource sponsors and SPE/SAE in a collaborative manner assess the overall progress and health of DON procurement programs.

RECOMMENDATION 6: The Secretary of the Air Force should ensure the Deputy Assistant Secretary of the Air Force (Contracting) uses a balanced set of performance metrics to manage the department's procurement organizations, including outcome-oriented metrics to measure (a) timeliness of deliveries, (b) quality of deliverables, and (c) end user satisfaction.

DoD RESPONSE: Non-concur. The Deputy Assistant Secretary of the Air Force (Contracting), SAF/AQC, is developing new performance metrics that are forward-looking, outcome-oriented and responsive to mission partner needs

which is a significant change from the mostly legal and regulatory acquisition compliance-oriented metrics in place today. Key Result teams are researching industry best practices to guide metrics development with the recognition that some commercial forces and private-industry motivations may differ substantially from the legal and mission-driven requirements guiding the Department of Defense.

Importantly, SAF/AQC recognizes that performance metrics need to be flexible and tailorable to the wide range of mission partners supported by Air Force Contracting. Timeliness, quality and end-user satisfaction may have very different meanings to an Air Force Civil Engineer seeking to contract for the construction of a building when compared to the occupants of the new building. Moreover, the aforementioned performance metrics may also differ for an Air Force Program Manager seeking to contract for a new jet fighter when compared to the pilot flying the resulting aircraft.

Key to developing responsive metrics is to ensure underlying data associated with Air Force contracts is digitized and readily available to any end user with a strong set of visualization tools in order to tailor responsive measures of performance to end-user needs. Air Force Contracting is working to automate its contracting processes to a common data standard to facilitate data availability as well as analysis and visualization based on end-user needs.

Specifically, SAF/AQC non-concurs based on the contradictory use of the term “end user” included in the recommendation of “end user satisfaction” as an “outcome oriented metric.” The report narrative is not always consistent with the term’s definition assigned within the report.

Recommend greater clarity in use of the term —who are the “end users” and “customers” for both the companies and for Government procurement leaders? For example, the discussion of “end user” under “What GAO Found” states that “end users can help procurement leaders increase the usefulness and use of performance information in program management and policy.” This appears to define the term “end user” within the acquisition team context vice the report definition “internal stakeholders that use the products and services procured.”

While the report briefly acknowledges the context of a Government procurement organization is different from a company context with a much broader set of stakeholders/end users; the report does not clearly articulate how these differences should be accounted to highlight what the report labels as deficiencies. “End users” or “customers” for companies are internal relative to their in- house supply chain purchasing system. For their Government counterpart procurement leader, “customers” include not only internal program managers and warfighters, but also Executive and Legislative branch oversight, taxpayers, and even the contractors

from whom the Air Force purchases. Those contractors seek to overturn procurement decisions/outcomes in the courts, driving longer timelines and rework. There are also required non-mission related process and outcome metrics driven by law/regulation that are often in conflict with, or the opposite of, “customer” desires. As a result, the use of the graphics in the report where an “X” indicates procurement leaders are deficient in relation to their corporate procurement leaders’ counterparts is at least an oversimplification and possibly misleading.

SAF/AQC also recommends that GAO acknowledge in the report that, for the vast majority of dollars spent, performance metrics, to include cost, schedule and performance/quality, are all measured and reported to the “customer” centrally at the DoD-level through the Defense Contract Management Agency and not by/through each service procurement leader. The Air Force does not concur that the Secretary of the Air Force should direct service procurement leaders to reproduce or duplicate performance metrics already captured separately by a Defense Agency specifically designed and resourced for that purpose even if the company procurement leader exemplars we are compared to have that capability internally. Again, an “X” (reference Figure 5: Federal Agencies Consistently Used One of the Three Key Practices Leading

Companies Use When Managing Their Procurement Organization) suggests it is not done and implies a deficiency, which may be an oversimplification of the comparison.

