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# FEDERAL CONTRACTING

## OMB's Acquisition Savings Initiative Had Results, but Improvements Needed

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## Why GAO Did This Study

In 2009, President Obama directed the Office of Management and Budget (OMB) to provide guidance to the 24 largest agencies to save \$40 billion annually in contracting by fiscal year 2011 and reduce the share of dollars obligated under new high-risk contracts by 10 percent in fiscal year 2010.

Agencies were to submit plans for meeting these goals to OMB's Office of Federal Procurement Policy (OFPP), which implemented the initiative. GAO was asked to assess (1) the extent to which the OMB initiative yielded the intended savings from contracting, (2) how effectively agencies reduced obligations on new high-risk contracts, and (3) the savings and risk reduction strategies to identify those that have the potential to yield long-term savings or improve acquisition outcomes. GAO reviewed agencies' savings and risk reduction plans and agency-reported data, and met with OFPP and senior procurement officials at each agency.

## What GAO Recommends

GAO recommends that OMB continue to focus on the savings initiative and clarify how it aligns with other new initiatives, clarify guidance on how agencies' initiatives are defined and reported, and expand the initiative to include all high-risk actions. GAO also recommends that OMB report on the results of the initiative through fiscal year 2011. OFPP expressed concern that the report presents an incomplete picture of savings, especially at DOD. GAO disagrees and believes the report accurately portrays the scope and results of agencies' efforts under the initiative. OFPP agreed to adopt, where appropriate, GAO's recommendations regarding recording and methodological concerns.

View [GAO-12-57](#). For more information, contact John P. Hutton at (202) 512-4841 or [huttonj@gao.gov](mailto:huttonj@gao.gov).

## FEDERAL CONTRACTING

### OMB's Acquisition Savings Initiative Had Results, but Improvements Needed

## What GAO Found

While agencies reported substantial savings, GAO found problems with the reported data and identified missed opportunities to further reduce high-risk contracts. Nevertheless, the initiative has prompted agencies to take actions to identify potential contract savings and reduce contracting risks.

The extent of savings resulting from OMB's initiative is unclear. While OMB reported that agencies reduced contract spending by \$15 billion from fiscal year 2009 to fiscal year 2010, this analysis was based on governmentwide spending trends and not solely due to the savings initiative. GAO found billions of dollars in overstated and questionable savings, reported by civilian agencies in early fiscal year 2011. For example, one agency reported about \$1.9 billion in savings that represented total contract obligations rather than savings, while the National Aeronautics and Space Administration reported \$660 million in savings resulting from a 2004 decision to retire the Space Shuttle. Further, the Defense Department's 2010 savings, reported in August 2011, stemmed from a broader, ongoing effort to reduce the department's budget—and were not necessarily tied to contract savings. GAO also found that agency officials were confused about what constitutes a savings due to OMB's broad and changing guidance, and whether the savings initiative would continue in future years. In July 2011, OMB introduced an initiative to reduce spending on professional and management services contracts, but it is unclear how this effort will affect the savings initiative.

Although OMB has not reported on the overall results of efforts to reduce the use of new high-risk contracts, GAO found that in fiscal year 2010, agencies decreased use of those contracts, as a share of base spending, by less than 1 percent—well short of the 10 percent goal. OMB did report on results of individual categories of newly awarded high-risk contracts—noncompetitive, competitive solicitations receiving only one offer, cost-reimbursement, and time-and-materials contracts—but GAO's analysis yielded different results. Variations in results were primarily due to differences in the methodologies used by GAO and OFPP on how certain contracts were allocated to the individual high-risk categories, and an adjustment GAO made for one large contract that an agency incorrectly coded as being high-risk. Further, OFPP's focus on only new high-risk contracts limited the potential for greater risk reduction. When all high-risk obligations are taken into account, such as for orders under noncompeted blanket purchase agreements and certain task orders, there was nearly a 2 percent increase in the share of high-risk spending from fiscal year 2009 to 2010.

Agencies did use OMB's initiative to garner support from agency leadership to review contracts for cost and risk reduction opportunities. GAO identified many acquisition savings and risk reduction strategies that agencies used—such as improved planning, strengthening the workforce, and streamlining processes—that show promise in yielding long-term savings or improved acquisition outcomes. For example, one agency reported saving nearly \$350 million by leveraging its buying power when purchasing office supplies, software licenses, and other items. Others reported savings by hiring experienced cost and price analysts or training existing personnel in these skills, seeking discounts under blanket purchase agreements, and using online tools to promote competition.

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## Abbreviations

BPA	Blanket Purchase Agreement
CAO	Chief Acquisition Officer
CFO	Chief Financial Officer
DHS	Department of Homeland Security
DOD	Department of Defense
FAR	Federal Acquisition Regulation
FPDS-NG	Federal Procurement Data System – Next Generation
GSA	General Services Administration
HHS	Department of Health and Human Services
IT	Information Technology
MAX	MAX Information System
NASA	National Aeronautics and Space Administration
OFPP	Office of Federal Procurement Policy
OMB	Office of Management and Budget
VA	Department of Veterans Affairs

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**G A O**

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**United States Government Accountability Office**  
Washington, DC 20548

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November 15, 2011

The Honorable Susan M. Collins  
Ranking Member  
Committee on Homeland Security and Governmental Affairs  
United States Senate

The Honorable Scott P. Brown  
Ranking Member  
Subcommittee on Federal Financial Management, Government  
Information, Federal Services, and International Security  
Committee on Homeland Security and Governmental Affairs  
United States Senate

As the United States faces rapidly building fiscal pressures, there is widespread agreement on the urgent need to look at steps that can begin to change our long-term fiscal path. Addressing these fiscal challenges will require action on several fronts, and potentially large reductions in spending. With the federal government obligating hundreds of billions of dollars in contracts for goods and services each year—about \$537 billion in fiscal year 2010—agencies are being asked to buy smarter and to do more with less. Thus, the potential for savings through contracting has been a key area of focus. In March 2009, the Obama administration directed the Office of Management and Budget (OMB) to develop governmentwide guidance to assist agencies in identifying contracts that are wasteful or inefficient and to formulate appropriate corrective action in a timely manner. Subsequently, OMB undertook a comprehensive effort to reform government contracting, including a goal of saving \$40 billion annually by the end of fiscal year 2011. OMB also directed agencies to reduce the share of their obligations through new contracts in fiscal year 2010 by 10 percent in certain high-risk categories, such as noncompetitive awards and cost-reimbursement contracts. The 24 agencies subject to the Chief Financial Officers (CFO) Act were directed to submit acquisition savings plans to the Office of Federal Procurement Policy (OFPP)—the office within OMB assigned to manage and oversee the implementation of the initiative—outlining the actions they planned to take.

With the completion of fiscal year 2011, the acquisition savings and high-risk contract reduction initiative has passed a milestone date; the time frame by which agencies were directed to reduce contracting by \$40 billion annually and limit the use of risky contracting practices. You

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requested that we review the status of the administration's acquisition savings and high-risk contract reduction goals and identify strategies agencies implemented that may show potential for being leveraged across government. Accordingly, we assessed: (1) the extent to which OMB's initiative has achieved the intended savings from contracting, (2) the effectiveness of OMB's initiative to reduce obligations on new high-risk contract awards as a share of base spending by 10 percent, and (3) the acquisition savings and risk reduction strategies to identify those with the potential to yield long-term savings or improve acquisition outcomes.

We used the following methodologies to develop our findings:

- To assess the extent to which OMB's initiative achieved the intended savings, we reviewed agencies' acquisition savings plans and met with senior procurement officials at each of the 24 participating agencies to obtain greater insight into their respective plans. We also reviewed OMB and OFPP documents regarding this and other acquisition reform initiatives, obtained fiscal year 2010 and 2011 cost savings data from OMB's MAX Information System (MAX), and met with OFPP officials to discuss their management and oversight of the initiative.<sup>1</sup> We analyzed the MAX data to determine agencies' estimated and reported savings and identified numerous issues affecting its quality. As a result, we believe the savings totals in MAX do not provide an accurate representation of the savings agencies achieved under this initiative.
- To assess the extent to which federal agencies reduced the share of dollars obligated on new high-risk contracts, we reviewed OMB and OFPP documents and met with senior procurement officials at each agency and with OFPP. We also analyzed obligation data from the federal government's procurement database—the Federal Procurement Data System – Next Generation (FPDS-NG)—for fiscal years 2009 and 2010 and applied OFPP's methodology for calculating the results of this initiative. Though we have previously reported on issues with FPDS-NG's reliability, we have found the system to be sufficiently reliable for general overall trends and gaining additional insight into high-risk contracting. We also reviewed prior GAO reports

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<sup>1</sup>MAX is used to support the federal budget process. The system has the capability to collect, validate, analyze, model, and publish information relating to governmentwide management and budgeting activities and can also be used as an information sharing and communication portal between government organizations.

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and recent statutory and regulatory actions pertaining to high-risk contracts and competition.

- To identify acquisition savings and risk reduction strategies that showed promise in yielding long-term savings or improving acquisition outcomes, we reviewed prior GAO reports and associated recommendations, met with OFPP and procurement officials at each agency, analyzed agency acquisition savings plans and OFPP progress reports on savings initiatives, and reviewed reported savings data in MAX that were provided by OFPP. Using a nongeneralizable sampling approach, we selected 27 out of the more than 800 initiatives contained in MAX, as of January 2011, for further analysis. We determined that these initiatives demonstrated beneficial acquisition practices identified in prior GAO work, led to reported savings, or had the potential for widespread application across the government. Furthermore, the set of initiatives we selected contained a variety of savings strategies from multiple agencies. We asked the agency officials responsible for the initiatives about the development, implementation, and tracking of their activities and assessed their responses. As part of our review, we identified notable examples of good procurement practices included in this initiative. We also identified other notable examples of good procurement practices based on our conversations with procurement officials and our analysis of information contained in MAX. We did not independently validate the agency-reported savings.

A more detailed description of our scope and methodology is presented in appendix I. We conducted this performance audit from December 2010 to November 2011 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## Background

OMB's July 2009 guidance to the 24 CFO Act agencies—which collectively account for about 98 percent of all federal spending—established specific acquisition savings targets for fiscal years 2010 and 2011 that would help meet the administration's annual \$40 billion net



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savings goal.<sup>2</sup> Agencies were given specific targets to reduce contract obligations by 3.5 percent for fiscal year 2010 and a further 3.5 percent for fiscal year 2011, when compared with fiscal year 2008 spending levels. OMB provided agencies with two general approaches on how to do this: (1) actions directly reducing spending as a result of decisions made—generally at the program or project level, and (2) actions creating savings through more effective acquisition practices. Agencies were also encouraged to pursue other actions as needed to achieve the respective savings targets. Additional guidance provided to agencies in September 2009 clarified the concept of acquisition savings to also include cost avoidance. The guidance noted that for each agency initiative, savings should be established by explaining the difference between what would have been spent in the absence of the initiative and what the agency expected to spend as a result of implementing the initiative.

