

Reforms Curb Oversight Cutting Red Tape Can Increase Waste

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In recent weeks a federal employee who used his government purchase card to buy a breast enlargement for his girlfriend has given new meaning to the expression, "on the government teat." So much for acquisition reform promises that government purchase cards would streamline government, cut paperwork and save money.

Those reformers, including Rep. Tom Davis, R-Va., chairman of the House Government Reform subcommittee on technology and policy procurement, now want the limits on purchase cards lifted from \$2,500 to \$25,000, a change that would cover 98.5 percent of all government purchases. Under the Services Acquisition Reform Act (SARA) proposed by Davis and supported by myriad contractor lobbyists, today's breast implant might be tomorrow's BMW.

But purchase cards are just one of many goodies for contractors in the SARA legislation. The bill also would encourage the government to engage in speculative financing known as share-in-savings contracts. According to law professor and acquisition expert Charles Tiefer, share-in-savings contracts "could propagate problems similar to those that accompanied deregulation of government-insured savings-and-loans institutions or procurement of defense spare parts in the 1980s by sole-source contracts."

Under share-in-saving contracts, contractors provide upfront capital financing for projects such as computer system upgrades in exchange for receiving funds down the line that are saved as a result of the upgrade. Sounds rosy, doesn't it? Problem is, developing the baselines to estimate savings is virtually impossible. Also, contrary to contractor kudos for share-in-savings, Angela Styles of the Office of Management and Budget testified in a March 7 House hearing that "we have seen no savings."

Unfortunately, the SARA legislation is only the latest in a long line of contractor favors masquerading as legislation. The Project On Government Oversight has just released "Pick Pocketing the Taxpayer: the Insidious Effects of Acquisition Reform," a report summarizing our investigation into promised acquisition reforms. In the 1990s, Congress and the Clinton administration rolled back laws preventing contractor rip-offs. The result is double-digit increases in spare parts prices, decreased competition in contracting, and an ineffective framework for ensuring that taxpayer dollars are well spent.

Pooh-poohing competition and oversight practices as unwieldy or bureaucratic has been a central feature of this campaign. Often the federal government is, by necessity, the only buyer of weapons systems and military-unique services.

Often lacking a free market to hold prices down, the government must use the only tool available

to ensure fair pricing: oversight.

Competition and oversight mechanisms weakened in the 1990s include:

- The Competition in Contracting Act, which helped foster improved free market competition
- The Truth in Negotiations Act, which improved transparency in contracting, particularly in noncompetitive contracting situations.
- The Cost Accounting Standards Board, which sets rules to ensure that contractors do not use accounting gimmicks.

Numerous reports have documented a return of spare parts sticker shock. For example, a recent study revealed that the Pentagon paid \$409 for what should have been a \$39 sink. Another found that one out of seven spare parts ordered by the military experienced price increases of 50 percent or more in just one year. Other General Accounting Office research confirms widespread abuses.

These reports are merely glimpses into a system that receives little sunshine. The federal acquisition system is virtually unaccountable and unaudited. Consider this “Summary of DoD Acquisition Program Audit Coverage” released Sept. 10 by the Defense Department inspector general: “There were 2,531 acquisition programs with estimated costs of \$1.4 trillion. Our survey indicated that 58 audit reports addressed 129 of those programs between October 1999 and March 2001 . . . only 14 of the largest 906 programs (2 percent) received evaluations of all significant program elements.”

Several reforms are needed right away:

- Restore the common-sense definition of commercial items to those actually sold to the general public in significant quantities.
- Restore the definition of competitive bidding to require at least two bidders. The current oxymoron definition stipulates that there is competition even if there is only one bid.
- Reverse the weakening of the Cost Accounting Standards Board by restoring the trigger that initiates oversight to \$500,000 from \$7.5 million. Arthur Andersen’s debacles have shown that accounting gimmicks are a menace.
- Restore the capacity of watchdogs who protect the federal purse, such as the GAO and inspectors general.
- Reform procurement practices recently shown to be wasteful, such as governmentwide acquisition contracts; multiple award, indefinite-delivery, indefinite-quantity contracts; and purchase cards.

After the scrutiny in March by the House Government Reform subcommittee on efficiency, financial management and intergovernmental relations we learned that the FBI has been swamped with purchase-card fraud cases from agencies governmentwide. More such public scrutiny is long overdue.

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