

**ASSESSING FEDERAL PROCUREMENT REFORM: HAS THE
PROCUREMENT PENDULUM STOPPED SWINGING?**

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ABSTRACT. Nearly \$200 billion a year is funneled through the federal procurement system to buy everything from paper clips to stealth fighters. This procurement system can be thought of as an oscillating pendulum as it swings from one extreme of unresponsiveness to mission needs to the other extreme of hypersensitivity to mission. Out of a sense that the procurement pendulum had swung too far towards over-regulation, two major procurement reform laws were passed: the Federal Acquisition Streamlining Act of 1994 and the Clinger-Cohen Act of 1996. Many observers suggest that these two laws have led to a revolution in the way the government buys. Are these reforms permanent? The view here is they are not because of various political forces.

INTRODUCTION

About \$200 billion a year is funneled through the federal procurement system to buy everything from stealth fighters to paper clips. The federal procurement system more or less consists of hundreds of thousands of contracting officials in thousands of contracting organizations in every federal agency. An incessantly changing body of procurement regulations guides the work of these officials. Of all the federal government reforms attempted during the 1990s either by reinventing government initiatives, reform laws, or other administrative

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action, procurement reform of defense and civilian agency contracting has been widely praised as the most successful. These procurement reforms are viewed by many as permanent positive changes. In the manner of tilting at windmills, it is being argued here that political forces inherent in the American democratic system will undermine the permanence of these reforms. If the history of federal procurement is a guide, then no procurement reform is permanent.

THE PROCUREMENT PENDULUM

Since the Revolutionary War, the federal procurement system has oscillated between two extremes. At one extreme the system can be characterized as consisting of very tight and burdensome controls. At the other extreme the system is in a relaxed regulatory condition. Forces such as the nation's wartime arms needs would lead to relaxed procurement rules so the nation could arm quickly. Opposite forces such as contractor profiteering and waste would lead to a tightening of procurement rules and controls. This pattern of oscillation is easily discerned throughout the history of federal procurement. For example, at the outset of the Civil War, a loophole was created in the law requiring advertising on all government contracts to speed up the time to award contracts (Culver, 1984a, p. 7). But because of wartime profiteering, a joint Senate House commission, after the war, established a board to review every proposed contract award (House of Representatives, 1895, p. 30).

World War I reveals another example of oscillation. Three months after the United States entered World War I, advertising on all contracts was eliminated. Cost plus a percentage of cost contracts (now deemed illegal because they give contractors no incentive to control costs) were widely used (Culver, 1984b, p. 8). But because of contractor profiteering and influence peddling scandals, Congress passed an excess profits tax (p. 9). After the war normal procurement regulations were reapplied.

Yet another example of oscillation took place during World War II. The President signed the War Powers Act on December 18, 1941, just a few days after the attack on Pearl Harbor (Culver, 1984c, p. 11). This act authorized the President to allow any agency engaged in the war effort to enter into contracts without regard to public advertising or

competitive bidding. After the War, Congress recognized the need to restore non-emergency competitive procurement procedures so that every prospective supplier would have an equal opportunity to win a contract. And again, during the Korean War, the ebb and flow of procurement regulation was evident. Following the invasion of 200,000 Chinese troops into Korea on November 26, 1950, Congress immediately passed the National Emergencies Act, which, among other things, rescinded the requirement for advertising before contract award (Culver, 1985, p. 14).

These examples help to show that the history of federal procurement consists of slow, but inexorable oscillation like a pendulum swinging between two poles. Very tight controls exist at one extreme of the swinging pendulum; very relaxed controls exist at the other extreme. The existence of this oscillating phenomenon has been confirmed by several histories of federal procurement (Commission on Government Procurement, 1972; Culver, 1984a,b, c and 1985, Nagle, 1992). Moreover, this is not the first time this phenomenon has been referred to as a pendulum: "Sure, right now, federal procurement has been moving in the direction of fewer rules and more leeway for government folks to use their judgment. But the pendulum will swing back. After awhile we'll go back to the way things were before procurement reform, and the regulations and distrust will return..." (Kelman, 1998a, p. 21). It may help to understand this phenomenon by associating it with the natural tension in government between accountability and efficiency.

Out of a sense that the procurement pendulum had swung too far towards over-regulation, two major procurement reform laws were passed during the 1990s: the Federal Acquisition Streamlining Act of 1994 and the Clinger-Cohen Act of 1996. Many observers suggest that these two laws have led to a revolution in the way the government buys products and services. Some of these changes include widespread use of credit cards, electronic contracting, increased purchase of commercial-off-the-shelf instead of "mil-spec" commodities and a relaxation or elimination of many rules. These changes were deemed necessary because of a broad consensus that government procurement was wasteful, fraught with red tape, inefficient and unresponsive. Only trained procurement specialists were allowed to buy things. The process called for properly completed paper forms and multiple approvals. The typical non-procurement federal worker was not trusted to buy a simple \$4 stapler (Gore, 1996, p. 12). One infamous anecdote concerns the

outrageous inflexibility of the procurement system. Procurement rules were preventing the military from quickly obtaining badly needed radios during the Gulf War. To get around the rules the Japanese government bought the radios and donated them to the U.S. Army (Acquisition Law Advisory Panel, 1993, p. 6).

This paper will attempt to provide answers to two questions. First, have these reforms been successful? (While there are clear short-term successes, overall it is too soon to make a definitive judgment.) And second, are these reforms permanent or will the procurement pendulum swing back towards a less streamlined condition of burdensome regulations? (It will be argued that politics will ensure that the pendulum never stops oscillating).

