



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-4704

MAR 12 2002

Honorable Tom Davis
Chairman, Subcommittee on
Technology and Procurement Policy
Committee on Government Reform
House of Representatives
Washington, D.C. 20515-6142

Dear Mr. Chairman:

This letter provides our views on the legislation "Service Acquisition Reform Act," HR 3832. During the hearing on March 7, 2002, the chair agreed to the request of the Honorable Jim Turner, Ranking Member, to include the comments of this office in the hearing record.

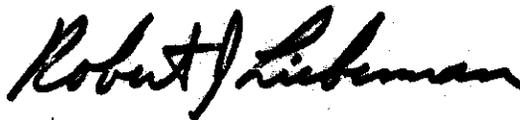
The Department of Defense procurement system is the largest in the world with \$175 billion of acquisitions in fiscal year 2001. The acquisition process has been greatly improved by reform legislation since 1994, but the implementation of those changes is still incomplete. The pace and effectiveness of implementation have been hampered by a variety of factors, including inadequate training. Nevertheless, we believe that the reform legislation of the 1990's has provided the Department with powerful tools and authorities to improve acquisition performance and their positive effect should become more evident over the next several years.

We welcome your interest in the acquisition of services, which is an area that receives far less oversight than does the procurement of equipment and supplies. In the Department of Defense, which purchases over \$56 billion of services annually, the services segment of the acquisition program could easily be considered to be one of the largest Federal acquisition efforts in its own right. Our audits have consistently indicated problems across the spectrum of requirements determination, procurement strategy, market survey, price analysis, and contract administration. The root causes of those deficiencies, in our view, lie much more in training and staffing than in flawed or excessive laws and regulations. This general view contributes to our concern about several provisions in HR 3832.

We are especially concerned about the proposed broadening of the definition of commercial items, which likely would lead to increased contract risk and higher costs, not the efficiencies that are intended. Our reservations about individual sections and, in some cases, suggestions on how to improve them are spelled out in the enclosed comments for your consideration.

If you have any questions regarding this matter,
please contact me or Mr. John R. Crane, Director, Office
of Congressional Liaison, at (703) 604-8324.

Sincerely,

A handwritten signature in black ink that reads "Robert J. Lieberman". The signature is written in a cursive style with a large, prominent initial "R".

Robert J. Lieberman
Deputy Inspector General

Enclosure

cc: Honorable Jim Turner
Ranking Minority Member