

ACHIEVING THE PRESIDENT'S OBJECTIVES: NEW OMB GUIDANCE TO COMBAT WASTE, INEFFICIENCY, AND MISUSE IN FEDERAL GOVERNMENT CONTRACTING

October 28, 2009

Opening Statement for Chairman Claire McCaskill

The purpose of today's hearing is to examine the future of government contracting.

On March 4, 2009, President Obama announced that he was going to fundamentally reform the way the government does business. The President said, and I quote:

“We will stop outsourcing services that should be performed by the government, and open up the contracting process to small businesses. We will end unnecessary no-bid and cost-plus contracts that run up a bill that is paid by the American people. And we will strengthen oversight to maximize transparency and accountability. Altogether, these reforms can save the American people up to \$40 billion each year.”

The President directed the Office of Management and Budget and federal agencies to work together to develop new guidelines to achieve these goals. Yesterday, OMB released guidance instructing agencies to bolster competition and improve the use of high-risk contract types, like cost-plus and time-and-materials contracts. OMB also released guidance relating to the critical need to strengthen the acquisition workforce.

This guidance follows three previous memoranda issued by OMB in July of this year. First, OMB directed agencies to make a 7% reduction in overall contract spending by 2011 and a 10% reduction in dollars spent on noncompetitive or cost-plus contracts by 2010. Second, OMB told agencies to improve the management of the “multi-sector workforce,” the blend of government employees and contractors who work for government agencies. And finally, OMB told agencies how to improve how agencies collect, report, and use information about how contractors have performed on federal contracts. Taken together, these actions are expected to amount to approximately \$40 billion in savings per year.

At today's hearing, we are going to assess OMB's new guidelines to find out whether they will meet the President's bold vision for reform. I was proud to be standing with the President during his announcement this March, and I was encouraged by his commitment to eliminate the waste, fraud, and abuse in government contracts.

Today, however, I have serious concerns.

There are parts of OMB's guidance that make a lot of sense. OMB has called for agencies to develop long-term plans for the acquisition workforce. OMB has also directed agencies to develop procedures to collect and report past performance information, and to create pilot programs to improve their management of contractor employees.

But, unfortunately, there are also some significant problems. As we will hear today, OMB has tasked government agencies with developing their own plans for improving

contracting. Yet OMB has provided very little concrete guidance as to how to achieve necessary reforms.

For example, OMB's guidance on increasing competition gives agencies "guidelines" with "questions" for agencies to address, and a set of "considerations" for agencies to use in answering those questions. I accept that agencies have different needs and obligations. But OMB's guidance doesn't provide a clear way forward for any of them.

Another serious problem is the lack of accountability. OMB has committed to setting a few targets and reviewing agencies' progress toward those targets. But the guidance sets out only a handful of specific dates and deliverables. And even these are vague. OMB has not said how it will review progress for agencies, or what metrics or benchmarks the agency will use.

A third problem is OMB's failure to address other key problems with government contracting. For example, OMB's guidance does not address the need for improved planning for government contracts. And OMB has announced that its guidance on service contracts and inherently governmental functions has been delayed indefinitely.

I am also concerned that the nominee for the Administrator for the Office of Federal Procurement Policy was not announced until this month – several days after OMB's contracting guidance was already supposed to be completed. I commend the President on his nominee and look forward to his confirmation hearing next month. However, the absence of a confirmed OFPP Administrator may be an additional obstacle in the path of the President's plans for contracting reform.

Finally, OMB's lengthy delay in meeting the President's schedule for issuing this guidance is not a good omen for the agency responsible for management. Government contracting is an enormous challenge. To achieve lasting reforms, we need definite goals and detailed plans about how to meet those goals. We need to be able to measure progress and hold agencies accountable every step of the way. And we need strong leadership from OMB.

Otherwise, government contracting is just going to be business as usual. I look forward to the testimony of Jeffrey Zients, OMB's Deputy Director for Management and the Chief Performance Officer, and thank him for being here today.