RECOMMENDATION 7: The Secretary of the Army should ensure the Deputy Assistant Secretary of the Army (Procurement) uses a balanced set of performance metrics to manage the department’s procurement organizations, including outcome-oriented metrics to measure (a) cost savings/avoidance, (b) timeliness of deliveries, (c) quality of deliverables, and (d) end user satisfaction.

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RECOMMENDATION 8: The Secretary of the Navy should ensure the Deputy Assistant Secretary of the Navy (Procurement) uses a balanced set of performance metrics to manage the department’s procurement organizations, including outcome-oriented metrics to measure (a) cost savings/avoidance, (b)

timeliness of deliveries, (c) quality of deliverables, and (d) end user satisfaction.

DoD RESPONSE: Concur. DON should be using a balanced set of performance metrics to management the department's procure organizations, including outcome-oriented metrics. The Deputy Assistant Secretary of the Navy (Procurement) (DASN (P)) is looking into/developing tools (e.g., dashboards) that will provide DASN(P) as well as ASN(RD&A) greater visibility and real-time access to existing metrics/data and an ability to create/generate new metrics as needed.

Appendix IX: Comments from the Department of Homeland Security

U.S. Department of Homeland Security
Washington, DC 20528

Homeland Security

July 13, 2021

Timothy J. DiNapoli
Director, Contracting and National Security Acquisitions
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Re: Management Response to Draft Report GAO-21-491, "FEDERAL CONTRACTING: Senior Leaders Should Use Leading Companies' Key Practices to Improve Performance"

Dear Mr. DiNapoli:

Thank you for the opportunity to comment on this draft report. The U.S. Department of Homeland Security (DHS or the Department) appreciates the U.S. Government Accountability Office's (GAO) work in planning and conducting its review and issuing this report.

Although GAO's draft report acknowledges that there are significant differences between procurement organizations at companies and Federal agencies, it includes recommendations that Federal agencies adopt certain private industry practices. Senior DHS procurement leadership believes that, in doing so, the report's analysis oversimplifies the importance of those significant differences. For example, the difference in statutory limitations, segregation of duties, and the presence or absence of a profit motive drive the need for different procurement processes. Many private-sector practices are not appropriate for Federal agency adoption absent a modification by the Office of Federal Procurement Policy for the federal environment. Rather than recommend this type of systemic change, the report recommends that six agencies adopt industry practices that are outside their control and are unlikely to lead to better contracting outcomes.

The draft report contained eleven recommendations, including two for DHS with which the Department non-concurs. Attached find our detailed response to each recommendation. DHS previously submitted technical comments addressing an accuracy issue under a separate cover for GAO's consideration.

Again, thank you for the opportunity to review and comment on this draft report. Please feel free to contact me if you have any questions. We look forward to working with you again in the future.

Sincerely,

JIM H CRUMPACKER Digitally signed by JIM H CRUMPACKER Date: 2021.07.13 07:49:31 -04'00'

JIM H. CRUMPACKER, CIA, CFE
Director
Departmental GAO-OIG Liaison Office

Attachment

2

Attachment: Management Response to Recommendations Contained in GAO-21-491

GAO recommended the Secretary of Homeland Security should ensure the DHS Chief Procurement Officer (CPO):

Recommendation 4: Collaborates with end users to develop performance metrics for procurement organizations.

Response: Non-concur. While DHS acknowledges that collaboration with end users, as defined in GAO's draft report, can be helpful to better understand and meet mission needs, the CPO does not believe that such collaboration is necessary when developing appropriate and quality performance metrics for procurement organizations. Procurement organizations in DHS strive to deliver timely and innovative procurement solutions that meet the business and mission needs of the Department, while also adhering to the policies, laws and regulations that govern the procurement process. Further, the success of DHS's contracting activities depends on: (1) their collective expertise; (2) improving the quality and accuracy of their data; and (3) strengthening the collaborative, customer-focused culture that exists at DHS to ensure the best contracts are delivered for the need. For that reason, the DHS Office of the Chief Procurement Officer (OCPO) consistently collaborates with the procurement and acquisition communities, including the Heads of the Contracting Activities, to develop performance measures that measure success. Also, OCPO incorporates customer feedback through an annual 360 survey that includes industry, Contracting Officer Representatives, and Contracting Officers. OCPO will, however, consider whether additional feedback from its customers would enhance its existing performance metrics in a meaningful way. Estimated Completion Date (ECD): November 30, 2022.

