More Accurate Transaction Data Are Needed to Improve Air Force Service Contracts

Commercial firms have successfully improved the performance and cost outcomes of their contracts for goods and services through better management of their supply bases and supplier relationships and through more sophisticated purchasing strategies. The U.S. Air Force is incorporating the commercial world’s well-regarded practices into its purchasing and supply management activities for supplies and equipment. Now, the Air Force is expanding these efforts to improve the way it purchases services.

RAND Project AIR FORCE (PAF) was asked to analyze how much the Air Force spends and on what types of services. Such “spend analyses” are critical to constructing purchasing and supply management strategies and to identifying opportunities for improvement. The DD350 database provides data on Air Force contract transactions greater than $25,000. However, the database was designed to provide reports related to compliance with federal spending guidelines, rather than detailed analyses of expenditures. Among other limitations, it restricts the description of a transaction to a single Product Service Code (PSC).

Because of concerns about the usefulness of DD350 data for spend analyses, PAF began by assessing key DD350 data fields that describe Air Force purchases for both goods and services. To determine the adequacy and accuracy of these data, RAND researchers conducted a survey of contracting officers who enter data into the DD350 system. Survey results indicated that in fiscal year 2002, services were under-counted in the DD350 data, the single PSC data field was often inadequate to fully characterize a purchase, and the current list of PSCs did not capture several important categories of Air Force purchases.

PAF made the following recommendations for the Air Force and the Department of Defense (DoD).

The first two could be implemented fairly quickly; the other three are for the longer term.

- Communicate to the contracting workforce that DD350 data are now being used for an additional, important purpose—i.e., to perform analyses to support implementation of new purchasing and supply management strategies. This communication might encourage contracting officers to be more precise when describing purchases.
- Collect more detailed data to supplement DD350 data on contracts that fall within certain problem PSC or dollar-category areas. With enough additional data, the Air Force may be able to use statistical analysis to develop general guidelines so that the DD350 data could be adjusted to more accurately reflect the nature of underlying purchases.
- Work with other branches of the DoD and federal agencies to refine the list of PSCs to include codes that better describe Air Force activities.
- Consider changes to the DD350 form to allow contracting officers to use more than one PSC and the corresponding dollar value to describe the activities purchased through contract actions. First, however, evaluate the costs and benefits of such a change.
- Provide training in PSC coding to contracting officers, particularly those working with technically complex contracts or contracts that include many different types of activities.

These steps should enable the Air Force to conduct better spend analyses of purchased goods and services, thereby allowing it to identify areas for improvement.