OMB's July 2009 guidance also set a goal for agencies to reduce the share of dollars obligated on new high-risk contracts. Using fiscal year 2008 obligation data obtained from FPDS-NG as a baseline, OMB directed agencies to take actions to reduce by 10 percent the combined share of dollars obligated in fiscal year 2010 on

1. contracts awarded noncompetitively,
2. contracts receiving only one offer in response to a competitive solicitation,
3. time-and-materials contracts,<sup>3</sup> and
4. cost-reimbursement type contracts.

Additional information on each high-risk contract category is provided in table 1.

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<sup>2</sup>App. II contains a listing of the 24 agencies that are subject to the CFO Act.

<sup>3</sup>In this report, we use the term "time-and-materials" to refer to both time-and-materials and labor-hour contracts, as labor-hour contracts differ from the former only in that the contractor does not supply materials.

**Table 1: Comparison of OMB’s High-Risk Contract Categories**

Contract awards		Contract types	
Noncompetitive contract awards	Competitive solicitations awarded after receiving only one offer	Time-and-materials	Cost-reimbursement
<b>Government</b> awards contract without using full and open competitive procedures. (Laws and regulations permit agencies to use noncompetitive procedures, if adequately justified, such as for an urgent and compelling need or under certain small-businesses procedures).	<b>Government</b> conducts full and open competitive procurement in accordance with federal acquisition regulations, but receives only one offer. (Laws and regulations do not require agencies to assess the circumstances that led to only one offer being received).	<b>Government</b> pays fixed per-hour labor rates that include wages, overhead, general and administrative costs, and profit; government may reimburse contractor for other direct costs, such as travel and materials costs. Government is not guaranteed a completed end item or service within the ceiling price.	<b>Government</b> pays contractor’s allowable incurred costs, which do not include profit. Also may pay a fee, which may be related to performance. Government is not guaranteed a completed end item or service within the estimated cost.
<b>Where is the risk?</b> Government must negotiate contracts without the benefit of a direct market mechanism to help establish pricing.	<b>Where is the risk?</b> Government loses the ability to consider alternative solutions in a reasoned and structured manner.	<b>Contractor</b> makes good faith effort to meet government’s needs within the ceiling price. <b>Who assumes risk of cost overrun?</b> Government. <b>Where is the risk?</b> Contract type provides limited direct incentive to control costs.	<b>Contractor</b> makes good faith effort to meet government’s needs within the estimated cost and ceiling. <b>Who assumes risk of cost overrun?</b> Government. <b>Where is the risk?</b> Contract type provides limited direct incentive to control costs.

Sources GAO analysis of OMB and DOD data.

Note: Data are from the Federal Acquisition Regulation, Defense Federal Acquisition Regulation Supplement, and DOD’s Contract Pricing Preference Guide.

Agencies were instructed to submit their acquisition savings and risk reduction plans to OMB no later than November 2009. Upon receipt of the plans, OFPP analysts entered the acquisition savings initiative data into OMB’s MAX system and categorized each initiative into 1 of 11 savings strategies developed by OFPP, as shown in table 2.<sup>4</sup> OFPP designated MAX as the tracking and reporting system for the acquisition savings component of the initiative, as well as a means by which agencies could share information on specific savings strategies and initiatives. Agency procurement officials were instructed to periodically update their savings

<sup>4</sup>OFPP developed its 11 categories of savings strategies as a means to help facilitate the sharing of information contained in each agency’s savings plan, and as a way by which OFPP could quickly find agencies that have activities in a particular area.

data in MAX and to enter information on new savings initiatives as appropriate.

**Table 2: Office of Federal Procurement Policy’s (OFPP) Categories of Acquisition Savings Strategies**

<b>Savings initiative category</b>	<b>Description of category</b>
Terminations and Reductions	Initiatives where an agency determined it could end contracts that are (1) ineffective, (2) wasteful, (3) supporting programs that are being terminated, reduced, or changed in scope, or (4) not otherwise likely to meet the agency’s needs.
Strategic Sourcing	Initiatives where the full or partial use of the strategic sourcing process is applied for the procurement of products and/or services.
Conversion to Lower-Risk Contract Type	Initiatives that reduce the risk associated with a contract by using a lower risk contract type, for example by converting a time-and-materials contract to a cost-reimbursement or firm fixed-price contract.
Negotiating Discounts	Activities involving requests for discounts on blanket purchase agreements (BPA) or negotiating lower prices or rates on contracts.
e-Procurement Strategies	Initiatives using technology to improve the procurement process. Examples include the use of online auctions or electronic bidding.
Administrative Efficiencies Using Technology	Initiatives involving the use of technology to gain administrative efficiencies in the procurement process.
Insourcing	Initiatives involving bringing work in-house or converting work currently performed by contractors to federal employees.
Conversion to Direct Acquisition	Initiatives aimed at eliminating the administrative fees associated with the use of another agency contract by directly contracting for products or services.
Other Savings Strategies	Initiatives that do not fall into other savings categories.
Process Review and Improvement	Initiatives involving optimization of the acquisition process, including any underlying or associated processes, to achieve more efficient or consistent results.
Acquisition Workforce	Initiatives focusing on developing the skills and capabilities of the acquisition workforce.

Source: OFPP and OMB.

Many of the actions identified in OMB’s guidance have been highlighted in our prior reviews and recommendations. For example:

- In May 2005, OMB directed agencies to implement strategic sourcing programs as a means of leveraging the government’s buying power, due in part to our prior recommendations that agencies gain

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knowledge of their spending habits and take a more strategic approach to procurement.<sup>5</sup>

- In May 2007, OMB provided agencies with guidance on enhancing competition by evaluating contracting trends and identifying areas where the acquisition process could be strengthened. We had reported that the government frequently missed opportunities to take full advantage of competition when placing orders, for example.<sup>6</sup>
- In June 2008, OMB undertook an effort to help agencies make sound business decisions when using interagency contracts by ensuring agencies better managed their shared fiduciary responsibilities. GAO first designated the management of interagency contracting as a high-risk area in 2005, and our work has shown that to facilitate effective purchasing and to help obtain best value when buying goods and services, all parties involved in the use of interagency contracts should have clearly defined roles and responsibilities.<sup>7</sup>
- In July 2009, OMB instructed agencies to conduct internal reviews of the work professional and management service contractors were performing to determine whether there was a potential overreliance on contractors and take actions to ensure balance between public and private labor resources. We have long reported that the closer contractor services come to supporting inherently governmental functions, the greater the risk of contractors influencing the

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<sup>5</sup>GAO, *Best Practices: Using Spend Analysis to Help Agencies Take a More Strategic Approach to Procurement*, [GAO-04-870](#) (Washington, D.C.: Sept. 16, 2004); *Best Practices: Improved Knowledge of DOD Service Contracts Could Reveal Significant Savings*, [GAO-03-661](#) (Washington, D.C.: June 9, 2003); *Best Practices: Taking a Strategic Approach Could Improve DOD's Acquisition of Services*, [GAO-02-230](#) (Washington, D.C.: Jan. 18, 2002).

<sup>6</sup>GAO, *Contract Management: Guidance Needed to Promote Competition for Defense Task Orders*, [GAO-04-874](#) (Washington, D.C.: July 30, 2004).

<sup>7</sup>GAO, *Interagency Contracting: Franchise Funds Provide Convenience, but Value to DOD is Not Demonstrated*, [GAO-05-456](#) (Washington, D.C.: July 29, 2005); *High-Risk Series: An Update*, [GAO-05-207](#) (Washington, D.C.: January 2005); *Contract Management: Problems with DOD's and Interior's Orders to Support Military Operations*, [GAO-05-201](#) (Washington, D.C.: Apr. 29, 2005).

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government's control over, and accountability for, decisions that may not be in the best interest of the government and the taxpayer.<sup>8</sup>

In parallel with the acquisition savings and high-risk contract reduction initiative, OMB also directed agencies to reduce their proposed discretionary spending budgets in fiscal years 2011 and 2012 by 5 percent in each year, when compared to the previous year's budget levels. Although these efforts focused on agency budget proposals, there is some linkage with the acquisition savings initiative. In particular, OMB's budget guidance for fiscal years 2011 and 2012 requested that agencies include, at a minimum, five program terminations, reductions, or other savings initiatives that would contribute to reducing agency spending below the previous year's budget level.

Federal agencies, such as the Departments of Defense (DOD), Homeland Security (DHS), and Housing and Urban Development, are also simultaneously undertaking agencywide efficiency initiatives, as we have recently reported.<sup>9</sup> For example, DOD's 2010 efficiency review, initiated by the former Secretary of Defense, established substantial cost saving and efficiency goals that are expected to be achieved by large-scale program changes as well as smaller administrative changes.<sup>10</sup> For some agencies, including DHS, savings from contracting or reductions in

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<sup>8</sup>GAO, *Civilian Agencies' Development and Implementation of Insourcing Guidelines*, [GAO-10-58R](#) (Washington, D.C.: Oct. 6, 2009); *Defense Contracting: Army Case Study Delineates Concerns with Use of Contractors as Contract Specialists*, [GAO-08-360](#) (Washington, D.C.: Mar. 26, 2008); *Defense Contracting: Additional Personal Conflict of Interest Safeguards Needed for Certain DOD Contractor Employees*, [GAO-08-169](#) (Washington, D.C.: Mar. 7, 2008); *Defense Acquisitions: DOD's Increased Reliance on Service Contractors Exacerbates Long-standing Challenges*, [GAO-08-621T](#) (Washington, D.C.: Jan. 23, 2008); *Defense Acquisitions: Role of Lead Systems Integrator on Future Combat Systems Program Poses Oversight Challenges*, [GAO-07-380](#) (Washington, D.C.: June 6, 2007).

<sup>9</sup>GAO, *Streamlining Government: Key Practices from Select Efficiency Initiatives Should Be Shared Governmentwide*, [GAO-11-908](#) (Washington, D.C.: Sept. 30, 2011).

<sup>10</sup>In May 2010, the Secretary of Defense directed DOD to undertake a departmentwide initiative to assess how the department is staffed, organized, and operated with the goal of reducing excess overhead costs and reinvesting these savings in sustaining DOD's current force structure and modernizing its weapons portfolio. As part of its fiscal year 2012 budget request, DOD outlined projected savings of \$178 billion to be realized over a 5 year period beginning in fiscal year 2012. According to DOD, these savings include projected savings of about \$154 billion from the Secretary's initiative and about \$24 billion from other sources. GAO has ongoing work in this area.

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high-risk contracts resulting from these efficiency initiatives were included in their savings and risk reduction plans under OMB's savings initiative.