PROCUREMENT REFORM LEGISLATION

The two legislative pillars of procurement reform are the Federal Acquisition Streamlining Act of 1994 (Public Law 103-355) and the Clinger-Cohen Act of 1996 (Public Law 104-106). Many, but not all, of the 1990s reforms received their impetus from specific provisions of these two laws. Other procurement reforms were pursued through executive orders, widespread use of flexible contracting instruments, as well as several initiatives to downsize the procurement workforce.

The Federal Acquisition Streamlining Act of 1994 (Public Law 103-355), signed into law on August 21, 1994, included the following provisions:

- The simplified acquisition threshold was increased from \$25,000 to \$100,000. Because procurements below this threshold are exempt from many laws, they can be awarded quickly and easily.
- A preference for procurement of commercial-off-the-shelf products rather than products specifically designed to meet burdensome government specifications was established.
- The old paper-based procurement system would be converted to an electronic commerce system.
- Many regulatory restrictions on purchases under \$2,500 were eliminated.

- The use of contractor past performance data in awarding contracts was mandated.

On February 10, 1996, the President signed the Clinger-Cohen Act, the other major procurement reform bill. The Clinger-Cohen Act, a part of the National Defense Authorization Act for Fiscal Year 1996, consists of two separate provisions: Division D is the Federal Acquisition Reform Act and Division E is the Information Technology Management Reform Act. The key reforms contained in these two acts are listed here.

- The old competition standard of 'Full and Open Competition' was replaced by a less restrictive standard of 'Efficient Competition.'
- Regulations governing procurement of commercially available off-the-shelf items were further relaxed and simplified.
- Many restrictions on the conduct of former government officials were eliminated.
- The Brooks Act, which governed procurement of computers for over 30 years, was repealed. With the repeal of Brooks, Congress eliminated centralized control of computer procurement by the General Services Administration (GSA), and eliminated the special protest jurisdiction of the GSA Board of Contract Appeals.
- A new concept called modular contracting was introduced. Modular contracting of major information technology systems was defined as successive acquisitions of interoperable pieces of systems. This provision of the law was based on the theory that an incremental approach might eliminate the chaos associated with major computer buys.
- Use of electronic commerce in procurement was expanded.

ASSESSING SPECIFIC PROCUREMENT REFORMS

The following discussion is not intended to be a point-by-point assessment of each enacted reform. Rather, this assessment will focus on, for practical reasons, easy to measure factors such as the number of purchase cards being used, the average time to award contracts, the number of protests, and other measures. Measuring these very visible factors over time may be one of the best ways to determine the positive or negative effects of current reforms on the federal procurement system.

The following assessments are not intended to be thorough, empirical reviews. They are simply snapshots more in the style of brief case studies of specific procurement reforms. But these snapshots will provide useful views on reform impacts. In other words, these assessments are more along the lines of administrative case studies rather than scientific studies.

Purchase Cards

On October 13, 1994, the same day the president signed the Federal Acquisition Streamlining Act, he issued an executive order directing federal agencies to expand use of government purchase cards (Clinton, 1994, pp. 52387, 52388). Less than a year later, over 100,000 purchase cards were in circulation. The fact that the Federal Acquisition Streamlining Act eliminated many regulatory restrictions under \$2500 gave strong impetus to the card's growth. As a procurement approach, the purchase card eliminates most of the normal paperwork and decentralizes procurement authority into the hands of federal officials who actually identify needs for products and services instead of contracting officers.

Since becoming available government-wide in 1989, use of the purchase card has grown rapidly. This exploding growth rate is depicted in Table 1. Figures for fiscal years before 1993 are estimates.

It is widely believed that use of the purchase card has led to large savings. The purchase card shifts the process of making simple purchases from the procurement office to the program office. Agencies are then better able to absorb cuts in administrative staff. The cost of making purchases using the purchase card are generally considered to be far less than the cost of writing formal, paper purchase orders. Costs associated with bulk purchasing such as storage, warehousing and contracting staff are eliminated by card use. On the other hand, GAO found "no one precise dollar figure that could be used to reliably calculate savings for all government agencies" (GAO, 1996, p. 5).

Not only is the amount of savings unknown, but the costs of using the cards also are unknown. Gone are the savings accrued by bulk purchases made by centralized purchasing units. The price breaks available when large quantities are bought are not available for credit

TABLE 1
Purchase Card Growth

Fiscal Year	Sales	Transactions	Number Of Cards
1989	<\$100,000,000	Not available	Not available
1990	\$100,000,000	271,000	Not available
1991	\$100,000,000	600,000	Not available
1992	\$300,000,000	1,100,000	Not available
1993	\$472,143,417	1,562,190	Not available
1994	\$808,617,304	1,672,078	82,784
1995	\$1,591,773,703	4,248,496	130,350
1996	\$2,914,368,604	7,327,878	209,295
1997	\$4,945,523,006	11,408,158	264,505
1998	\$7,960,818,859	16,447,721	340,078
1999	\$10,187,006,498	20,631,398	517,591
2000	\$12,288,744,026	23,457,456	670,374

Sources: Office of Federal Procurement Policy, 1998a, p. 53; GAO, 1996, pp. 7-8; GSA, 1993-2000.

card orders of one unit of an item or even orders of very small quantities. Another unidentified cost is the time spent shopping by purchase cardholders. Oversight of purchase card activity to prevent misuse is rapidly becoming another large undefined cost.

In any case, it is clear that the purchase card will improve the speed with which individual buys are made. Although the cost and savings are not yet quantified, the purchase card program has added a powerful and flexible procurement instrument to the government's procurement tool-

bag. It is probably a permanent reform. On the other hand, recent press reports of purchase card fraud could easily erode that permanence.

