



Highlights of [GAO-05-736](#), a report to congressional committees

## Why GAO Did This Study

Federal agencies spend billions of dollars every year on information technology. Increasingly, agencies are using performance-based contracting methods where they specify desired outcomes and allow contractors to design the best solutions to achieve those outcomes. Share-in-savings contracting is one such method under which a contractor provides funding for a project, and the agency compensates the contractor from any savings derived as a result of contract performance.

The E-Government Act of 2002 authorized the use of share-in-savings contracting for information technology and required implementing regulations by mid-September 2003. The Office of Management and Budget (OMB) reported in December 2004 that no share-in-savings contracts had been awarded. The act's authority expires in September 2005.

The act required GAO to assess the effectiveness of share-in-savings contracts under the act. Because no such contracts have been awarded, GAO cannot provide an assessment. Instead, GAO reviewed the status of regulations and tools available to agencies in developing these contracts and identified the reasons agencies have not used the authority provided by the act.

OMB and the General Services Administration (GSA) generally agreed with GAO's report.

[www.gao.gov/cgi-bin/getrpt?GAO-05-736](http://www.gao.gov/cgi-bin/getrpt?GAO-05-736).

To view the full product, including the scope and methodology, click on the link above. For more information, contact William T. Woods at (202) 512-4841 or [woodsw@gao.gov](mailto:woodsw@gao.gov).

## FEDERAL CONTRACTING

# Share-in-Savings Initiative Not Yet Tested

## What GAO Found

More than 2 years after enactment of the E-Government Act of 2002, implementing regulations and OMB guidance for using share-in-savings contracts for information technology have yet to be issued. OMB officials indicate, however, that implementing regulations and share-in-savings guidance will be issued in the near future. GSA—which the act holds responsible for helping agencies identify share-in-savings opportunities, among other requirements—established a share-in-savings program office in February 2003. A few months later, GSA launched two Web-based tools, one of which is designed to assist agencies in identifying cost-effective uses for the share-in-savings approach and producing business cases for using share-in-savings for information technology projects. As of March 2005, this tool had been used more than 200 times. A total of 15 business cases were deemed potential share-in-savings candidates, however, none of these resulted in a contract award.

GSA hired a contractor that developed a 2-day training course for share-in-savings contracting, but only 21 federal acquisition employees have taken the course. And even though GSA prequalified six contractors as viable information technology system solution providers with commercial share-in-savings experience, no agencies have taken advantage of these opportunities to award a share-in-savings contract.

Officials from 11 agencies cited a number of reasons that the share-in-savings initiative has not resulted in the award of contracts for information technology projects. Reasons include

- lack of implementing regulations;
- difficulty determining baseline costs;
- a belief that the return on investment using share-in-savings contracts is insufficient;
- concerns among agency officials that they still would have to obtain funding for cancellation and termination liability, which can be a significant sum; and
- too few acquisition employees have been trained to use the share-in-savings contracting technique.

Since OMB expects the implementing regulations and share-in-savings guidance to be issued soon, at least some of the reasons agencies cited for not using the share-in-savings contracting authority for information technology soon could be addressed. Whether or not other reasons can be overcome may not be known unless the authority is extended.