Oversight is not the only way to judge a procurement system

In a series of recent articles, *Federal Times* suggested that procurement oversight — mostly in the form of auditors and inspectors working for the Defense Contract Management Agency and the Defense Contract Audit Agency — has been cut back too far and that the government is being ripped off ["Blind trust: Who's watching DoD contractors?" April 5,12 and 19 issues]. Aside from a few anecdotes that are hard for an outsider to judge and that could have been told earlier when the number of auditors and inspectors was much higher than today, the main data presented is the decline in the numbers of people working for these two organizations since the early 1990s — down by half from their peak.

By STEVEN KELMAN

In light of these articles, it was interesting to see in the May 3 issue of *Federal Times* a different article, " 'Paralyzed' acquisition process leaves troops vulnerable." The story was based on concerns Rep. Duncan Hunter, R-Calif., chairman of the House Armed Services Committee, has expressed about delays in getting protective steel retrofitted onto military trucks used in Iraq. What was slowing the process? Oversight, it turns out! "Although the . . . steel had been certified 10 years ago, the Army demanded a variety of tests of its protective qualities. These included firing various weapons at the steel, . . . the results of which already were known. Test after test was conducted to look at how much weight the trucks could carry."

Reacting to the charges, a Defense Department official responded that the tests were designed to "ensure money isn't wasted on things that work incorrectly or not at all."

A number of things are interesting about this story. The first is that the allegedly hollowed-out overseers had resources to conduct these tests. This isn't surprising, because a 50 percent decline in the oversight work force doesn't translate into 50 percent less oversight. The decline in new weapons programs during this period has reduced the need for oversight, which normally is most intensive before full-scale production has ramped up. Also, inspectors used to spend lots of resources inspecting commercial items, as well as auditing manufacturers of commercial items. The realization that such inspection was typically unnecessary, combined with increasing Defense use of commercial items, has reduced the need for inspection, meaning that a larger proportion of oversight resources are going to defense-unique production.

The protective steel story raises an important policy issue as well. It is appropriate to have a reasoned discussion about oversight and to ask whether we might have gone a bit too far cutting it back. For example, there seem to have been a few cases where some military products were dubiously categorized as commercial items though they had no commercial marketplace presence, a categorization that eliminated needed audit oversight.

If there have been mistakes, let's learn from them. But we should resist the approach of those who judge the procurement system simply by the extensiveness of its oversight. Such voices are being raised, after a period when we focused more on the substantive ability of the system to accomplish mission-oriented goals.

Oversight is by no means costless. As the protective steel example indicates, inspectors and auditors may practice oversight for its own sake, which costs money and time, while creating little or no value for the government. Audits of commercial item producers that were once common discouraged such firms from doing business with the Defense Department, which raised prices the government paid and often reduced access to cutting-edge technology. We don't want to return to those bad old days.

A fixation on oversight leads to ignoring other crucial contract management tasks, such as establishing performance metrics, getting contractor technical experts and government subject matter experts to share necessary information, and motivating both government and contractor personnel to achieve results. Excessive oversight creates a self-fulfilling prophecy, where people feel no motivation to do the right thing unless somebody is looking over their shoulders, no commitment to getting a job done for its own sake, and no desire to share information across organizational boundaries that might be used against them.

Just as modern human resources practice has moved away from the outmoded view that the only role of the supervisor is to hold a stick over employees, so too must modern procurement practice move away from the view that the government's only role vis-à-vis contractors is to do the same. Surely we need inspectors and auditors. Surely we don't need a procurement system that regards inspection and audit as its most central functions.

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