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## Total Results of OMB's Initiative Uncertain Due to Unclear Guidance and Data Discrepancies

Agencies reported substantial savings under the administration's acquisition savings initiative. However, the extent of actual savings resulting from the initiative is unclear due to (1) limitations with OMB's reporting of savings; (2) significant concerns regarding the completeness, reliability, and accuracy of the data in the system OFPP used to track and manage the effort; and (3) agency confusion about the initiative's savings targets. While OMB reported in February 2011 that agencies reduced contract spending, the reported reduction was based on general obligation trends, and not agencies' reported acquisition savings under the initiative. We analyzed agencies' reported savings results in MAX and determined that it is not possible to accurately determine the results of this initiative, in part because a significant amount of the savings was based on DOD's identified savings. DOD's savings were solely attributed to budget reductions included in an overall effort to reduce spending, and were not necessarily tied to contract savings. According to senior DOD officials, OMB supported the department's decision to use a budget-based approach to this initiative so that reported savings would be quantifiable and verifiable. Moreover, our analysis of the civilian agencies' MAX data identified overstated and questionable savings in the billions of dollars. Further complicating matters, the implementation of the initiative was hindered by an inconsistent understanding of savings targets by the agencies, reductions to agencies' baselines used to determine overall annual acquisition savings, and widespread variation in how agencies established savings targets and verified their savings were accurate. Going forward, it is unclear whether the administration plans to continue to focus on this acquisition savings initiative.

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## Reported Results Unclear as OFPP Lacks Complete, Reliable, and Accurate Data

OMB's reporting on results of the acquisition savings initiative has been based on inconsistent data sources and time frames, creating uncertainty about the actual outcome of agencies' efforts. Throughout fiscal year 2010, OMB reported that agencies were "on track" to achieve \$19 billion in savings for the year—or about 3.5 percent of fiscal year 2008 total spending. This anticipated reduction was based on agencies' estimated savings data in MAX, the designated data source OFPP used to track results from the savings initiative. OMB reported in February 2011 that as a result of the administration's mandate to reduce contract spending by \$40 billion annually, the government's overall obligations had dropped by \$15 billion from fiscal year 2009 to 2010. However, the reported reduction

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in spending was based on governmentwide FPDS-NG obligations and not the agencies' reported savings under this initiative. Because FPDS-NG contains general information on overall procurement trends, it provides no insight into the extent to which agency actions as a result of the savings initiative contributed to this reduction. In addition, OMB's February 2011 announcement compared obligations from 2009 to 2010, whereas the baseline year for the savings initiative was 2008. Our analysis of FPDS-NG data show that spending in 2008 was comparable to 2010 levels.

Our analysis of the MAX data found that it is not possible to accurately determine savings resulting from this initiative. One key reason is that, while the initiative was intended to achieve contract savings, DOD's approach was strictly budget-driven—stemming from an ongoing, broader savings and cost-avoidance initiative—and included all related spending (not necessarily tied to contract savings) within the respective budget accounts. According to senior DOD acquisition and budget officials, the department's reported \$19.3 billion in actual savings represented the fiscal year 2010 portion of an overall \$330 billion in spending reductions identified in the department's Future Years Defense Program through 2015.<sup>11</sup> For example, DOD reported \$585 million in fiscal year 2010 savings from terminating the Presidential Helicopter program, which as we have previously reported had experienced significant cost increases and schedule delays.<sup>12</sup> In another example, DOD reported \$809 million in savings attributed to a strategic decision to hold the number of Army brigade combat teams constant rather than increasing them as planned. Further, although a number of DOD components—including the Army, Navy, Air Force, and the Defense Logistics Agency—have all implemented process-related improvements, such as strategic sourcing initiatives, savings resulting from these activities were absent from DOD's submission. Senior DOD acquisition officials told us that, while such efforts are important and continue to have high-level support within the

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<sup>11</sup>The Future Years Defense Program is a submission to Congress that provides information on DOD's current and planned outyear budget requests. Our analysis also found that DOD's reported savings in MAX were \$18.6 billion, almost \$630 million less than what the Comptroller's office had reported to OFPP. An OFPP official explained that he had requested that DOD remove seven initiatives from the data because the savings associated with those initiatives were the result of reductions to recruiting and retention bonuses, and did not involve contracting.

<sup>12</sup>GAO, *Defense Acquisitions: Assessments of Selected Weapon Programs*, [GAO-09-326SP](#) (Washington, D.C.: Mar. 30, 2009).

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department, they were deliberately excluded from the department's savings plan to focus more on initiatives that could be tied to measurable and verifiable budget reductions. The officials noted that OMB supported DOD's approach.

We also found other issues with the completeness, reliability, and accuracy of the civilian agencies' reported fiscal year 2010 savings from contracting initiatives and their estimated savings for fiscal year 2011. Although the information in MAX, as of July 2011, showed that the 23 civilian agencies reported contract savings of \$8 billion in fiscal year 2010, we found billions of dollars in overstated and questionable savings. Further, even when taking into consideration data entered into MAX on the civilian agencies' forecasted savings for fiscal year 2011—about \$5.9 billion—and DOD's estimated fiscal year 2011 savings of \$11 billion, the 24 agencies are far short of the administration's \$40 billion goal.

#### Overstated and Questionable Savings

When we initially analyzed the MAX data, we found significant overstated savings and other data-entry errors. For example, at least three agencies entered full contract obligation amounts into MAX rather than just the amount of savings generated from initiatives involving those contracts.<sup>13</sup> These overstatements accounted for \$1.1 billion in erroneous reported savings for fiscal year 2010. We also identified duplicate entries totaling over \$200 million and instances where dollar amounts contained multiple decimal points or were entered in whole dollars rather than in millions of dollars as OFPP had requested. After we brought these and other data irregularities to the attention of OFPP officials in March 2011, the Administrator of OFPP sent a request to the senior procurement officials at the 24 agencies, asking that they (1) update their agencies' savings data in MAX and (2) provide assurances that the reported savings were reasonably determined. While many of the data-entry errors we identified were corrected as a result, other inaccuracies remained, and in some instances new problems arose. For example, although senior procurement officials at the Department of Health and Human Services (HHS) provided OFPP with assurances that their savings data were reasonably accurate, we found that an \$849 million overstatement that we had previously disclosed to HHS and OFPP was still in the system as of July 2011. In addition, HHS's update included roughly \$1.0 billion more in

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<sup>13</sup>We do not know the full extent to which there are overstatements in MAX, as we did not conduct a comprehensive review on all initiatives that were entered into the system.



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reported savings that were full contract obligations rather than actual savings resulting from the respective initiatives.

OMB's guidance instructed agencies to achieve acquisition savings by reducing demand or prices paid, or through more effective practices, and recognized that the acquisition savings plans would take into consideration agencies' specific contracting needs and unique missions. This broad guidance led to inconsistent, and in some instances, widely disparate interpretations about what constituted savings from the agencies' contracting initiatives. We identified billions of dollars in reported actual savings that we consider to be questionable—based on the overarching principles of this initiative to reduce contracting inefficiencies and improve acquisition processes and practices—as illustrated in the following examples:<sup>14</sup>

- Savings resulting from program terminations: A number of agencies relied on program terminations as a way to meet their savings targets, whereas others did not consider such actions to be a sustainable source of savings. For example, 95 percent of the National Aeronautics and Space Administration's (NASA) fiscal year 2010 reported savings of \$697 million involved the scheduled retirement of the Space Shuttle, which had been planned since January 2004 and was not the result of this initiative.<sup>15</sup> In contrast, senior procurement officials from the Department of Commerce told us they intentionally did not include program terminations in their savings plan, as the agency decided to focus more on longer-term initiatives to promote the effective execution and administration of contracts rather than onetime savings associated with terminations.
- Savings from closing out contracts: Some agencies reported deobligated funds from completed contracts as savings, whereas

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<sup>14</sup>Because we did not conduct a comprehensive review of every initiative with reported savings, these examples are illustrative and do not constitute the potential universe of questionable savings.

<sup>15</sup>In January 2004, the President's Vision for Space Exploration directed NASA to retire the Space Shuttle by the end of the decade, upon completion of key deliverables of the International Space Station.

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other agencies did not consider this routine activity as such.<sup>16</sup> For example, the Department of the Interior (Interior) reported \$107 million in savings from funds that were deobligated during the contract closeout process, representing about 40 percent of the department's overall reported savings. In contrast, DHS more appropriately reported only \$1.1 million in administrative cost savings from expediting the contract closeout process and did not consider deobligation of any remaining funds as savings.

- Savings from the use of interagency contracts: GAO has long reported on the challenges associated with interagency contracting. In reviewing agencies' reported savings, we found some instances where agencies were unsure whether savings resulting from interagency contracts should be reported by the agency executing the contract action or by the agency funding the requirement. For example, Interior reported saving \$30 million by contracting on behalf of DOD for a counseling program. Conversely, the General Services Administration's (GSA) savings plan did not include any savings that may result from contracting it performed on behalf of other agencies. Discrepancies such as these increase the risk of potentially double counting savings, or not counting savings at all.
- Claiming savings from contractor pension contributions: Department of Energy (Energy) procurement officials reported savings of \$200 million that were based on the difference between actual pension contribution reimbursements for certain contractors at Energy-owned and leased facilities, and the amount the department had budgeted. This difference stemmed solely from a revision of the department's contractor pension reimbursement policy. The revised policy states that Energy will generally reimburse certain contractor pension plans at the annual minimum funding level their plans are required to meet, rather than at a predetermined funding level, which for fiscal year

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<sup>16</sup>Contract closeout is the process that includes ensuring that all contract administration actions have been fully and satisfactorily accomplished and the contract file documented accordingly. According to the Federal Acquisition Regulation (FAR), the process must ensure that administrative matters are completed, including deobligating any remaining excess funds. See FAR 4.804.

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2010 was higher than what was statutorily required.<sup>17</sup> However, as we previously reported, while this action may reduce the department's costs for the current year, the department could be required to make higher contributions in future years.<sup>18</sup>

- Basing reported savings on prior or future year results: Although agency officials told us they generally based their reported savings on what would have been spent in fiscal year 2010 in the absence of the initiative, in some cases agencies included savings associated with prior or future year activities. For example, about \$107 million of HHS's reported \$175 million in fiscal year 2010 savings from improved contract negotiations reflected the full period of performance for these contracts, including future option years. Conversely, the Department of Justice's Federal Bureau of Investigation reported \$32 million in savings for fiscal year 2010 from an initiative reflecting actions that had previously taken place, in fiscal years 2008 and 2009.
- Reporting savings from a hypothetical scenario: The Department of State used a hypothetical scenario to report substantial savings of \$732 million in fiscal year 2010—70 percent of the agency's total reported savings—and estimated another \$732 million in 2011. This reported savings was based on an unrealistic scenario wherein the department would stop contracting for security services in Iraq and directly hire government security personnel. This number was based solely on a GAO estimate using fiscal year 2008 data that compared the obligated amounts of an existing security contract to the higher estimated annual costs department officials said they would incur if the agency were to provide the services with its own personnel.<sup>19</sup>

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<sup>17</sup>Energy will generally reimburse contractors at Energy-owned and leased facilities the annual minimum required pension contribution those contractors must make under the Employee Retirement Income Security Act of 1974, as amended. Department of Energy Order 350.1, Contractor Human Resource Management Programs (Chg. 3, Feb. 23, 2010). The Pension Protection Act of 2006 established benefit restrictions for private-sector single-employer plans, including those at Energy-owned facilities, that apply if a plan's funding level falls below certain specified thresholds. Pub. L. No. 109-280, § 103 (codified as amended at 29 U.S.C. § 1056(g)).