Recommendation 9: Uses a balanced set of performance metrics to manage the department's procurement organizations, including outcome-oriented metrics to measure (a) cost savings/avoidance, (b) timeliness of deliveries, (c) quality of deliverables, and (d) end user satisfaction.

Response: Non-concur. While the CPO supports balanced performance metrics, including outcome-oriented metrics, the OCPO disagrees that the specific metrics included in this recommendation necessarily capture the most relevant aspects of performance of procurement organizations. However, OCPO will review its current metrics to determine whether they appropriately measure the intended procurement outcomes. ECD: November 30, 2022.

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Text of Appendix IX: Comments from the Department of Homeland Security

July 13, 2021

Timothy J. DiNapoli

Director, Contracting and National Security Acquisitions

U.S. Government Accountability Office 441 G Street, NW

Washington, DC 20548

Re: Management Response to Draft Report GAO-21-491, "FEDERAL CONTRACTING: Senior Leaders Should Use Leading Companies' Key Practices to Improve Performance"

Dear Mr. DiNapoli:

Thank you for the opportunity to comment on this draft report. The U.S. Department of Homeland Security (DHS or the Department) appreciates the U.S. Government Accountability Office's (GAO) work in planning and conducting its review and issuing this report.

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Again, thank you for the opportunity to review and comment on this draft report. Please feel free to contact me if you have any questions. We look forward to working with you again in the future.

Sincerely,

JIM H. CRUMPACKER, CIA, CFE

Director

Departmental GAO-OIG Liaison Office

Attachment

Attachment: Management Response to Recommendations Contained in GAO-21-491 GAO recommended the Secretary of Homeland Security should ensure the DHS Chief Procurement Officer (CPO):

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Response: Non-concur. While the CPO supports balanced performance metrics, including outcome-oriented metrics, the OCPO disagrees that the specific metrics included in this recommendation necessarily capture the most relevant aspects of performance of procurement organizations. However, OCPO will review its current metrics to determine whether they appropriately measure the intended procurement outcomes. ECD: November 30, 2022.

Appendix X: Comments from the National Aeronautics and Space Administration

National Aeronautics and
Space Administration

Mary W. Jackson NASA Headquarters
Washington, DC 20546-0001

July 8, 2021

Reply to Attn of: Office of Procurement

Mr. W. William Russell
Director
Contracting and National Security Acquisitions
United States Government Accountability Office
Washington, DC 20548

Dear Mr. Russell:

The National Aeronautics and Space Administration (NASA) appreciates the opportunity to review and comment on the Government Accountability Office (GAO) draft report entitled, "Federal Contracting: Senior Leaders Should Use Leading Companies' Key Practices to Improve Performance" (GAO-21-491), dated June 10, 2021.

GAO found that although there are inherent differences between procurement organizations at the Federal agencies and leading companies, there are also significant similarities such as buying a wide variety of critical products and services and being good custodians for funds. Therefore, there are opportunities for agency leaders to improve their organizations' performance by using some practices commonly employed by company leaders.

In the draft memorandum, GAO makes one recommendation addressed to the Administrator of NASA to better identify improvement opportunities, set priorities, and allocate resources.

Specifically, GAO recommends the Office of Procurement should:

Recommendation 1: Ensure the NASA Senior Procurement Executive uses a balanced set of performance metrics to manage the agency's procurement organizations, including outcome-oriented metrics to measure (a) cost savings/avoidance (b) timeliness of deliveries, (c) quality of deliverables, and (d) end user satisfaction.