Electronic Commerce

Title IX of the Federal Acquisition Streamlining Act of 1994 mandated that the paper-based procurement system be replaced by an electronic system called FACNET for Federal Acquisition Computer Network. The conversion got off to a rocky start. FACNET turned out to be difficult to use, expensive to implement, unreliable and not popular with small businesses. In a 1997 GAO survey of 24 federal agencies, senior procurement officials concluded that FACNET would not work because of the following reasons. Widespread public solicitation of offers was inappropriate. Transmitting essential contracting information through the network was not practical or feasible. Alternative purchasing methods were faster and more efficient (GAO, 1997, p. 3). For example, agencies can use credit cards or telephone solicitations more efficiently than FACNET. GAO also reported that agency use of FACNET declined from 1996 to 1997 (p. 8). The GAO report included the following comments by a senior procurement official from the National Aeronautics and Space Administration: "We continue to believe that there is no single electronic commerce solution. We advocate a strategy that recognizes the variety of users, situations, and transaction types and moves to match them with the appropriate EC technology" (p. 17).

Steven Kelman, the former administrator of the Office of Federal Procurement Policy, believes that FACNET: "was a conceptually flawed concept. To use a widespread public system for small purchases turns out not to be a streamlined way of doing business...the idea of replacing a system that generally worked quite well...was not a good idea" (Dooley, 1997, p. 305). It is fitting then that Section 850 of the National Defense Authorization Act for Fiscal Year 1998 repeals the mandatory requirement to use FACNET as the only approved electronic commerce method. Agencies can now use other electronic commerce techniques such as the Internet. Although FACNET has been a bust, there has been progress in other areas.

In the mid 1990s, the General Services Administration launched an electronic shopping mall called GSA Advantage. It provides the entire federal government with on-line access to over one million products and

services. Orders can be placed electronically. GSA Advantage has become a very popular procurement vehicle. Electronic commerce initiatives received a big boost with the enactment of the Government Paperwork Elimination Act in 1998 and the Electronic Signatures in Global and National Commerce Act in 2000. These acts allow the use of electronic signatures in the creation of legal electronic contracts.

On September 22, 2000, the government launched a government-wide Internet portal called FirstGov (www.firstgov.gov). The stated aim of FirstGov is to provide the public easier access to government services and benefits. It is an easy way for the public to access on-line hundreds of other government Web sites. Links are provided to a variety of sites that provide such services and benefits as, for example, registering for the draft, applying for grants, applying for retirement benefits, buying savings bonds and obtaining a passport. FirstGov also links to GSA Advantage.

Another electronic commerce innovation is something called a reverse auction. In an on-line reverse auction, a single buyer solicits bids from multiple suppliers. Those suppliers bid the price of a product down instead of up in the more traditional auction. In the last few years several agencies have successfully used reverse auctioning to buy computers and electronic parts.

After a shaky beginning, electronic commerce as a procurement reform initiative is starting to show positive results. Clearly this initiative holds great potential to reform the procurement of goods and services in a radical and permanent way. On the other hand, the Director of Defense Procurement recently suggested it is unlikely that the federal government could adopt a completely commercial model for electronic procurement due to such fundamental requirements as open competition, accountability and audits. She sees the commercial model as less than a perfect fit (GSA, 2001, p. 6). So far there has probably been more promise than progress from electronic commerce. It has been sold, perhaps oversold, as the grand panacea of federal procurement. But paperless procurement is far from becoming a reality. For example, only one percent of eligible GSA procurement transactions were completed electronically. Why is this the case? Electronic commerce is harder than it looks. Unrealized reductions in manpower and operating costs are other barriers to more progress.

Commercial Buying Practices

Another key procurement reform designed to bring about revolutionary improvement is to replace standard government buying practices with commercial practices. Title VIII of the Federal Acquisition Streamlining Act of 1994 requires federal agencies to give preference to procurement of commercial items. The law also requires agencies to eliminate most of the standard government clauses in commercial item contracts. Moreover, Section 4201 of the Federal Acquisition Reform Act of 1996 eliminated the requirement for contractors to submit cost data on commercial contracts. Section 4202 of this act established special procedures for a commercial contracting experiment. Congress authorized a test program that allowed the use of simplified procedures in the procurement of commercial items. The test program could be used for procurements under \$5 million. This experiment was intended to save both the government and industry time and money. But a 2001 assessment of this experimental authority revealed that no concrete benefits could be demonstrated (GAO, 2001a, p. 6).

According to Jacques Gansler, former Under Secretary of the Department of Defense, DOD has a long way to go before commercial contracting becomes a reality. In making his point, Gansler compared the 15 year cycle time for a major weapons systems to the five years it took Boeing to produce the 777 airliner (“Gansler says DOD has long way to go in acquisition reform,” 1998a, p. 79). Gansler also noted that Caterpillar Inc. delivers parts to its commercial customers in two days, but an Army contract requires parts delivery in 20 to 30 days (p. 80). The following examples further support Gansler’s contention. The DOD Inspector General reported to a Senate committee that DOD spent \$75.60 for a screw that should have cost \$.57 and \$714.00 for an electrical bell that should have cost \$46.68 (Barr, 1998, p. A17). The Navy now is paying \$800 a yard for material used to repair naval aircraft, but had been paying only \$100 a yard prior to it being offered as a commercial item (GAO, 1998a, p.25). The Air Force paid nearly \$400,000 for an engine control unit after the procurement reforms took effect, but only \$80,000 before the reforms were in place (GAO, 1998a, p. 25). In a perverse way, one of the commercial buying reforms may be contributing to this problem: Government contracting officers now face a larger challenge in trying to obtain fair prices because vendors are no

longer required to provide detailed cost data to the government on commercial items.