<sup>18</sup>GAO, *Department of Energy: Progress Made Overseeing the Costs of Contractor Postretirement Benefits, but Additional Actions Could Help Address Challenges*, [GAO-11-378](#) (Washington, D.C.: Apr. 29, 2011).

<sup>19</sup>GAO, *Warfighter Support: A Cost Comparison of Using State Department Employees versus Contractors for Security Services in Iraq*, [GAO-10-266R](#) (Washington, D.C.: Mar. 4, 2010). Task orders under the Department of State's Worldwide Personal Protective Services contract were first issued in 2004 for provision of personal protective services in Iraq.

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Department of State officials had previously explained that although insourcing of security personnel could be an option for Iraq, it would easily take 3 years or longer to hire and train the thousands of security personnel that would be required to conduct the work, and, as such, was not a realistic or possible course of action.

### Limited Use of MAX Data

OFPP plans to continue using MAX data to track agencies' progress in achieving acquisition savings goals for fiscal year 2011 and as a way for agencies to share information and search out ideas for new initiatives. However, many procurement officials told us that entering savings data into MAX was time-intensive and cumbersome; one described the system as ultimately more of a burden than an asset. Further, a number of procurement officials told us that they do not use MAX for information sharing on their savings initiatives, but generally rely on informal communications with their peers at other agencies or use established meeting venues such as the Chief Acquisition Officers (CAO) Council.<sup>20</sup>

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### A Lack of Clarity and Direction by OFPP Led to Open Interpretation of Initiative Requirements

In implementing the acquisition savings initiative, OMB and OFPP guidance was broad and requirements were not always clear. In addition, OFPP did not consistently communicate standards and responsibilities or apply internal control procedures to the data collection process. According to our internal control standards, effective project management requires clearly communicated roles and responsibilities as well as established guidance to ensure information recorded is relevant and reliable.<sup>21</sup> We identified issues with how the initiative was implemented in several respects, as discussed below.

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<sup>20</sup>The CAO Council is an interagency forum used for monitoring and improving the federal acquisition system. Among other activities, the council provides assistance with multiagency projects and innovative initiatives, and helps further competition and efficiency in the acquisition process. The council is chaired by the Deputy Director for Management at OMB. Members include the OFPP Administrator; the Under Secretary of Defense for Acquisition, Technology, and Logistics; the civilian agency CAOs; senior procurement executives of the military departments; and other designated senior agency officials.

<sup>21</sup>GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999). Internal control is a major part of managing an organization. It comprises the plans, methods, and procedures used to meet missions, goals, and objectives and, in doing so, supports performance-based management. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud.

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## Unclear Communication of Roles and Responsibilities

We found that unclear communication between OFPP and DOD, and in some instances even within DOD, led to a significant delay in the department reporting its fiscal year 2010 actual savings. This information was not entered into the MAX system until August 2011, at least 8 months after almost all of the civilian agencies had initially updated their data. According to senior DOD budget and acquisition officials, since the department's estimated savings, reported in its November 2009 savings plan, were based entirely on planned fiscal year 2010 budget reductions, it was assumed that no further action or follow-up was needed. Further, although OFPP was aware that responsibility for the savings initiative was with the DOD Comptroller's office, the budget officials responsible for compiling DOD's savings data told us that it was not until July 2011 that OFPP first requested that their office provide updated fiscal year 2010 savings information. This communication occurred shortly after a meeting we had with OFPP officials to discuss the final results of our review, where we informed them that we had no information on DOD's reported savings. In addition, we found that communication gaps within DOD also contributed to the department's delayed reporting of savings information to OFPP. Specifically, although DOD acquisition officials—in addition to OFPP—referred us to the Comptroller's office for additional insight into the department's savings initiatives during the course of our review, the Comptroller officials we spoke with were generally unaware of the savings initiative and unfamiliar with the MAX system being used to track agencies' progress toward the savings goals.

In commenting on a draft of this report, OFPP officials noted that, as a result of lessons learned, they have recently begun working to improve how contract savings initiatives are communicated to the financial management community and have been conferring with OMB's Office of Federal Financial Management in this regard.

## Billions of Dollars in Baseline Reductions

OFPP allowed agencies to propose reductions to their fiscal year 2008 spending baselines to reflect what were considered to be spending anomalies or significant onetime spending increases. Ultimately, OFPP allowed 11 agencies to reduce their baselines against which savings would be measured by \$34 billion—from about \$523 billion to \$489 billion—a reduction of more than 6 percent. This had the effect of lowering those agencies' savings targets. For example, Energy had proposed reducing its baseline from \$24.8 billion to \$6.6 billion by removing \$18.2 billion in contracts associated with the management and operations of its national laboratories. This amount represented 73 percent of Energy's total fiscal year 2008 spending. However, OFPP officials instructed the department to reconsider many of its proposed

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reductions, and as a result Energy's adjusted baseline was set at \$11.0 billion, or 56 percent of its fiscal year 2008 spending. Energy's baseline adjustment effectively reduced its savings target from \$868 million (3.5 percent of its original \$24.8 billion baseline) to \$385 million (3.5 percent of its adjusted baseline of \$11.0 billion).

We also identified some instances of questionable baseline reductions. For example, the Department of Labor excluded \$1.1 billion in obligations under contracts associated with the Job Corps program—the department's largest program, accounting for 61 percent of the agency's fiscal year 2008 contract spending.<sup>22</sup> Procurement officials told us that because this program is mandated by Congress, it was not appropriate to include these contracts in the department's baseline as savings opportunities would be limited. However, even though the program is mandated, there may still be opportunities to achieve savings or improve acquisition practices associated with these contracts. In commenting on a draft of this report, Labor acknowledged there were such opportunities and noted that, beginning in fiscal year 2012, the department will undertake actions to convert some of these contracts from cost-reimbursement to firm-fixed price.

Appendix II contains more details on each agency's baseline reductions and the effect on their savings goals.

## Confusion about Savings Targets

Changes in guidance over time caused some confusion among agency procurement officials about the actual savings targets of the initiative. The initial guidance directed agencies to achieve savings equal to 3.5 percent of fiscal year 2008 contract spending for 2010 and "a further 3.5 percent" for 2011. Subsequent OFPP guidance, provided to agencies in September 2009, provided clarification that the fiscal year 2011 savings goal was 7 percent of agencies' 2008 baseline spending. As a result, we found that agencies worked toward different goals. Senior procurement officials from several agencies stated they interpreted the cumulative savings target as 10.5 percent (i.e., 3.5 percent in fiscal year 2010 and 7.0 percent in fiscal year 2011). Others, however, interpreted the cumulative savings for fiscal years 2010 and 2011 to be 7.0 percent (i.e., 3.5 percent in fiscal year 2010 and 3.5 percent in fiscal year 2011). To

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<sup>22</sup>Established as part of the Economic Opportunity Act of 1964, Pub. L. No. 88-452, Job Corps is the nation's largest residential, educational, and career technical-training program for disadvantaged youths.

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Inconsistent Standards for  
Estimating and Verifying  
Reported Savings

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illustrate, HHS procurement officials told us they understood the fiscal year 2011 savings goal to be 3.5 percent of their agency's adjusted fiscal year 2008 baseline and instructed staff to develop initiatives to save \$205 million. If the department had used the 7 percent goal and did not reduce its baseline, the fiscal year 2011 savings target would have been \$778 million.

OFPP's broad implementation guidance provided agencies with significant discretion as to how to identify or determine savings. As a result, agencies often did not apply similar standards when estimating potential savings or determining the reasonableness and accuracy of reported savings.

- Developing savings estimates: A number of senior procurement officials told us they delegated responsibility to develop estimates for their savings initiatives to the specific offices responsible for the initiatives, whereas other agencies took a more centralized approach. For example, the Department of Veterans Affairs (VA) delegated responsibility for estimating savings to the contracting and program offices responsible for their specific initiatives, providing them with OMB's guidance on how such estimates should be developed. On the other hand, procurement officials within Energy's Office of Procurement and Assistance Management told us they were the primary office for developing the department's plan. A senior procurement official at the Bureau of Prisons, within the Department of Justice, explained that for new initiatives where there was no history to form a savings estimate, the bureau determined it was better not to develop an estimate rather than to derive one that was not realistic.
- Quantifying savings from acquisition workforce initiatives: We found inconsistencies in how agencies addressed the potential savings from acquisition workforce initiatives, such as hiring or training. Agencies generally did not attempt to quantify potential savings from these initiatives, due in part to difficulties in trying to measure savings from efficiency or productivity gains. Nonetheless, some agencies, such as the Department of Labor and the National Science Foundation, reported savings from such initiatives that were based on various assumptions, such as estimating productivity increases as a result of the training.
- Verifying the accuracy of savings: Validation of reported savings was generally delegated to the organizational unit developing the specific initiatives, but some agencies took a different approach. For example, senior procurement officials at the Environmental Protection Agency

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Problems in How Savings  
Initiatives were Entered and  
Categorized in MAX

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and GSA told us they have tasked particular personnel who are not involved with the individual savings initiatives with validating the reasonableness of reported savings for each agency initiative prior to entering the data into MAX, and Department of the Treasury (Treasury) guidance instructs each bureau's CFO to conduct an independent third-party validation of all reported savings. As we have reported, validation by an independent third-party is preferred, as it allows for an objective and unbiased assessment.<sup>23</sup>

In total, agencies initially submitted hundreds of different savings initiatives, which OFPP entered into MAX. The level of detail of initiatives contained in agencies' savings plans varied dramatically. In some instances, procurement officials recorded information on discrete savings initiatives, such as strategic sourcing of office supplies. But in other cases, agencies aggregated their initiatives, grouping together activities such as acquisition workforce training and negotiating discounts on existing contracts. This required OFPP to determine how such initiatives should be categorized in the system. Many senior procurement officials noted that they had difficulty locating their own initiatives in the system when OFPP requested they provide updated information. This confusion was particularly true for broad initiatives that encompassed multiple savings strategies. For example, OFPP entered one of the VA's savings initiatives into MAX as four separate line items, each under a different savings category. As a result, duplication of effort occurred, with some agencies—such as VA—developing their own tracking mechanisms to link their individual agency initiatives with those in MAX. Nuclear Regulatory Commission procurement officials added that 6 of the 16 initiatives OFPP entered into the database for their agency were not actually their initiatives. In addition, Treasury reported its entire savings results in one line item in MAX, which according to agency senior procurement officials was acceptable because they viewed the system as a tool to report savings totals. While agencies experienced challenges associated with using MAX, OFPP officials noted that the tool allowed OMB to consolidate information submitted in various formats into one standard template. But because agencies were given leeway to categorize their initiatives to suit their own purposes, broad categorizations decreased the usability of the information and provided

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<sup>23</sup>GAO, *GAO Cost Estimating and Assessment Guide: Best Practices for Developing and Managing Capital Program Costs*, [GAO-09-3SP](#) (Washington, D.C.: March 2009).



