

Achieving an Effective National Security Posture in an Age of Austerity



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DoD Cost Cutting

- ◆ While the quest to save costs is not new, the Sequester intensifies the need to reduce costs because of dramatic budget cuts.
- ◆ In order to keep surviving programs healthy, ideally the budget should be cut by eliminating programs, rather than weakening all programs by shaving funding from each of them.
- ◆ There are ways DoD and the Defense industry can reduce costs.

Ways To Reduce Costs

- ◆ Do not start and then terminate programs: e.g., Future Combat System, Presidential Helicopter, Comanche. Navy “looking for alternatives to the LCS.” This costs more than all the acquisition savings ideas combined.
- ◆ Reduce volume of cost or pricing data and increase the use of parametric estimating. Result would be reduced staff costs in the contracting process, reduced B&P costs, and shorter definitization times.
- ◆ Provide incentives for closing and combining contractor facilities and close inefficient government facilities.

Ways To Reduce Costs

- ◆ Use Sarbanes Oxley requirements to certify business systems for publicly traded firms.
- ◆ Return to preference for commercial products. Expand definition to include defense products with competitive direct commercial sales to foreign governments. Sales to foreign customers are highly competitive, so DoD could use such pricing in lieu of certified cost or pricing data for the same product. Cost data can be obtained for changes from the equipment sold overseas.

Ways To Reduce Costs

- ◆ Reduce cycle times by eliminating serial reviews of contractor proposals prior to negotiation.
- ◆ Low price offers, marginally meeting technical criteria, may end up costing more. It is difficult to hire the best IT staffs in an LPTA environment.
- ◆ Consider administrative costs of redetermining FPI contracts.
- ◆ Consider the time and personnel costs spent on responding to DCAA Form 1s and fraud referrals for inadvertent mistakes.
- ◆ Determine increases in contractor outside legal costs to adjudicate incorrect DCAA findings over the last 10 years. Government pays these costs.

Ways to Reduce Costs

- ◆ To curb over zealous issuance of DCAA Form 1 disallowances of cost, allow interest on withheld costs when the disallowance is proven incorrect. This will save legal costs of claim submittals based on incorrect cost disallowance.
- ◆ On Service contracts, when Government takes 1 ½-2 years to award a contract, contractors lose key personnel specified in the proposal, or incur costs to retain them.
- ◆ Do not eliminate contractors from competitions for proposing less expensive alternatives.