Given the millions of purchases made by DOD each year, it is relatively easy to find procurement anecdotes to support either argument that government buying is efficient or wasteful. But it is necessary to go beyond anecdotal analysis to draw more accurate conclusions about commercial contracting success. One study provides such a broader perspective. All purchases of commercial electronic parts made by one DOD supply center over an 18-month period during 1995-96 were analyzed (Kelman, 1998b, p. 19). On big dollar buys, federal contracting personnel paid 22.6 percent less than the commercial retail price, a far different picture than the anecdotes mentioned above. On the other hand, the opposite conclusion was reached in a large study (676,999 items) comparing DOD's pre-reform buying practices to standard commercial practices. The research showed that DOD obtained lower prices using standard government procurement methods as compared to commercial buying (Besselman, Arora & Larkey, 2000, p. 421). It is suggested by this study that adoption of commercial practices across the board would lead to the military paying more.

The largest commercial buying program outside of DOD is the very successful Federal Supply Schedule (FSS), managed by the GSA. Although this program predates the recent procurement reforms, the FSS has become much more popular due to recent GSA streamlining of the program. The number of FSS orders by agencies is skyrocketing. From fiscal year 1996 to 1999, FSS orders have grown from \$4.3 to \$11.4 billion, an increase of 165 percent (GSA, 1999, Annual Report, p. 33). The success of the FSS program provides clear evidence that commercial buying can be successful. What is not clear is whether the commercial reforms had anything to do with the success.

In sum the record is mixed with regard to commercial contracting reforms. The federal government probably still has a 'long way to go.'

Performance-Based Contracting

In performance-based contracting, a contractor is given a specific performance goal to meet instead of a set of detailed design specifications. For example, a contractor may be directed to perform aircraft maintenance so that 98 percent of flight schedules are met. The

contractor is not instructed on how it should perform the work or what process to use, but is given direction only on what should be accomplished. Although performance-based contracting is a 1990s procurement reform, it is not one of the initiatives of the overarching procurement reform laws of the 1990s. Rather, it began as an executive branch policy. In 1991, the Office of Management and Budget directed federal agencies to use performance-based contracting methods when acquiring services (OMB, 1991).

The most recent assessment of performance-based contracting was completed in 1998. The assessment covered 27 contracts awarded by 15 agencies using performance-based contracting methods. On average, contract prices on these 27 contracts decreased by 15 percent (Office of Federal Procurement Policy, 1998b, p. 2). Lower prices may have resulted from an increase in the level of competition. On average the number of firms submitting proposals on a given procurement increased from 5.3 to 7.3 suggesting a significant improvement in competition (p. 3). Agency satisfaction with contractor performance was measured on five factors: quality, quantity, timeliness, cost effectiveness and overall performance. Using a scale from one to five, agency satisfaction improved from 3.3 to 3.9, or more than 18 percent. On the downside, the average procurement lead-time on these 27 performance-based contracts increased by 16 percent from 237 to 275 days.

A sample of 27 contracts is far too small to accurately assess the overall effects of performance-based contracting. As a reform it may have the potential to reduce government contract expenditures. However, this benefit will be neutralized if it takes longer to award performance-based contracts. The adoption of performance-based contracting methods is progressing slowly. Apparently, agencies do not fully understand how to write such contracts.

Procurement Administrative Lead-times

The length of time needed to award federal contracts is often referred to as "procurement administrative lead-time." Every recent procurement reform study describes the adverse impacts associated with excessively long procurement administrative lead-times. For example, a 1982 Office of Federal Procurement Policy study cited delays in the procurement of new systems as leading to cost growth and wasted resources (p. v). A 1983 study by the National Academy of Public Administration deplored

the “steady increase in the time it takes to move procurement actions through the pipeline” (p. 32). The procurement of weapons system, according to the 1986 Packard Commission, takes too long (President's Blue Ribbon Commission on Defense Management, 1986, p. 13). To make the defense procurement process more efficient, the 1993 Section 800 Advisory Panel recommended streamlining and consolidating nearly 600 defense procurement laws (Acquisition Law Advisory Panel, 1993, pp. 9-10). The report of the National Performance Review issued in 1993 was critical of the federal procurement system for purchasing low quality items that are delivered too late (Gore, 1993, p. 26).

Reducing procurement administrative lead-time is not a specific procurement reform initiative. On the other hand, reducing this time is an indirect goal of almost every reform. For example, reforms to raise the simplified acquisition threshold, increase the purchase of commercial-off-the-shelf products, move towards electronic commerce and increase the use of purchase cards are all aimed at speeding up the procurement process. It would be expected that average procurement administrative lead-time would have decreased since the reforms have been in place as a consequence of all the streamlining efforts. Have these lead times, in fact, decreased? Some preliminary data suggest that the reforms may have helped to produce just such a reduction. Procurement administrative lead-times were reduced at five of six agencies studied by GAO since the reforms have been implemented (GAO, 1998b, pp. 13-14).

In 1995, Congress gave the Federal Aviation Administration flexibility to ignore government-wide procurement rules and authority to create its own streamlined rules. A 1998 study indicates that lead-time has been reduced from 380 days to 174 days (Burman, 1998, p. 67). Reforms at the Commerce Department have led to procurements being awarded in just 28 percent of the time of the traditional process on average (Burman, p. 67). According to a DOD Inspector General report issued on November 23, 1998, lead-times within inventory units had been reduced by 14 percent since mid-1995 (DOD Initiatives Lower Acquisition Lead Time 14 Percent Since 1995, IG Says, 1998, p. 631).

Shrinking procurement lead-time appears to be another important success of recent reforms.