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Future Plans for the Savings Initiative Unclear

limited visibility into the extent to which specific savings initiatives may yield results.

The extent to which this contract savings initiative will remain the focus of attention is unclear. OFPP officials told us they expect agencies to continue to implement ongoing savings initiatives and to update the information the MAX system. However, agency procurement officials told us they were unsure whether OMB's initiative would continue in future years. In July 2011, during a White House forum on accountability in federal contracting, OMB introduced a new initiative requiring federal agencies to reduce spending on professional and management services contracts by a minimum of 15 percent—or approximately \$6 billion—by the end of fiscal year 2012. OFPP officials told us the primary focus during fiscal year 2012 will be on meeting the goals of this new initiative because spending for these services has grown even faster than for contracting in general and has disproportionately been done through vehicles GAO has identified as high-risk, such as time-and-materials contracts.

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## Agencies Have Slightly Decreased Use of New High-Risk Contracts, but OFPP's Approach Limited the Full Potential of Agencies' Efforts

Our analysis of FPDS-NG data found that in fiscal year 2010, agencies cumulatively decreased the use of newly awarded high-risk contracts as a share of base spending by less than 1 percent when compared to the previous year.<sup>24</sup> This result falls far short of OMB's overall 10 percent goal. OFPP recognized that a number of agencies fell short of meeting the risk reduction target and has now required those agencies to achieve 10 percent reductions, as a share of base spending, in each of the four high-risk categories for fiscal year 2011. Further, although OMB has reported reductions in the four specific categories of high-risk contracts, our analysis produced different results. While we obtained similar results to OMB's for noncompetitive awards, our analysis for the remaining three high-risk contract categories did not show similar reductions in spending. Also, by focusing only on new high-risk contracting actions, OFPP's approach limited the initiative's full potential. Specifically, OFPP's approach resulted in the exclusion of hundreds of billions of dollars in contract modifications, orders under BPAs, option years exercised, and task orders issued under multiple-award contracts. Our prior work has indicated that several of these areas also present opportunities to reduce high-risk actions.

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<sup>24</sup>The percent reduction was calculated by determining the percentage change in the share of base spending (the percent) from 2009 to 2010. In fiscal year 2009, obligations made on new high-risk contracts accounted for 40.58 percent of obligations on all new awards, whereas in fiscal year 2010, obligations on new high-risk contracts accounted for 40.27 percent of obligations on all new awards. Although OMB's initial guidance stated that fiscal year 2008 spending for new awards should be used as a baseline to measure agencies' progress, during the second half of fiscal year 2010, OFPP officials changed the baseline year to fiscal year 2009. FPDS-NG data show that base spending in fiscal year 2008 was more than base spending in fiscal year 2009. OFPP officials indicated the change was done in an attempt to better capture trends with more current data. Our analysis was based on new awards, including single-award indefinite delivery / indefinite quantity contracts, as that was the focus of this initiative.

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Agencies Reduced Obligations on Some Categories of New High-Risk Contracts but Fell Short of Meeting OMB's 10 Percent Target

While OMB has not reported the overall results of agencies' efforts to reduce by 10 percent the share of dollars obligated through new high-risk contracts awarded in fiscal year 2010, our analysis shows that the 24 agencies cumulatively decreased the use of newly awarded high-risk contracts as a share of base spending by 0.8 percent when compared to fiscal year 2009.<sup>25</sup> This change equates to a decrease in agencies' actual spending on all newly awarded high-risk contracts, including orders placed under single-award indefinite delivery / indefinite quantity contracts, by about \$5.2 billion.<sup>26</sup>

At various times during 2011, OMB has reported risk reduction levels for the individual high-risk categories; our analysis, using FPDS-NG data, produced similar results only for new noncompetitive awards.<sup>27</sup> Our analyses of the change in the share of obligations under new contract awards receiving only one offer, and obligations under cost-reimbursement and time-and-materials contracts, yielded significantly different results from what was reported, as shown in table 3.

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<sup>25</sup>Our analysis of the share of obligations under new high-risk contracts was conducted using OFPP's methodology and FPDS-NG filtering variables. Additional information on the methodology is in app. I.

<sup>26</sup>These contracts provide for an indefinite quantity, within stated limits, of supplies or services during a fixed period, through the issuance of orders for individual requirements. FAR 16.504. A single-award indefinite delivery/indefinite quantity contract results from a solicitation where only one contractor is awarded the contract.

<sup>27</sup>OMB first reported the results of agencies' risk reduction efforts for noncompetitive contract awards and competitive awards receiving only one offer in February 2011. Results of agencies' efforts to reduce time-and-materials contracts were first reported in June 2011, and the results of efforts to reduce use of cost-reimbursement contracts were reported in July 2011.

**Table 3: Change in Agencies' Obligations for New High-Risk Contracts for Fiscal Year 2010 When Compared to Fiscal Year 2009 Obligation Data**

High-risk contract category	OFPP-reported change as a share of base spending <sup>a</sup> (percent)	GAO analysis of the percentage change as a share of base spending <sup>b</sup> (percent)	GAO analysis of the difference in obligations on high-risk contracts in fiscal year 2010 when compared to fiscal year 2009 <sup>c</sup> (dollars in billions)
Noncompetitive contracts	-6.0	-5.6	-\$4.70
Competitive solicitations receiving one offer	-11.0	0.3	-1.38
Cost-reimbursement contracts	2.0	9.4	0.58
Time-and-materials contracts	-19.0	-15.8	-1.12
All high-risk contract categories <sup>d</sup>	Not reported	-0.8%	-\$5.18

Sources: OMB and GAO analysis of FPDS-NG data.

Notes: OMB's initial guidance stated that fiscal year 2008 spending for new awards should be used as a baseline to measure agencies' progress, but during the second half of fiscal year 2010 OFPP officials changed the baseline year to fiscal year 2009.

<sup>a</sup>OFPP's analyses used FPDS-NG obligation data that were downloaded from the system in June 2011.

<sup>b</sup>GAO obtained FPDS-NG data for these analyses in June 2011. We identified one contract, with almost \$3.8 billion in obligations in fiscal year 2009, that was incorrectly coded in FPDS-NG as having been awarded after receiving only one offer. We adjusted this contract to reflect the correct number of offers received and incorporated it into our analysis.

<sup>c</sup>In our analysis of obligations on high-risk contracts, we calculated the difference between high-risk obligations made in fiscal year 2009 in each of the above categories with high-risk obligations made in fiscal year 2010 in each of the above categories. This differs from the other columns, where a percentage was calculated by comparing the proportion of spending on new high-risk contracts with base spending levels in each of the fiscal years.

<sup>d</sup>The FPDS-NG filtering variables used to generate data for this category take into consideration the potential for overlap and duplication between high-risk categories.

Specifically, we found that the share of new contracts awarded after receiving only one offer remained relatively flat—with a 0.3 percent increase from fiscal year 2009 to 2010—and cost-reimbursement contracts increased by 9.4 percent. The variations between our analysis and OFPP's analysis are primarily due to different assumptions used to allocate the share of new contracts labeled as "combination" in FPDS-NG. Prior to fiscal year 2010, contracts containing more than one contract type (i.e., portions of the contract were fixed-price, while other portions were cost-reimbursement or time-and-materials) were labeled as

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“combination” in FPDS-NG.<sup>28</sup> We question OFPP’s methodology because it appears that the proportions used to allocate combination contracts to new cost-reimbursement and time-and-materials contracts were based on all obligations, and not just new awards. There are significant differences between these ratios. For our analysis, we determined that a more appropriate approach was to allocate the share of combination contracts to new cost-reimbursement and time-and-materials contracts in proportions equal to the share of new obligations in these categories. To illustrate, OFPP’s methodology assumed 23 percent (\$2.3 billion) of the fiscal year 2009 newly awarded combination contracts were cost-reimbursement contracts, whereas our approach assumed about 9 percent (\$0.9 billion) of these contracts were cost-reimbursement.<sup>29</sup> We requested additional information on OFPP’s rationale for the methodology it used to allocate combination contracts, but as of November 2011 had not received a response.

The variation in results between our and OFPP’s analysis for competitively awarded contracts with one offer received was also due to our exclusion of one contract, with substantial obligations, that had been incorrectly coded in FPDS-NG. Specifically, during our review of fiscal year 2009 and 2010 obligation data, we identified delivery orders placed under one contract administered by VA, amounting to over \$3.8 billion in obligations, that had been incorrectly coded as having been awarded

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<sup>28</sup>See GAO, *Contract Management: Extent of Federal Spending under Cost-Reimbursement Contracts Unclear and Key Controls Not Always Used*, [GAO-09-921](#) (Washington, D.C.: Sept. 30, 2009). In that report, we noted that obligations under contracts coded as “combination” had increased significantly. We analyzed fiscal year 2008 FPDS-NG obligations coded as combination contracts and found that about a quarter of the obligations went to contracts that had 50 percent or more cost-reimbursement type obligations. We recommended that OFPP reconcile the conflicting instructions in the FPDS-NG user manual for coding combination contracts versus coding based on the preponderance of contract type. Subsequently, effective in fiscal year 2010, the combination contract type was removed from FPDS-NG for new awards.

<sup>29</sup>OFPP’s methodology for allocating newly awarded combination contracts to cost-reimbursement contracts was based on a previous GAO analysis of all fiscal year 2008 obligations made under combination contracts. See [GAO-09-921](#). As discussed above, however, we questioned the use of this approach for the high risk reduction effort and requested additional information from OFPP.

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after receiving only one offer.<sup>30</sup> In fact, multiple offers had been received. This error was corrected in FPDS-NG on October 31, 2009, just after the start of fiscal year 2010. The timing of the correction made it appear that there had been a large drop in the share of obligations under one-offer contracts in 2010, when in fact the share of obligations under one-offer contracts remained relatively stable from fiscal year 2009 to 2010. Appendix I contains more detail on our approach to allocating the combination contracts versus that used by OFPP, as well as our analysis of the VA contract.

OFPP recognized that some agencies fell short of meeting fiscal year 2010 risk reduction targets and in March 2011 issued updated guidance requiring these agencies to take the appropriate steps to achieve 10 percent reductions, as a share of base spending, in each of the four high-risk categories for fiscal year 2011. This new target differs from the original cumulative high-risk contract reduction goal of 10 percent, as a share of base spending, in that the new guidance now requires a 10 percent reduction, as a share of base spending, in each of the four high-risk contract categories. Agencies that met the fiscal year 2010 cumulative risk reduction target are expected to maintain those levels for fiscal year 2011. According to some procurement officials, OFPP's revised guidance may pose additional challenges for agencies that fell short of meeting the initial goal because unique mission-related needs may warrant the use of certain high-risk contracts. For example, senior officials from DOD and Energy told us they frequently use cost-reimbursement contracts for mission-related research and development work, which can involve substantial uncertainties and difficulty in estimating costs with sufficient accuracy to use a fixed-price contract.