Management's Response: NASA concurs and the Office of Procurement (OP) is pursuing the collection and reporting of outcome-oriented metrics. Requirements owners in organizations across the Agency were integrally involved in developing a subset of procurement metrics that OP now presents at quarterly Baseline Performance Reviews to Agency leaders. These outcome-based metrics are the Return on Investment (ROI) which measures both the ratio of obligations to costs and competitive obligation efficiency (number of competitive actions versus total actions versus competitive obligations) as well

as metrics relative to Procurement Administrative Lead Time, Undefinitized Contract Actions, Category Management, and Contract Closeout performance.

OP is also leveraging customer satisfaction surveys to effectively measure end-user satisfaction, which we will continue to refine and present at Baseline Performance Reviews. Externally, we utilize the GSA - Federal Benchmarking Effort on Contracting survey which compares OP to other Federal agencies regarding contracting cost to spend and satisfaction with contracting services. NASA OP's .62 percent cost to spend ratio in FY19 was lower than the Government median of 1.25 percent, and our customer satisfaction rating of 5.49 exceeded the Government median rate of 4.77. Internally, OP is implementing a survey tool to annually assess acquisition partner priorities, satisfaction with procurement outcomes, and performance improvements or declines from the prior year, ensuring we receive feedback on the extent to which procurement end products met our customers' needs.

Estimated Completion Date: January 25, 2022.

We have reviewed the draft report for information that should not be publicly released. As a result of this review, we have not identified any information that should not be publicly released.

Once again, thank you for the opportunity to review and comment on the subject draft report. If you have any questions or require additional information regarding this response, please contact Cheryl Robertson on (202) 358-0667.

Karla Jackson

Digitally signed by Karla Jackson
Date: 2021.07.08 16:58:00 -04'00'

Karla Smith Jackson
Assistant Administrator for Procurement

Text of Appendix X: Comments from the National Aeronautics and Space Administration

July 8, 2021

Mr. W. William Russell Director

Contracting and National Security Acquisitions United States Government Accountability Office Washington, DC 20548

Dear Mr. Russell:

The National Aeronautics and Space Administration (NASA) appreciates the opportunity to review and comment on the Government Accountability Office (GAO) draft report entitled, “Federal Contracting: Senior Leaders Should Use Leading Companies’ Key Practices to Improve Performance” (GAO-21-491), dated June 10, 2021.

GAO found that although there are inherent differences between procurement organizations at the Federal agencies and leading companies, there are also significant similarities such as buying a wide variety of critical products and services and being good custodians for funds. Therefore, there are opportunities for agency leaders to improve their organizations’ performance by using some practices commonly employed by company leaders.

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Recommendation 1: Ensure the NASA Senior Procurement Executive uses a balanced set of performance metrics to manage the agency’s procurement organizations, including outcome-oriented metrics to measure (a) cost

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Management's Response: NASA concurs and the Office of Procurement (OP) is pursuing the collection and reporting of outcome-oriented metrics. Requirements owners in organizations across the Agency were integrally involved in developing a subset of procurement metrics that OP now presents at quarterly Baseline Performance Reviews to Agency leaders. These outcome-based metrics are the Return on Investment (ROI) which measures both the ratio of obligations to costs and competitive obligation efficiency (number of competitive actions versus total actions versus competitive obligations) as well as metrics relative to Procurement Administrative Lead Time, Undefinitized Contract Actions, Category Management, and Contract Closeout performance.

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Once again, thank you for the opportunity to review and comment on the subject draft report. If you have any questions or require additional information regarding this response, please contact Cheryl Robertson on (202) 358-0667.

Karla Smith Jackson

Assistant Administrator for Procurement

Appendix XI: Comments from the Department of Veterans Affairs

DEPARTMENT OF VETERANS AFFAIRS
WASHINGTON

July 12, 2021

Mr. Timothy J. DiNapoli
Director
Contracting and National Security Acquisitions
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Mr. DiNapoli:

The Department of Veterans Affairs (VA) has reviewed the Government Accountability Office (GAO) draft report: ***Federal Contracting: Senior Leaders Should Use Leading Companies' Key Practices to Improve Performance*** (GAO-21-491).