Bid Protests

Bid protests can be very time consuming and costly to both government and contractors. Consequently, several provisions designed to reduce the number of protests were included in the various procurement reform bills. Sections 1014 and 1063 of the Federal Acquisition Streamlining Act of 1994 require that agencies provide more meaningful post-award contractor debriefings to better explain why vendors were not selected for contract awards. Demystifying the selection decision is thought to increase trust and reduce suspicion among the parties. Section 4104 of the Federal Acquisition Reform Act of 1996 gave losing vendors the right to a debriefing before contract award. In another important reform, the bid protest forum established in the 1980s to adjudicate information technology contract protests was eliminated by Section 5101 of the Information Technology Management Reform Act of 1996. This forum, the General Services Board of Contract Appeals, was almost solely responsible for the huge jump in the number of protest filings that occurred during the 1980s and early 1990s.

Have these reforms led to fewer protests? The answer is clearly yes. Since fiscal year 1993, the last pre-reform year, the number of protests filed with GAO has declined steadily every fiscal year from 3,377 in 1993 to 1,220 in 2000 (GAO, 1998b, pp. 11-13, and GAO Protests Drop 13 percent in FY 2000, p. 404). Although the number of protests may be decreasing, the number of successful protests has increased significantly. The number of protests won by the protester jumped from 12 percent to 21 percent over the same period, an increase of 75 percent.

While there are fewer protests, it cannot be said with scientific certainty that the reduction was caused solely or primarily by the reforms. It may be that changing economic conditions or some other externality is a larger factor in the reduction. The most important factor responsible for the large reduction in the number of protests may very well be the large decrease in the number of federal contract awards. According to the Federal Procurement Data Center, the total number of contract awards dropped from 19,712,511 in fiscal year 1993 to 10,470,158 in fiscal year 1999 (GSA, 1993, p. 2; 1999, p. 2). GAO reported that the number of prime contracts awarded by DOD declined by 35 percent from 1988 to 1997 (GAO, 1998c, p. 2). The reduced number of contract awards suggests fewer contract protest opportunities. Over \$200 billion was spent on contracts in fiscal year 1993; about the

same was spent in fiscal year 1999. But when adjusted for inflation, the total dollars spent on contracting declined.

Another factor may be the recent spate of company mergers. Obviously when companies merge, fewer companies are bidding for government contracts. This reduced number of companies bidding suggests fewer potential protesters.

Moreover, agencies are using less contentious contracting methods such as GSA schedule contracts, indefinite quantity task order contracts, and other agencies' contracts. These alternatives have been made more widely available by recent reforms. These more flexible methods are generally not targets of contract protests. In the case of task order competitions under indefinite quantity contracts, such procurements can no longer be protested. This no-protest rule is contained in Section 1003 of the Federal Acquisition Streamlining Act. Moreover, because many of these multiple-award task order contracts have overly broad scopes of work, they are easy to use not only by the contracting agency, but also by other agencies. In other words, fewer contracts need be written leading to fewer protest opportunities.

While the reduction in the number of protests may have been strongly influenced by such factors as contract mergers and fewer contract awards, recent procurement reforms have also contributed to this result. Here the reforms clearly have worked as designed.

Procurement Workforce Downsizing

Is procurement workforce downsizing a reform in the sense that electronic commerce and purchase cards are reforms? No, but there is a widely held view that successful procurement reform would lead to efficiencies and savings, enabling large-scale workforce reductions. Assessing downsizing, therefore, is an appropriate and necessary element of an assessment of the procurement reforms of the 1990s.

The Clinton administration, in September 1993, called for a 12 percent reduction in the federal civilian workforce to be achieved by the end of fiscal year 1999 (Gore, 1993, p. iii). The procurement workforce was a targeted workforce category in this planned reduction. The Federal Workforce Restructuring Act of 1994 (Public Law 103-226) also called for the federal government to reduce its workforce by 272,900 over the period from 1994 to 1999. From 1989 to 1999, the civilian

procurement workforce was, in fact, reduced by nearly 47 percent (GAO, 2001a, p. 8). Over the same period the total civilian workforce reduction was 17 percent.

The National Defense Authorization acts for fiscal years 1996, 1997, 1998, and 1999 (Public Laws 104-106, 104-201, 105-85, and 105-261) required DOD to reduce its procurement personnel by at least 25 percent by fiscal year 2001. From 1991 to 1999, the DOD procurement workforce actual reduction was 50 percent (“Acquisition Workforce,” 2001, p. 370). Over the same period the total DOD civilian workforce reduction was 37 percent. The conclusion of the Cold War played no small part in making these large reductions possible. Moreover, additional DOD reductions occurred in 2000 and 2001. In 1991, five percent of all contract specialists were eligible to retire; this figure is projected to climb to 35 percent by 2005 and 50 percent by 2009.

According to the DOD Inspector General (IG), at the same time that the workforce decreased by 50 percent over the period from 1990 to 1999, workload, measured by number of procurement actions (the most valid indicator of workload), increased by about 12 percent (Office of the Inspector General, 2000, p. i). Moreover, for those procurement actions over \$100,000 (procurements exceeding \$100,000 involve the greatest amount of work), the IG reported a 28 percent increase. Some of the adverse impacts associated with this workload imbalance, says the IG report, include more time to award contracts, increased program costs, insufficient staff to manage requirements, increased backlog of contracts to close out, and personnel retention difficulty (p. i).

What does the IG have to say about the productivity and efficiency gains afforded by various procurement reforms, efficiencies that theoretically could offset any adverse impacts from staffing reductions? “These improvements helped offset the impact of acquisition workforce reductions...Nevertheless, concern is warranted because staffing reductions have clearly outpaced productivity increases and the acquisition workforce’s capacity to handle its formidable workload” (Office of the Inspector General, 2000, p. ii). At his confirmation hearing, Pete Aldridge, President Bush’s nominee for Under Secretary for Acquisition, testified: “I am concerned about the effects of the reductions on the acquisition workforce. As DOD continues to emphasize contracting out and competitive sourcing, the skills training

and experience of the acquisition workforce will be critical in effectively managing these contracts” (Cahlink, 2001, p. 4).