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### Potential for Greater Risk Reduction Was Limited Due to OFPP's Focus on Only New Contract Awards

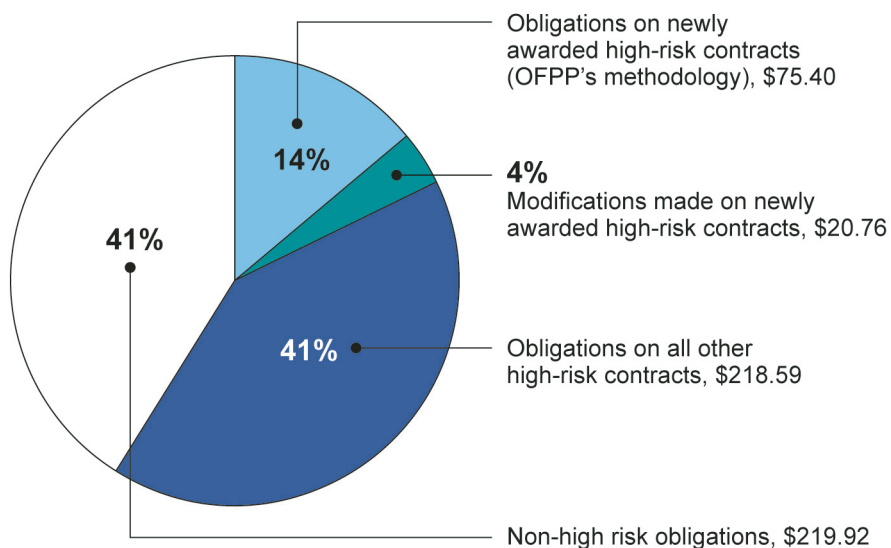
OFPP officials explained that they focused on new awards because they felt it would be easier for agencies to focus initially—and take corrective actions—on only new awards. This approach, while intended to achieve a certain result, excluded a substantial portion of government obligations under high-risk contracts—about \$238 billion in fiscal year 2010. Figure 1

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<sup>30</sup>We have previously reported on FPDS-NG errors regarding the extent of competition, including obligations coded as having received one offer. See GAO, *Federal Contracting: Opportunities Exist to Increase Competition and Assess Reasons When Only One Offer Is Received*, [GAO-10-833](#) (Washington, D.C.: July 26, 2010), where we reported that about 18 percent of the 107 contracts and orders we reviewed had been incorrectly coded.

shows that OFPP’s methodology covered only 14 percent of obligations and left out modifications on new high-risk contracts and other high-risk obligations, such as orders placed under noncompeted BPAs and the exercise of contract option years.

**Figure 1: Obligations Made by the 24 CFO Act Agencies in Fiscal Year 2010 (in Billions)**

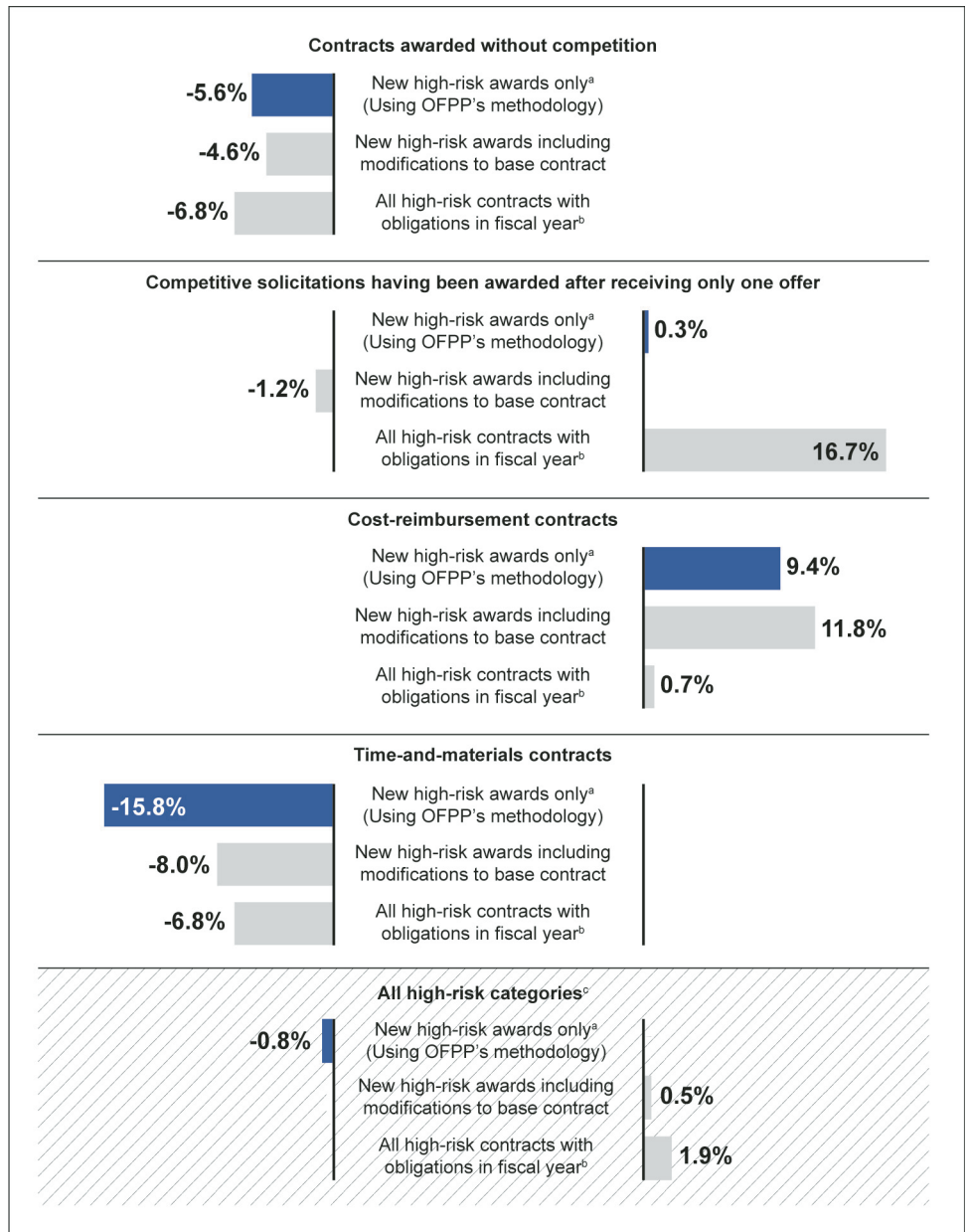


Source: GAO analysis of FPDS-NG obligation data.

Note: We identified one contract, with over \$3.8 billion in obligations in fiscal year 2009, that was incorrectly coded in FPDS-NG as having been awarded after receiving only one offer. We adjusted this contract to reflect the correct number of offers received and incorporated it into our analysis.

To understand the effect of the dollars excluded from OFPP’s methodology, we used FPDS-NG data to determine the share of obligations under high-risk contracts in fiscal year 2010 as compared to fiscal year 2009 if modifications made on new high-risk contract awards (the \$20.76 billion in fig. 1) were added to OFPP’s methodology. We conducted further analysis to determine the effect if all high-risk obligations in fiscal year 2010 were included (a combination of the \$75.40 billion, \$20.76 billion, and \$218.59 billion in fig. 1). We found that the level of risk reduction changed, in some instances dramatically, as shown in figure 2.

**Figure 2: Effect of Including All High-Risk Obligations When Determining the Change in Fiscal Year 2010 Obligations as a Share of Base Spending from Fiscal Year 2009**



Source: GAO analysis of FPDS-NG obligation data.



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<sup>a</sup>To determine the percentage of risk reduction as a share of base spending, we used OFPP's methodology. However, the results of our analysis differed because we took into account one contract, with over \$3.8 billion in obligations for fiscal year 2009, that was incorrectly coded in FPDS-NG, and used a different approach to adjusting those contracts in FPDS-NG labeled as "combination," as explained above.

<sup>b</sup>Included in this analysis are all new and existing high-risk contracts and modifications with obligations during the fiscal year.

<sup>c</sup>Obligation data have been adjusted to take into consideration any potential for duplication or double-counting between the four categories of high-risk contracts.

As shown in figure 2, when all high-risk obligations are considered, the use of time-and-materials contracts as a share of base spending only decreased to 6.8 percent rather than the 19 percent reported by OMB (as shown in table 3). An even more dramatic change is found with competitive solicitations awarded after receiving only one offer. When considering all high-risk obligations as a share of base spending for these contracts, there is an almost 17 percent increase, compared to the 19 percent reduction reported by OMB.<sup>31</sup>

By focusing solely on new high-risk contract awards, OFPP missed an opportunity to challenge agencies to further pursue additional risk reduction efforts, such as those identified in our prior work. We found cases, however, where agencies did go beyond the scope of OFPP's methodology and implemented some initiatives with potential for reducing the share of obligations under high-risk contracts, such as enhancing competition or reevaluating contracts during the period of performance to determine whether a lower-risk contracting authority could be used. These additional efforts include the following:

- Modifications to new and existing contracts for additional work: The 24 agencies obligated over \$47 billion in fiscal year 2010 for modifications to new and existing high-risk contracts where the

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<sup>31</sup>DOD accounted for 60 percent of all high-risk obligations made on competitive solicitations having been awarded after receiving only one offer. Recognizing the need for increased and effective competition, the Director of Defense Procurement and Acquisition Policy issued guidance in April 2011 to address this issue. Specifically, the guidance instructs that unless an exception applies or a waiver is granted, contracting officers are to cancel and resolicit competitive procurements for at least 30 days where, after being advertised for 30 days or less, only one offer was received. In addition, in instances where only one offer is received after 30 days of advertisement, the guidance states that contracting officers shall use proposal analysis techniques in accordance with FAR 15.404-1 to make a determination that the offer was fair and reasonable.

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contracting action involved a new agreement that was outside the original scope of work, a change to the scope of work, or additional work that was within the existing scope of work. Some agency acquisition savings and risk reduction plans submitted to OFPP under this initiative determined that modifications for additional work could be converted to a lower-risk contract or that existing requirements could be broken into separate, competitively awarded contracts. For example, we found one initiative submitted by NASA that was based on an assessment, prior to modifying certain existing contracts, of whether the requirements could be split into separate contracts in an effort to promote full and open competition.