The enclosure contains the actions to be taken to address the draft report recommendations. VA appreciates the opportunity to comment on your draft report.

Sincerely,

Tanya J. Bradsher
Chief of Staff

Enclosure

Enclosure

Department of Veterans Affairs (VA) Comments to
Government Accountability Office (GAO) Draft Report
Federal Contracting: Senior Leaders Should Use Leading Companies' Key Practices to Improve Performance
(GAO-21-491)

Recommendation 5: The Secretary of Veterans Affairs should ensure the VA Senior Procurement Executive (SPE) collaborates with end users to develop performance metrics for procurement organizations.

VA Response: Concur. The Department of Veterans Affairs (VA) agrees with the Government Accountability Office's (GAO) conclusions and concurs with GAO's recommendations to the Department. VA will provide the actions to be taken to address the GAO draft report recommendation in the 180-day update to the final report.

Recommendation 11: The Secretary of Veterans Affairs should ensure the VA SPE uses a balanced set of performance metrics to manage the department's procurement organizations, including outcome-oriented metrics to measure (a) cost savings/avoidance, (b) timeliness of deliveries, (c) quality of deliverables, and (d) end user satisfaction.

VA Response: Concur. VA agrees with GAO's conclusions and concurs with GAO's recommendations to the Department. VA will provide the actions to be taken to address the GAO draft report recommendation in the 180-day update to the final report.

Department of Veterans Affairs
July 2021

Text of Appendix XI: Comments from the Department of Veterans Affairs

July 12, 2021

Mr. Timothy J. DiNapoli Director

Contracting and National Security Acquisitions

U.S. Government Accountability Office 441 G Street, NW

Washington, DC 20548

Dear Mr. DiNapoli:

The Department of Veterans Affairs (VA) has reviewed the Government Accountability Office (GAO) draft report: Federal Contracting: Senior Leaders Should Use Leading Companies' Key Practices to Improve Performance (GAO-21-491).

The enclosure contains the actions to be taken to address the draft report recommendations. VA appreciates the opportunity to comment on your draft report.

Sincerely,

Tanya J. Bradsher Chief of Staff

Enclosure

Department of Veterans Affairs (VA) Comments to Government Accountability Office (GAO) Draft Report -- Federal Contracting: Senior Leaders Should Use Leading Companies' Key Practices to Improve Performance (GAO-21-491)

Recommendation 5: The Secretary of Veterans Affairs should ensure the VA Senior Procurement Executive (SPE) collaborates with end users to develop performance metrics for procurement organizations.

VA Response: Concur. The Department of Veterans Affairs (VA) agrees with the Government Accountability Office's (GAO) conclusions and concurs with GAO's recommendations to the Department. VA will provide the actions to be

taken to address the GAO draft report recommendation in the 180-day update to the final report.

Recommendation 11: The Secretary of Veterans Affairs should ensure the VA SPE uses a balanced set of performance metrics to manage the department's procurement organizations, including outcome-oriented metrics to measure (a) cost savings/avoidance, (b) timeliness of deliveries, (c) quality of deliverables, and (d) end user satisfaction.

VA Response: Concur. VA agrees with GAO's conclusions and concurs with GAO's recommendations to the Department. VA will provide the actions to be taken to address the GAO draft report recommendation in the 180-day update to the final report.

Department of Veterans Affairs July 2021

Appendix XII: GAO Contact and Staff Acknowledgments

GAO Contact

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Staff Acknowledgments

In addition to the contact name above, Nathan Tranquilli (Assistant Director), Guisseli Reyes-Turnell (Analyst-in-Charge), Christina Cota-Robles, Molly Miller, Anh Nguyen and Erin Stockdale made key contributions to this report. Pete Anderson, Matthew Crosby, Lorraine Ettaro, Benjamin Licht, Christine Pecora, and Roxanna Sun also made contributions.

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