A decade of downsizing at the National Aeronautics and Space administration has left the workforce stretched to the limit. The Kennedy Space Center launch site was left with 35 percent fewer federal workers. According to the center’s deputy director James Jennings, “Folks aren’t going to be able to survive long under these current working conditions” (Dickey, 2001, p. 73). The loss of two Mars probes valued at \$360 million in 1999 was blamed on deficient communications, but an overworked staff may have been partly responsible as well.

According to one former NASA official, contractor officials may have failed to alert higher-ups in the chain of command about being stretched too thin out of concern that such notification might jeopardize contractor funding. Is this an inherent weakness of over-reliance on contractors who may be more inclined to send forward only “good news”? At a Senate committee hearing on the space shuttle, a GAO official suggested that NASA’s downsizing initiatives might have been based on overly optimistic assumptions (GAO, 2000, p. 1). For example, NASA believed it could reduce its workforce by consolidating several shuttle contracts into one large master contract. But after contract award, NASA could not identify any work savings.

GAO testified about the negative effects of downsizing on NASA’s workforce. According to GAO, many critical areas such as solid rocket booster and shuttle range safety do not have sufficient backup. The workforce is stretched to the point where there is just one qualified person on many important tasks. The workforce may not be sufficient to support the planned shuttle flight rate. Signs of overwork and fatigue plague the workforce. Forfeited leave, overtime and counseling visits are all on the rise; stress levels may have reached the point of creating an unhealthy workforce (GAO, 2000, pp. 2-4). GAO reported that NASA had terminated its downsizing program and was seeking to add hundreds of employees to the shuttle program workforce starting in fiscal year 2000.

According to Joseph Rothenberg, Associate Administrator for Space Flight at NASA, “Downsizing is over.” (“NASA Says,” 2000, p. A14). Rothenberg, in responding to criticism that NASA had been increasing

the risk of a space shuttle accident by cutting budgets and personnel, admitted that NASA might have gone too far. A recent internal study concluded that NASA did not have enough inspectors to oversee the private contractor, United Space Alliance, a firm owned by Boeing Co. and Lockheed Martin Corp, operating the shuttle (p. A14). During the 1990s more than 4,500 NASA scientists and engineers left the agency. Many of these federal workers were veteran overseers of the shuttle program. One former NASA official believes that NASA's contractors, in order to cut costs, were relying on inexperienced workers and were providing insufficient oversight (p. A14). According to Rothenberg, "...there is a minimum level of government involvement that should maintain a continuity of knowledge...and that we were below that level and about to get worse" (p. A14).

An argument easily can be made that the NASA formula of contracting out, plus inexperienced contractor staff, plus a downsized government workforce equals serious quality problems and higher risk to equipment and personnel. It may be more than coincidence that recent NASA projects ended in failure.

The Department of Housing and Urban Development may be yet another agency adversely impacted by recent downsizing. As the Department reduced its workforce, it added more program responsibility. The Department's Inspector General blamed the lack of adequate staff resources as the root cause of many material weaknesses (Gaffney, 2000).

Workforce downsizing has been made possible by the use of credit cards, multiple-award task order contracts, increased automation, and by shifting responsibility for some contractor oversight to contractors. Some cuts probably were necessary to eliminate pockets of over-capacity. But "doing more with less" is not an accurate characterization of what is going on in federal procurement offices. Cash buyouts, early outs, hiring freezes and retirements are leading to a drastic reduction of the most experienced knowledgeable staff. This problem is part of what has been labeled a human capital crisis. According to GAO, as a consequence of the Federal Workforce Restructuring Act, some agencies have experienced increased work backlogs, skill imbalances and loss of institutional knowledge (GAO, 2001b, p. 5).

Over a decade of downsizing has seriously reduced the ability of the contracting workforce to cope with rapidly changing technology and more complex missions. While the workforce shrank, contracting for services jumped 24 percent during the 1990s. As of fiscal year 2000, spending for services accounts for 43 percent of all contracting expenses. It appears that one less-accountable workforce (private sector) is simply being substituted for another (federal sector). In other words, downsizing may be just an illusion. In recent testimony before a House committee, a GAO official stated: "It is becoming increasingly evident that agencies are at risk of not having enough of the right people with the right skills to manage service procurements. Consequently, a key question we face in government is whether we have today, or will have tomorrow, the ability to acquire and manage the procurement of increasingly sophisticated services the government needs" (GAO, 2001c, p. 1). Angela Styles, administrator of the Office of Federal Procurement Policy, recently stated: "We don't have the workforce in place to manage those contracts. There are some agencies that we believe could look at contracting-in" (Peckenpaugh, 2001a).

The 1990s downsizing was driven mostly by a cutting quota and very little by strategic planning to determine what skills were most needed. The net result was to reduce the capacity of agencies to fulfill their missions. For example, as the contracting workforce is reduced at the same time that the service contractor workforce is increased, there may not be adequate resources to monitor performance and hold contractors accountable. This should not be a surprise. Downsizing studies have shown that anticipated organizational benefits do not develop. Downsized organizations do not have lower overhead, less bureaucracy, smoother communications, faster decision-making and increased productivity (Cascio, 1993, p. 97).

An unintended consequence of contract workforce downsizing may be a reduction in number of contracts awarded to small businesses. There are indications that many small contracts have been "bundled" into fewer large contracts. Without the capacity or resources to manage such large contracts, small businesses are at a competitive disadvantage with larger firms. One DOD official implied that downsizing might have led to such bundling (Peckenpaugh, 2001b).