- Exercising option years under existing contracts: In fiscal year 2010, the 24 agencies exercised almost \$28 billion in options on high-risk contracts. Option years are a common feature of government contracts where there is a base period of performance, generally a year, followed by options to extend the contract term at the government's discretion. This structure can present an opportunity for the contracting agency to review the work performed in the previous year and establish, for example, whether the contract requirements could be firmer or redefined altogether so that a lower-risk contracting authority could be used. In our 2009 report on cost-reimbursement contracts, we recommended that OFPP take action to revise the FAR to require contracting and program officials to reassess requirements at appropriate times during a contract's period of performance, such as when exercising options, and determine if the agency's experience with the procurement provides a basis for firmer contract pricing.<sup>32</sup> OFPP, in conjunction with the Federal Acquisition Regulatory Council, agreed with the recommendation and has published an interim ruling amending the FAR to include, as a part of written acquisition plans, a discussion of strategies for transitioning to firm-fixed-price contracts to the maximum extent practicable, either in the current period of performance when exercising option years, or when awarding follow-on contracts.<sup>33</sup>
- Task orders on multiple-award contracts: Agencies obligated over \$91 billion under multiple-award task orders in fiscal year 2010, and are generally required to compete task orders on multiple-award contracts among all contract holders. However, as we reported in 2010,

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<sup>32</sup>[GAO-09-921](#).

<sup>33</sup>Proper Use and Management of Cost-Reimbursement Contracts, 76 Fed. Reg. 14,543 (Mar. 16, 2011). See also, FAR 7.105(b)(5)(iv).

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agencies can use a number of allowable exceptions to award orders noncompetitively, such as when only one contractor is capable of providing the supplies or services needed, or there is an urgent requirement.<sup>34</sup> Although many exceptions to competition are justified, increased attention to multiple-award orders may help increase competition.

- BPA orders: Agencies obligated \$7.6 billion in fiscal year 2010 for orders placed against existing BPAs. BPAs enable agencies to fulfill repetitive needs for supplies and services by issuing individual orders as the need arises, and provide an opportunity to obtain price reductions and discounts. In our review of the agency acquisition and risk reduction plans submitted to OFPP, we identified one agency—the Department of Education—that fully transitioned from cost-reimbursement BPA orders to performance-based, firm fixed-price orders. Many other agencies identified initiatives focused on trying to obtain better pricing or more competition under their BPAs. However, these initiatives were not captured using OFPP’s approach. Further, in 2009, we reported that agencies did not frequently take advantage of additional opportunities for competition or to negotiate discounts when placing orders under GSA schedule BPAs. We made a number of recommendations to OFPP intended to reduce the government’s risk of overpaying for goods and services under BPAs. The FAR was revised in March 2011 to reflect our recommendations.<sup>35</sup>

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## Agencies Are Employing a Variety of Acquisition Savings Strategies to Achieve Long-Term Savings and Improve Outcomes

Agencies have taken advantage of the OMB initiative to garner support from agency leadership and employ strategies to save money, avoid costs, reduce risk, and improve the overall efficiency and effectiveness of the acquisition function. Many agency acquisition officials we spoke with expressed an understanding of the stark economic realities and budgetary limitations their agencies face and described a number of ongoing and new initiatives that they have undertaken with regard to contracting initiatives.

We identified from the hundreds of contracting initiatives in MAX a subset that may show promise in yielding long-term savings from contracting or

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<sup>34</sup>GAO-10-833. Also see FAR 16.505(b)(2). Other reasons for allowing a noncompetitive task order are that the requirement is a logical follow-on, or the order is needed to meet a minimum guarantee.

<sup>35</sup>See GAO-10-833 and GAO-09-792. See also, FAR, Subpart 8.4—Federal Supply Schedules.

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result in more efficient acquisitions. We did not independently validate the savings that agencies reported to OFPP, but in a number of instances obtained additional information from the officials responsible for the initiatives to determine the savings methodologies they used. Although we have identified these as notable practices, a number of these initiatives also represent common practices that procurement officials are expected to perform as a part of their regular job function.

While many opportunities to achieve savings occur early in the acquisition life cycle, when acquisition plans are generally developed, opportunities also exist during contract performance or when preparing to exercise option years under a contract.

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## Improving Acquisition Planning and Preparation

The first, and perhaps best, opportunity to reduce acquisition risk and generate savings is in the acquisition planning phase, when critical decisions are made that have significant implications for the cost and overall success of an acquisition. The appropriate amount of early planning and preparation helps to minimize risks and improve outcomes in both product and service acquisitions.<sup>36</sup> We found examples of agency efforts to enhance acquisition planning and preparation, as discussed below.

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<sup>36</sup>See GAO, *Acquisition Planning: Opportunities to Build Strong Foundations for Better Services Contracts*, [GAO-11-672](#) (Washington, D.C.: Aug. 9, 2011) and *Defense Acquisitions: Managing Risk to Achieve Better Outcomes*, [GAO-10-374T](#) (Washington, D.C.: Jan. 20, 2010).

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**Improving Acquisition Planning and Preparation**

<b>Savings and risk reduction opportunities</b>	<b>Description</b>
Leadership, collaboration, and accountability to achieve shared acquisition goals	Commitment from leadership, greater accountability, and development of a more strategic departmentwide approach to pursuing acquisition savings initiatives
Establishing well-defined and realistic requirements	Establishing a valid need and working with program staff to translate the need into feasible and affordable requirements
Determining the appropriate contract type	Selecting contracting instruments that best serve the needs of the acquisition
Conducting spend analysis and strategic sourcing of goods and services	Developing a knowledge base about how much is being spent for what goods and services and determining who are the buyers and suppliers, thereby identifying opportunities to leverage buying, save money, and improve performance

**Leadership, Collaboration, and Accountability to Achieve Shared Acquisition Goals**

Agency leadership, intra-agency collaboration, and accountability are all essential elements to an effective acquisition process. In fact, our prior work has found that organizations seeking to significantly improve acquisition outcomes must begin with an established vision and commitment from senior management.<sup>37</sup> For example, in response to Treasury’s initial challenges in meeting the fiscal year 2010 savings goal, a senior-level working group consisting of the agency’s chief procurement, financial, information, and human capital officers discussed actions to develop and implement additional savings initiatives. According to Treasury officials, this group identified and launched departmentwide savings opportunities and drafted acquisition policy updates to institutionalize good practices, such as increasing the use of strategic sourcing. The department also increased preparation time for high-value and complex acquisitions by instituting a new policy requiring project teams to develop acquisition plans 18 months prior to award for acquisitions exceeding \$10 million or otherwise deemed high impact. Treasury requires bureau program officials to forecast all future

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<sup>37</sup>See GAO, *Defense Acquisitions: Tailored Approach Needed to Improve Service Acquisition Outcomes*, [GAO-07-20](#) (Washington, D.C.: Nov. 9, 2006); *Department of Homeland Security: Ongoing Challenges in Creating an Effective Acquisition Organization*, [GAO-07-948T](#) (Washington, D.C.: June 7, 2007).

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requirements, including renewal of ongoing contracts, to ensure applicable projects are covered in individual acquisition plans. Department officials expect that this advanced planning and early collaboration will promote use of lower-risk contract strategies, competition, performance based acquisitions, and small-business participation as well as other good business practices.

In another example, VA instituted an accountability process for selected contracts to reduce costs, minimize risk, and provide third-party verification of outcomes, which resulted in agency-reported savings of about \$160 million for fiscal year 2010. Specifically, VA issued an oversight policy that included establishing a preaward contract review process administered by seasoned acquisition professionals, agency legal representatives, and technical advisors. As part of the process, the teams reviewed proposed costs for certain noncompetitive and governmentwide solicitations. Based on these reviews, the team made recommendations that were used by the contracting officer in negotiating fair and reasonable pricing for the government. According to VA officials, approximately 39 percent of the preaward review team recommendations were implemented in fiscal year 2010.

### Improving Solicitations through Well-Defined and Realistic Requirements

As we have long reported, establishing a valid need and translating that need into an acquisition requirement is essential for obtaining the right outcome.<sup>38</sup> Without clearly defined requirements, an agency increases the risk that it will pay too much for the services provided, acquire services that do not meet its needs, or enter too quickly into a sensitive arrangement that exposes the organization to financial, performance, or other risks. A number of agencies we met with have emphasized better requirement-setting during the planning process or at other appropriate times during a contract's period of performance. For example, within the Department of Justice's Bureau of Prisons, procurement officials worked with program staff to develop requirements and technical specifications for a procurement of private prison beds. Their efforts resulted in reported cost savings of \$17 million in fiscal year 2010, about 18 percent below the previous amount paid, according to officials. Bureau contracting officials said they took additional time to better understand technical requirements, worked with program staff to visit existing facilities, and

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<sup>38</sup>See [GAO-07-20](#); GAO, *Federal Acquisition: Oversight Plan Needed to Help Implement Acquisition Advisory Panel Recommendations*, [GAO-08-160](#) (Washington, D.C.: Dec. 20, 2007).

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considered contractor past performance in developing new requirements. By restructuring the requirement to remove geographical and certain construction restrictions, officials indicated that they increased competition, received more favorable pricing, and increased inmate occupancy.

According to officials at the Department of Housing and Urban Development, procurement and program officials worked together to limit costs by redefining requirements on lead-based paint abatement contracts to put a ceiling on allowable abatement costs and ensure that only homes with the highest potential for contamination—those built prior to 1978—would be targeted. Procurement officials told us that as a result of the newly defined requirements, the agency saved \$13.7 million for fiscal year 2010, and they anticipate similar savings in future years. According to these officials, savings resulting from this initiative were used to supplement the agency’s mortgage insurance fund, for which, as we have previously reported, the capital ratio fell below statutory levels as the economy weakened and home prices fell in 2008 and 2009.<sup>39</sup>

## Determining the Appropriate Contract Type

Agencies can choose among different contract types to acquire products and services. As we have reported, a primary concern is the proper allocation of risk between the government and contractors.<sup>40</sup> By choosing the appropriate contract type, procurement officials can help to minimize risk while simultaneously achieving savings. In one example, procurement officials at Energy’s National Nuclear Security Administration reported saving more than \$40 million in fiscal year 2010 through the administration’s Contract Cost Saving Program, an effort to convert contracts into less-risky types, such as firm fixed-priced, and to competitively resolicit contracts previously awarded without competition. Procurement officials told us that during fiscal year 2010, they reviewed \$1.5 billion in contracting actions to identify risk reduction opportunities and contracts that may no longer be needed. Contract modifications or restructures were recommended on a case-by-case basis once the period of performance ended or as new requirements were developed by program offices.

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<sup>39</sup>See GAO, *Mortgage Financing: Financial Condition of FHA’s Mutual Mortgage Insurance Fund*, [GAO-10-1066T](#) (Washington, D.C.: Sept. 23, 2010).

<sup>40</sup>See [GAO-10-374T](#).

