

Highlights of [GAO-11-588](#), a report to the Ranking Member, Committee on the Judiciary, U.S. Senate

Why GAO Did This Study

The Pension Benefit Guaranty Corporation (PBGC) insures the pension benefits of more than 44 million U.S. workers and retirees in more than 27,500 private defined benefit plans. In response to growing workloads over the last 20 years, PBGC has come to rely heavily on contractors to perform its work. With the influx of plan terminations during the recent economic downturn, GAO was asked to examine: (1) how PBGC decides between contracting for services and performing services in house; (2) the steps PBGC has taken to strengthen its internal controls over the contracting process; and (3) PBGC's implementation of a performance-based approach in its recent contracts.

To conduct this study, GAO reviewed federal and PBGC contracting policies; interviewed PBGC officials and selected contractors; examined a small judgmental sample of eight recent contracts selected based on type, amount, and location; and assessed PBGC's actions in response to past GAO and PBGC Inspector General (IG) recommendations.

What GAO Recommends

GAO recommends that PBGC improve its strategic approach to contracting by developing an inventory of contract resources, assessing risk in areas heavily reliant on contractors, documenting its consideration of performance-based contracting, and linking contractor performance to agency goals. PBGC agrees with our recommendations.

View [GAO-11-588](#) or key components. For more information, contact Barbara Bovbjerg at (202) 512-7215 or BovbjergB@gao.gov or William Woods at (202) 512-4841 or WoodsW@gao.gov

PENSION BENEFIT GUARANTY CORPORATION

More Strategic Approach to Contracting Still Needed

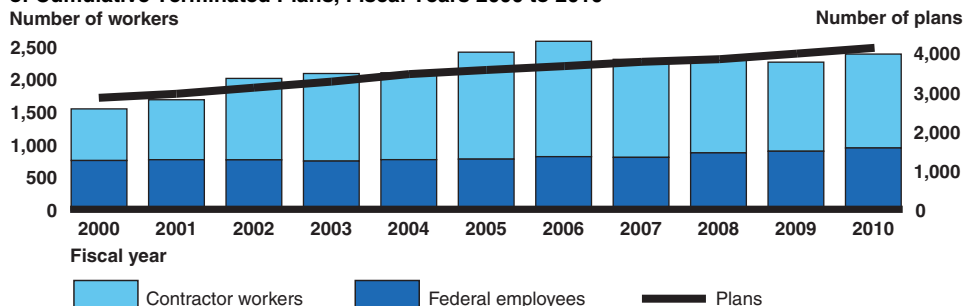
What GAO Found

PBGC's contracting decisions are based primarily on historical practice within each of its departments rather than strategic assessment. Nearly three-fourths of PBGC's budget is allocated to contractors, yet PBGC does not have a strategic agency-level plan for contracting. PBGC often justifies extensive use of contractors based on the need to manage fluctuating workloads; however, historical data appear to indicate that PBGC has more contractor workers than needed to respond to workload fluctuations. Some of its contractor use is justified based on needed expertise or lower cost. However, because PBGC does not routinely conduct cost-benefit or risk analyses as part of its contract decision-making process, the efficiency and effectiveness of its contracting is unknown, and PBGC's long-term extensive reliance on contractors may be placing the agency at risk of eroding management control in core functions.

At the same time, PBGC has adopted new policies and procedures to improve contractor oversight and ensure that federal contracting requirements are met, addressing past GAO and PBGC IG recommendations in this area. For example, PBGC has issued new standard operating procedures and is conducting training for staff involved in the agency's contracting activities. In addition, PBGC has increased the use of competitive and fixed price contracts, which provide more integrity to the contracting process by limiting government cost and performance risk.

In addition, PBGC has implemented new guidance and training to improve staff knowledge and understanding of performance-based contracting and has expanded its use. Between fiscal years 2008 and 2010, PBGC increased the use of performance-based contracts from 2 to 12 percent. PBGC also increased its incorporation of performance metrics across various types of contracts to ensure performance is measured in terms of outcomes. Thus, past GAO and IG recommendations in this area have been partially addressed. However, unlike work performed in house, PBGC does not require performance metrics for its contract work to be linked to agency mission and goals, which is important to ensuring such work is well integrated into its strategic plan.

Levels of Federal Employees and Contractor Workers Compared with Fluctuations in Number of Cumulative Terminated Plans, Fiscal Years 2000 to 2010



Source: GAO analysis of PBGC annual workforce data and cumulative data for terminated and trusted plans.