

## Contractors lament death of partnering

The mood around the table the evening of Wednesday, Sept. 16, was somber and gloomy. We gathered a group of executives from a variety of contractors for a not-for-attribution discussion about the state of the industry.

The group included senior executives from large systems integrators, mid-sized companies, small businesses and hardware and software makers. Washington Technology and [Technical Communities](#), a value-added reseller, hosted the dinner.

To start, we asked: "When was the last time you formed a partnership with a customer, and why has that become so difficult?"

Well, that opened the flood gates to stories about the rise of unreasonable demands and requirements. One of the frequently mentioned villains is the Defense Contract Audit Agency, which has been pushing contractors for more information and disclosure.

In at least one case, DCAA is going back five years and comparing the resumes of people in the contract proposal with those of the people who did the work.

If a gap is found, DCAA is demanding that the contractor reimburse what was paid for that position, plus a 5 percent penalty.

The example, the executive gave, was from a successful project where the customer is pleased with the work being done. But that doesn't matter, the contractor said, the audit isn't tied to results.

Two factors are behind this. One, there are half the number of government auditors as there were 10 or 12 years ago, so there is little hope that they can keep up with the workload. What's more, there is a loss of experience and institutional knowledge.

A second factor is that government auditors are working from laws and rules that were designed for a manufacturing-based industry that was prevalent 50 years ago. Today, the contracting base and the majority of spending by the government is on services.

One executive told the story of a customer who wanted to dock his company because they felt the contractor didn't have enough people on the help desk. He had to remind the government customer that the company was meeting its service-level and performance agreements on the fixed-price contract. "Why should it matter if I have five people or 50 people?" he asked. "It is that factory mentality. They just want to count butts in the seats."

SIDENOTE: There is a hearing today by the Defense Acquisition Reform Panel of the House Armed Service Committee on whether acquisition policies match the contractor industrial base.

The situation is likely to continue to get worse because of the leadership void in government. [The General Services Administration and the Office of Federal Procurement Policy are still missing their administrators](#). Also, precious few chief information officers have been confirmed for cabinet-level agencies.

While the people in these positions are not a silver bullet, they can provide direction and cover for acquisition officers who are under the gun.

Interestingly, none of the executives sees the issue as a partisan problem. It is not an Obama administration initiative. "We've been on this collision course for 10 years," one executive said.

In my next blog, I'll cover another topic from the dinner – insourcing, or as one executive put it, death by a thousand cuts.

In the meantime, share your thoughts and comments.

Posted by **Nick Wakeman** on [Sep 17, 2009](#) at 10:36 AM