Additional Proposed Findings

F-10. Time Required for Commercial Services Contracts

<u>Finding</u>: Commercial buyers can get under contract for complex services acquisitions in about 6 months, depending on the size of the acquisition and how much work is necessary for requirements definition. For larger contracts, if the process begins with requirements definition, the total cycle time to award may be six to twelve months. If some market research and requirements definition has been done in advance, commercial buyers stated they could get under contract in three to six months, even for larger contracts.[1]

F-11. Impact of the Annual Budget and Appropriations Processes

<u>Finding</u>: A fundamental difference between the commercial and government acquisition is the fiscal environment in which decisions on acquisition processes are made. Commercial acquisition planning decisions can take place in a fiscal environment relatively unconstrained with respect to the availability of funds over time. In contrast, Government acquisition decisions are driven to a significant extent by the budget and appropriations process which often limits availability of funds to a single fiscal year period.

<u>Discussion:</u>

Unlike commercial firms, federal agencies must plan and execute acquisition decisions largely within fiscal boundaries set by Congress under its constitutional responsibilities through the annual budget and appropriations process. This process provides direction to federal agencies on discretionary spending for programs, but includes limits on the availability of funds for obligation under contracts as well as agency's flexibility in using funds for any purpose other than that for which the funds were specifically provided. For many agency accounts, the availability of funds is limited to one fiscal year and the ability obligate funds quickly is treated as one measure of program success both by Congress and within an agency. In contrast to commercial companies, agencies have a fundamental incentive to follow acquisition processes that allow them to

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[1] Testimony of B. Bajaj, TPI, August. 18, 2005, p. 192; Testimony of N Hassett, United Technologies Corporation, April 19, 2005, p. 123; Testimony of M. Bridges, General Motors Corporation, August 18, 2005, p. 191.

obligate funding as expeditiously as possible. The Panel recognizes that this significant difference between and the commercial sector and the Federal government has to be taken into account in considering the application of commercial acquisition practices to federal agencies.