Procurement Reform Assessment Summary

Table 2 contains a brief summary of pluses and minuses of the various reforms discussed above. There are many notable procurement reform successes. The use of credit cards is exploding. This is improving the speed and flexibility of small purchases. An increase in the availability of flexible contracting instruments such as GSA schedule contracts, blanket purchase agreements, and multiple award task order contracts has led to a drastic improvement in the ability of agencies to award large dollar procurements more quickly. These flexible instruments are helping the government mirror the private sector by adopting commercial buying practices. There are many indications that

TABLE 2
Assessing Procurement Reform: A Summary

Specific Reform	Legislative or Regulatory Basis	Pluses and Minuses
Expand use of purchase cards	Executive Order 12931	Plus: Fast, decentralized buying Minus: Savings, if any, undetermined
Electronic commerce	Title IX of FASA, Sec. 850 of 1998 National Defense Act	Plus: Some progress and high potential Minus: Paperless procurement still a dream
Commercial buying	Title VIII of FASA, Secs. 4201, 4202 of FARA	Plus: Commercial buying is increasing Minus: Still a long way to go.
Performance based contracting	OMB directive	Plus: Prices reduced. Minus: Full potential far off
Shrink procurement administrative lead-time	Not tied to specific legislation, but indirectly tied to every reform	Plus: Lead times are decreasing Minus: Lead times still too long
Decrease bid protests	Secs. 1014, 1063 of FASA, Sec. 4104 of FARA, Sec. 5101 of IMTRA	Plus: Protests down Minus: Contractor protest rights reduced
Workforce downsizing	Public Laws 103-226, 104-105, 104-201, 105-85, 105-261	Plus: Workforce declined Minus: Work backlogs, loss of institutional knowledge

the time to award major contracts has been reduced. And the number of bid protests has decreased significantly. On the other hand, not all of the reforms have produced intended positive results. For example, it is not clear if the use of credit cards is reducing actual savings. The first electronic commerce initiative, FACNET, proved to be a complete failure and was abandoned. Transitioning to a commercial practices world is proving to be difficult. It is too soon to judge whether performance-based contracting will be successful. While the number of protests has declined, are the reasons for the decline cause for concern? In other words, are protest opportunities being reduced at the expense of small businesses? Are the legitimate protest rights of businesses being trampled on? Similarly, the increased use of flexible contracting instruments may be placing small businesses at a competitive disadvantage. The Chairman of the House Small Business Committee reported a decline in the number of prime contracts to small businesses after the reforms took effect (DOD Acquisition Reforms Are Hurting Small Businesses, 2001, p. 664). Moreover, it is troubling that downsizing of the procurement workforce was undertaken before the effects of procurement streamlining could be realized.

Any attempt to accurately assess any reform in its early stages suffers from obvious weaknesses. Nevertheless, this snapshot of the pluses and minuses of procurement reform is an important short-run balance sheet assessment. Just as important to the state of procurement reform is the degree of permanence of these reforms.

The Prospects for Permanent Reform Are Not Good

Many of the recent procurement reforms are clearly aimed at making the practice of federal procurement more like that of standard commercial practice, but the transition to a commercial world has not been smooth. But how far can government go in that direction? Many major differences between the public and the commercial world remain and probably will always remain.

One example is the federal annual appropriations process. This process places restrictions on expenditures and drives up prices by inhibiting long-term deals. In order to write long-term contracts, federal contracting officials generally write one-year contracts that include unfunded option years. Federal contractors clearly understand that annual options, which can only be exercised at the government's

unilateral discretion, are far from long-term contracts available in the commercial world. Such restrictions do not exist in the commercial world.

Another difference concerns the government's requirement to rigidly adhere to broad scale equity in all its transactions. This principle leads to inefficiencies nonexistent in the commercial world. Giving every business an opportunity to bid on contracts or to protest contract awards is another example. A business can retain its subcontractors as long as it desires or until performance deteriorates; a government agency generally must re-compete its contracts every five years, good performance notwithstanding.

In the commercial world, buyers routinely consolidate contract requirements for administrative convenience and to achieve savings and efficiencies. The bundled contract has the effect of reducing the number of suppliers being managed by private sector buyers. But these benefits are not available to federal sector buyers. Contract bundling has a negative connotation in the government-contracting world. Because of concern that the practice of bundling contracts harms small businesses, Congress passed the Small Business Reauthorization Act of 1997. Federal buyers are required to demonstrate actual benefits before proceeding to consolidate or bundle contracts that would displace small businesses. Private sector administrative savings become public sector inequities; the private-public contrast is stark here.

Unlike the private sector the federal procurement system is used to implement socioeconomic goals. These non-procurement goals reduce the efficiency of federal contracting, a problem nonexistent in the commercial world. The government-contracting environment is infamous for its excessive and expensive reporting requirements and monitoring by auditors, Inspectors General and others. Another important difference between government and private sector contracting is the government's ability to unilaterally terminate its contracts at its convenience. Contractors have no recourse in the face of this very powerful governmental right; many refuse to do business because of this. No such one-sided right exists in the commercial world. All of these are large barriers that may prevent the government from making a permanent switch to contracting like the commercial world.

The view here is that any government reform based on free market business principles faces serious survival obstacles. Concerns about such reforms expressed by James Q. Wilson and J. Edward Kellough support this view. Whether business can serve as a model for exercising administrative power causes Wilson to be skeptical (1994, p. 670). Although he believes in the constructive power of markets, he does not believe that market principles can lead to permanent sweeping cultural changes in government agencies as is possible in private sector organizations (p. 672).

In order to keep these agencies, with awesome power to tax, regulate and arrest, accountable and responsive, they are controlled by laws and regulations and exposed to reporters and committee investigators. The result, according to Wilson, is a risk avoidance culture not easily altered (p. 672). It is not enough for government agencies to be just efficient; they also must be accountable to a system of laws. Indeed, accountability is just as important as efficiency when measuring government's overall effectiveness. For example, the efficiencies afforded by contract bundling are only available if federal agencies ensure no harm to small businesses. Efficiency can be sought only by ensuring, at the same time, accountability with national policy on protection of small businesses.

