

Highlights of [GAO-12-87](#), a report to the Committee on Homeland Security and Governmental Affairs, U.S. Senate

Why GAO Did This Study

In fiscal year 2010, civilian agencies obligated \$136 billion on service contracts, including obligations for professional and management support services such as program evaluation and acquisition support. Many of these services increase the risk that contractors may inappropriately influence the government's authority, control, and accountability for inherently governmental decisions. GAO was asked to (1) determine the extent to which civilian agencies use professional and management support service contracts and the types of activities acquired, (2) determine if agencies consider and mitigate risks associated with contractors providing these services, and (3) assess agencies' response to recent Office of Management and Budget (OMB) efforts related to acquiring these services. GAO analyzed Federal Procurement Data System – Next Generation (FPDS-NG) data and selected a nongeneralizable sample of 230 statements of work and 12 case studies from five agencies with one-third of obligations for these services in fiscal year 2010. GAO also reviewed agency and governmentwide guidance and met with agency and OMB officials.

What GAO Recommends

GAO recommends that OMB establish a deadline for its recent requirement that agencies develop procedures for services, including those that closely support inherently governmental functions, and include two FPDS-NG codes in guidance for agencies' use of service contracts and in the cost savings initiative for management support services. OMB generally agreed with the recommendations.

View [GAO-12-87](#). For more information, contact John Hutton at (202) 512-4841 or huttonj@gao.gov.

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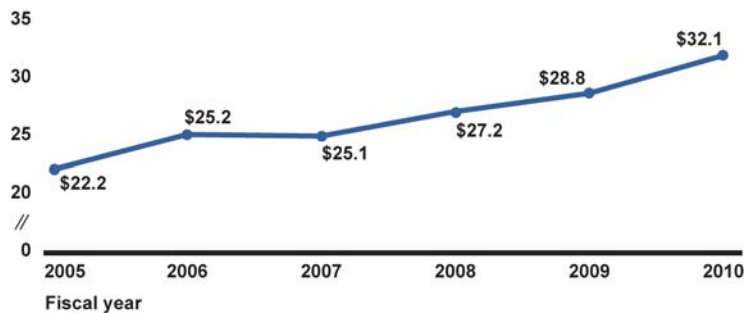
MANAGING SERVICE CONTRACTS

Recent Efforts to Address Associated Risks Can Be Further Enhanced

What GAO Found

From fiscal years 2005 through 2010, civilian agency obligations on contracts for professional and management support services increased 44 percent, from \$22 billion to \$32 billion (in 2010 dollars), more than twice the rate of increase for other services. For the five agencies GAO reviewed—the Departments of Homeland Security, Transportation, and Housing and Urban Development, the United States Agency for International Development, and the National Science Foundation—more than half of the 230 statements of work for professional and management support service contracts requested services that closely support the performance of inherently governmental functions. Using these services can inappropriately influence government decisionmaking if proper oversight is not provided.

Professional and Management Support Service Contracting Obligations at Civilian Agencies
2010 dollars (in billions)



Source: GAO analysis of FPDS-NG data.

The five agencies generally did not consider and mitigate risks of acquiring professional and management support services prior to awarding the 12 contracts GAO reviewed. The Federal Acquisition Regulation requires agencies to provide enhanced management oversight for contracts that closely support inherently governmental functions. For the 12 contracts, few of the officials said they considered whether contracted services included such functions. In some cases, officials said they later became concerned that contractors might perform inherently governmental functions or that government employees lacked expertise to oversee contracted work, and took steps to mitigate risks. Guidance from four of the five agencies did not include processes to identify risks or ensure enhanced management oversight when contractors perform such services.

Recent congressional and OMB guidance has emphasized the need for agencies to examine their use of service contracts and the related risks. The five agencies have participated in these efforts, including service contract inventories and multisector workforce pilots, to varying degrees, but only DHS has taken steps to incorporate related OMB efforts into processes that examine their use of professional and management support services. A September 2011 OMB policy letter requires agencies to develop procedures to improve their management of risks when contracting for these services, but does not include an implementation deadline. Further, two OMB efforts have focused on selected professional and management support service codes from FPDS-NG that require increased agency attention, but the efforts exclude two related codes that accounted for significant obligations and that may similarly contain risks.