



Acquisition Research Program:
Creating Synergy for Informed Change

Contracting Out Government Procurement Functions: An Analysis

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Research Purpose and Sponsor

- Purpose: to analyze the contracting out of procurement functions by Navy, Marine Corps, and other DOD activities, focused on assessing the degree of effectiveness and shortcomings of contracting out efforts.
- Sponsor: Deputy Assistant Secretary of the Navy for Research, Development & Acquisition (DASN (RDA) (Acquisition Management))



Research Questions

- Question #1: Which contracting functions are being contracted out by Navy and other DOD organizations?
- Question #2: How effectively have contractors performed on these contracts?
- Question #3: What metrics are being used and could be used to assess the quality of contractor performance?



Interrelated Subjects Explored

- Inherently Governmental functions
- Personal service relationships
- Conflicts of interest
- Legal and ethical issues
- Impact of contracting out on the contracting system
- Development of Contracting Officers
- Participation of companies in the marketplace
- Training, experience and qualifications of participants
- Agency procurement decision-making and policies



Research Methodology

- Literature review (including, but not limited to):
 - Government Accountability Office (GAO)
 - Naval Postgraduate School (NPS)
 - Air Force Institute of Technology (AFIT)
 - Project on Government Oversight (POGO)
- Survey Questionnaires -- two utilized:
 - Policy and senior management level - 45 total participants
 - Management and operating level personnel - 87 total participants (effectiveness focus emphasized)
- Personal (face-to-face) and Phone interviews:
 - Nineteen face-to-face interviews with senior personnel
 - Fifteen phone interviews, primarily used for clarifications



Findings and Conclusions

- 1: Contracting out procurement functions has been effective, however, robust metrics to measure and assess contractor performance are lacking.
- 2: “Inherently Governmental” functions not clearly defined, and often blurred in practice.
- 3: Personal services relationships inevitable in close working environments.
- 4: Concern over potential for conflicts of interest to arise, both organizationally and personally.



Finding and Conclusions (continued)

- 5: Specific measures must be taken to ensure ethical standards are maintained and integrity of the contracting process is protected.
- 6: Contracting out will have a negative effect on the ability of the Federal Government to develop Contracting Officers, but may expand ability to develop procurement options.
- 7: There is a mixed opinion on the affect of contracting out on companies participating in the marketplace for Government contracts.



Findings and Conclusions (continued)

- 8: Government contracting functions are being performed by contractors because buying activities lack sufficient human resources to accomplish mission requirements.
- 9: A majority of senior contracting personnel believe that contracts for procurement services should be of a temporary nature.
- 10: Contractor personnel performing procurement functions should be co-located with Government contracting personnel.



Findings and Conclusions (continued)

- 11: Percentage of the contracting workforce and/or the percentage of the contracting workload placed on contract should not exceed an established maximum.
- 12: Certification requirements similar to those found in DAWIA could be imposed on contractor employees performing Government procurement functions without difficulty.
- 13: There is general opposition among Navy and Marine Corps contracts leaders to the notion of contracting out procurement functions.
- 14: A policy regarding the contracting out of procurement functions is needed.



Recommendations

- 1: Metrics should be developed and robustly utilized to monitor and assess contractor performance of Government contracting functions.
- 2: DOD should issue a policy regarding the contracting out of procurement functions.
- 3: Safeguards to protect the integrity of the contracting process when using contractor support should be strengthened and rigorously enforced.
- 4: The prohibition on the use of personal services contracts should be removed.



Recommendations (continued)

- 5: Civil and criminal penalties currently applicable to Federal employees should be extended to contractor employees who are performing contracting functions for the Government.
- 6: A hierarchy of contracting functions should be developed as a classification of tasks that can be used to support various decisions and reporting requirements.



Three Dimension Metric Analytical Model

- First dimension: phase of contract process:
 - Planning
 - Solicitation
 - Evaluation
 - Negotiations
 - Award
 - Management and Administration
- Second Dimension: application:
 - Process
 - Workforce
 - Outputs
- Third Dimension: assessment type:
 - Quantitative
 - Qualitative



Thoughts and Questions

- Is the Federal Government too reliant on contracted procurement functions?
- Where is the line between inherently Governmental and non-inherently Governmental?
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Figure 7-2. Metric Analytical Model