According to J. Edward Kellough, improvements in government operations based on entrepreneurial market dynamics may be difficult to achieve or sustain (1998, p. 17). "Politics may not be so easily dismissed as the reinventors would have us believe," says Kellough (p. 15). He is concerned that equity or fair treatment of all people will be compromised in order to increase efficiency. Again, the contract bundling example is relevant here.

In short because government is different from business in certain key aspects, the prospects for permanent reform are not very good.

Has the Procurement Pendulum Stopped Swinging? Can It Stop Swinging?

During a March 18, 1998, Senate committee hearing, Senator Charles Grassley stated, "after 15 years to the month, the sound we are hearing is of history repeating itself" ("Gansler Defends Acquisition Reform," 1998b, p. 310). The sound he referred to was the strident

criticism raised during that hearing on the matter of overpriced DOD spare parts. (In March 1983, fifteen years earlier, overpriced DOD spare parts also were the subject of a Senate committee hearing). On learning of possible overpriced spare parts, Senator Fred Thompson warned that flexibility granted by Congress in recent procurement reforms "may be short-lived" (Capaccio, 1997, p.10). In fact, in June 1998, Senator John Warner introduced a bill designed to eliminate the problem of the Pentagon being overcharged for commercially available spare parts ("Warner Amendment to DOD," 1998, p. 724). Warner's bill would require vendors to submit cost data on commercial items. If enacted, this would have been a clear step backwards; the recent reforms had just deleted the requirement to submit such cost data. The bill died.

The past is prologue; procurement scandals will recur. The administrative history of the federal government is replete with such scandals. This has been a permanent part of the history of the United States government and will be part of its future. Moreover, such scandals always tend to undermine preceding reforms.

But, as discussed earlier, many of the recent reforms are producing large improvements in the federal procurement system. Many procurement practitioners are hoping that some of the more successful reforms (e.g., credit cards and flexible GSA contracts) are permanent. Nevertheless, the pendulum will swing back towards a more regulatory environment. That is because this procurement process, largely a rational business process, is embedded in a political process. Kettl suggests that: "Any attempt to reform bureaucracy must take account of not just efficiency but rather of the constellation of political forces that will create rules under which the bureaucracy must operate" (Kettl, 2000, p. 21). When the inevitable procurement scandals occur, scandals that in no way represent the millions of scandal-free procurement transactions, it will make great political sense, to enact laws to "clean up these procurement messes." This is an easy way to please voters. Because accountability is such an important principle, government will spend much more to prevent corruption than the actual cost of such corruption by several factors. Business would take the opposite cost-effective tack.

An early indication of the pendulum swinging back is evident in recent GAO interest in DOD's use of the credit card. GAO has begun to identify instances of fraud and abuse and is calling for tighter internal

controls. It is easy to project that the credit card, as a streamlined, flexible procurement reform, may become less streamlined.

Not everyone accepts the inevitability of the swinging procurement pendulum. Government reform enthusiasts argue that the pendulum metaphor does not apply here. "Procurement reform means real organizational change in a linear fashion," goes the argument. The problem with this argument is that it seems to apply to business environments not government environments. What is not adequately recognized is the power that political forces exert on the pendulum when it swings too far in either direction. The pendulum metaphor is appropriate because the executive branch does not operate independently of the other branches in our political system of government. Moreover, the scandal hungry media often forms an unhealthy and unwitting alliance with political interests to help keep the pendulum swinging. According to Tom Shoop, the media is interested in "sex, scandal, drama, or anything that can be expressed in simple, good-versus-evil terms" (1999, p. 16). Shoop believes that the media has great influence over major policy decisions and how the government operates. Journalists package their reports under such labels as "The Fleecing of America" to underscore their arguments.

Procurement reform and government reinvention are ultimately only management reforms. These management reforms are being sought in a highly political environment and usually affect only the margins of such environments. Over time the political forces are so strong that even the successfully implemented procurement reforms will be influenced by or overcome by such forces.

This paper has attempted to do two things: to assess the impact of recent procurement reforms and to assess their permanence. What can be said in brief summation of both issues?

Many of the procurement reforms have been successful. Paper purchase orders are being replaced with credit card orders. Contracts are being awarded more quickly. The number of bid protests has decreased. The government is slowly adopting commercial contracting practices. The proliferation of flexible procurement instruments such as GSA schedule contracts, blanket purchase agreements, and task order contracts is producing drastic improvement in the contract award process. On the other hand, electronic commerce initiatives have not worked well. It is

not yet clear that the new contracting techniques are actually saving money. There is an open question as to whether the benefits of the reforms outweigh the costs to small businesses in the form of lost opportunities. The changes made to reduce bid protests may be reducing the legitimate protest rights of certain contractors. Many question whether it is really possible for government to conduct its business like business. And it may be too soon to try to accurately assess the broad impact of these reforms.

Perhaps the strongest argument against the permanence of these procurement reforms is contained in the history of procurement. From pre-Revolutionary days this history can be characterized as a swinging pendulum. All reforms seem to have been just temporary. The procurement pendulum has always swung between two extreme poles. At one extreme the procurement system is being reformed generally to ease the purchase of war munitions. At the other extreme procurement system controls are tightened due to a scandal largely caused by the reforms or previously relaxed rules. So far nothing seems to suggest that the current reform movement will have any more permanent success than all of the previous reforms.

Are these reforms permanent? The view here is they are not. That is because the federal procurement system is part of a political process. Political forces always have and always will cause this system to swing like a pendulum back and forth between highly regulated and unregulated environments notwithstanding the best intentions of reformers.

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