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Conducting Spend Analysis and Strategic Sourcing of Goods and Services

Analyzing buying patterns—referred to as spend analysis—and strategically sourcing goods and services can provide agencies with a better understanding of their buyers and suppliers, with the goal of identifying opportunities to leverage buying power and improve performance. In prior reports, we have noted that spend analysis enabled agencies to measure the effect of changes in purchasing costs and supplier diversity and to be better positioned to obtain more advantageous terms and conditions by leveraging aggregate buying power.<sup>41</sup>

Almost all agencies reported some savings in fiscal year 2010 associated with the use of strategic sourcing. For example, after conducting a spend analysis of its air ambulatory services, the Bureau of Prisons reported savings of 30 percent, or about \$1.5 million, from negotiating a nationwide agreement rather than relying on locally competed contracts.<sup>42</sup> Bureau procurement officials said that, because of the success of this initiative, they are evaluating how other locally procured services could be purchased more economically at a national level, and noted that they shared their spend analysis information with another organization within the Department of Justice that also uses air ambulatory services. In another example, DHS has established a departmentwide strategic sourcing program office, which reported saving about \$347 million in fiscal year 2010 through a portfolio of more than 300 departmentwide contracts and by participating in GSA's Federal Strategic Sourcing Initiative.<sup>43</sup> For example, the office reported that DHS components leveraged their buying power to save more than \$60 million by using volume software license agreements, \$1.3 million on purchases of body armor, and about \$2.8 million on office supplies. In addition, procurement officials told us DHS' strategic sourcing effort has reduced the number of duplicative contracts between contracting offices, and increased

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<sup>41</sup>See GAO, *Best Practices: Improved Knowledge of DOD Service Contracts Could Reveal Significant Savings* [GAO-03-661](#) (Washington, D.C.: June 9, 2003) and [GAO-04-870](#).

<sup>42</sup>The bureau uses air ambulatory services to provide transportation of prisoners to hospitals.

<sup>43</sup>Since 2006, OMB has encouraged agencies to coordinate their buys through Federal Strategic Sourcing Initiative interagency procurement vehicles awarded by GSA. Current contracts under this initiative include express and ground domestic delivery services, wireless telecommunications expense-management services, and office supplies.



operational efficiency by standardizing procurement practices throughout the department.

## Identifying Savings Opportunities on Ongoing Contracts

Agencies also reported that they sought opportunities to achieve savings or improve acquisitions in later phases of the acquisition life cycle, after the initial contract award. As we have previously reported, it is also important to implement a post-contract award process to effectively manage and assess contractor performance to ensure that business arrangements are being properly executed and to track progress toward acquisition goals.<sup>44</sup>

### Reducing Costs on Ongoing Contracts and Monitoring Contract Performance

#### Savings and risk reduction opportunities

#### Description

Working with contractors to reduce operational costs	Working with contractors to share information, buy smarter, and establish incentives that reward efficient operations
Seeking additional discounts through BPAs	Regularly seeking discounts from vendors on BPAs
Renegotiating and restructuring contracts	Identifying opportunities to renegotiate or restructure existing contracts to achieve savings, such as by updating prices based on current market conditions, and consolidating requirements

## Working with Contractors to Reduce Operational Costs

We identified one agency that worked directly with its contractors to achieve acquisition savings. In part based on a prior GAO recommendation, we found that Energy is making a concerted effort to work with its contractors to share information, leverage buying power, and establish incentives that reward efficient operations at the national laboratories.<sup>45</sup> Our prior work has shown that when contractors are more

<sup>44</sup>See [GAO-07-20](#).

<sup>45</sup>See GAO, *Department of Energy: Additional Opportunities Exist for Reducing Laboratory Contractors' Support Costs*, [GAO-05-897](#) (Washington, D.C.: Sept. 9, 2005). Specifically, GAO recommended that Energy take actions to improve cost data among laboratories and reduce support costs by ensuring that Energy laboratories adopt important cost saving initiatives. These recommendations are further supported by FAR guidance, which suggests that collaborative efforts might be advantageous in larger-scale research and development contracts and projects (FAR 9.602(b)).

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Agencies Are Seeking  
Additional Discounts through  
BPAs

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directly involved in planning efforts and given adequate time to plan and prepare to accomplish their assigned tasks, the quality of the contractor's services may improve and costs may be lowered.<sup>46</sup> Energy's senior procurement officials told us they developed a formal process to improve collaboration and leverage the buying power of the department's management and operating contractors, which resulted in reported savings of more than \$37 million during fiscal year 2010.<sup>47</sup> Specifically, the department created contractor purchasing teams as a means to share information on laboratory buying habits and establish supplier agreements that can be used by all eligible Energy contractors and subcontractors. Department procurement officials stated that working with the purchasing teams has improved oversight of subcontractors and reduced contracting risks, in that over 90 percent of subcontracted transactions are through fixed-price arrangements.

We previously reported that agencies could realize savings from seeking discounts through GSA schedule BPAs.<sup>48</sup> In discussions with senior procurement officials, we learned of various savings initiatives where contracting officers aggressively pursued, and received, substantial discounts. For example, to ensure that contracting officers at the Social Security Administration regularly seek discounts, proposed awards over \$100,000 are reviewed by a more-senior contracting officer to determine, among other tasks, whether discounts were sought on BPAs. As a result, procurement officials told us they are regularly seeking discounts from vendors when acquiring supplies and services under GSA schedule contracts and have achieved substantial savings. For example, the agency reported receiving discounts of more than 30 percent below the vendor's GSA schedule prices on BPAs for printers and scanning services, which resulted in savings of more than \$180 million over the life of the contracts.

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<sup>46</sup>See GAO, *Defense Acquisitions: Improved Management and Oversight Needed to Better Control DOD's Acquisition of Services*, [GAO-07-832T](#) (Washington, D.C.: May 10, 2007).

<sup>47</sup>Management and Operating contracts are agreements under which the government contracts for the operation, maintenance, or support of a government-owned or controlled research, development, special production or testing establishment devoted to one or more major programs. Infrastructures supported under these agreements include production facilities for nuclear materials, research facilities, and national laboratories. Department of Energy Acquisition Regulation, Subpart 917.6 and Part 970.

<sup>48</sup>See [GAO-10-833](#) and [GAO-09-792](#).

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Renegotiating and Restructuring Contracts

Many agencies reported more aggressively negotiating discounts and are reporting significant savings as a result. For example, Department of Education procurement officials reported saving \$26.3 million in fiscal year 2010 as a result of renegotiating prices on an existing contract to better reflect current market conditions. Specifically, in the middle of a 10-year technology contract, department contracting and program officials determined that technological advances warranted a review of contract prices for items such as computing hardware and software. According to these officials, updated pricing benchmarks were established and used to renegotiate the terms of the contract.

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Strengthening the Acquisition Workforce

Many agencies we met with are engaged in efforts to enhance their acquisition workforce through hiring, retention, training, and development of new acquisition tools and processes intended to improve contracting officers' effectiveness and efficiency. In some instances, senior agency procurement officials told us that recruiting and retaining talented acquisition professionals, some with specialized skill sets, generated significant savings and had a positive influence on acquisition outcomes.

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Strengthening the Acquisition Workforce	
Savings and risk reduction opportunities	Description
Increase use of and training for cost and price analysts	Assess human-capital needs and augment the acquisition workforce with experts, such as cost and price analysts, who can improve core acquisition functions and save money
Recruitment programs to attract talented acquisition professionals	Establish programs to attract and retain professional acquisition staff and provide on-the-job professional development experience

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Expanding Use of Cost and Price Analysts

Hiring acquisition personnel with specialized skill sets to fulfill critical needs can lead to savings and ensure that taxpayers received the best value for every dollar spent. As we have previously reported, some agencies reduced the number of government cost estimators, and as a consequence tended to rely on contractors for this task.<sup>49</sup> Some agencies

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<sup>49</sup>See [GAO-07-832T](#).

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reported recruiting and hiring experienced cost and price analysts, or providing such training to existing personnel, which has helped them determine the appropriate price structure of contracts. For example, HHS procurement officials reported saving \$60.5 million in fiscal year 2010 by hiring two cost and price analysts to review contracts and offer contractor audit support for the Biomedical Advanced Research and Development Authority. According to these officials, in previous years HHS had relied on the Defense Contract Audit Agency to conduct cost analyses and audits of contractor accounting systems, but there were concerns about the length of time needed to conduct the audits and the associated costs. As a result, HHS hired two analysts with extensive experience in cost and price analytics to provide dedicated support for the authority's contracts. HHS officials noted that these analysts are not only more responsive to agency needs, but are also generating additional savings through preaward reviews and assistance with contract negotiations.

NASA procurement officials told us they focused on improving cost and price analysis and negotiation skills for NASA's existing acquisition workforce by developing and implementing a series of training courses that target these skill sets. The first course provides students with an overview of cost analysis techniques and strategies, whereas the second course builds upon the techniques and strategies learned in the basic course while providing the students with an in-depth understanding of the various cost incentives available for use in government contracts. Since its inception in June 2008, NASA has provided 22 training courses for about 360 of its acquisition personnel, and as a result of the training, officials reported improvements in the quality of technical evaluations and the level of communication between contracting and technical personnel.

### Recruitment Programs to Attract Talented Acquisition Professionals

According to OMB, the capacity of the federal government's acquisition workforce to oversee and manage contracts has not kept pace with increased government spending for increasingly complex purchases. For example, federal civilian agencies' acquisition spending increased in real terms from \$80 billion to \$138 billion between fiscal year 2000 and fiscal year 2008, while their acquisition workforce grew at a considerably lower rate.<sup>50</sup> Developing the acquisition workforce has been a priority of the administration, and, as part of this effort, agencies are implementing

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<sup>50</sup>See GAO, *The Office of Management and Budget's Acquisition Workforce Development Strategic Plan for Civilian Agencies*, [GAO-10-459R](#) (Washington, D.C.: Apr. 23, 2010).

programs to attract and retain skilled acquisition professionals. Recognizing the limited pool of skilled acquisition personnel, and high turnover of new acquisition professionals, the Department of Education developed an acquisition fellowship program to provide specialized developmental opportunities and on-the-job training during the first 36 months of employment. The fellowship provides rotational assignments in two separate acquisition offices, in which new hires are mentored by senior acquisition officials as the new hires perform critical acquisition functions, including market analysis, vendor outreach, and contract negotiation. Fellows are also rotated through a program office to learn about acquisitions from their customers' perspective. The program is designed to build the capacity and capability of future potential contracting officers, while enhancing interoffice cooperation and effectiveness. According to department officials, this program has contributed to lower attrition of new hires, reduced the costs associated with unfilled vacancies, and helped to stabilize and better prepare its acquisition workforce to meet the agency's future contracting needs.

### Streamlining Acquisitions through Technology and Process Improvements

Some agencies reported developing and implementing acquisition technology to enhance all aspects of the acquisition process. Senior agency procurement officials told us their agencies' use of online tools to promote competition and automate some aspects of the contracting and acquisition process has led to substantial savings, increased efficiencies, and in some cases, greater transparency and accountability. These officials explained that one of the greatest benefits derived from new acquisition technology applications is the improved availability and flow of information.

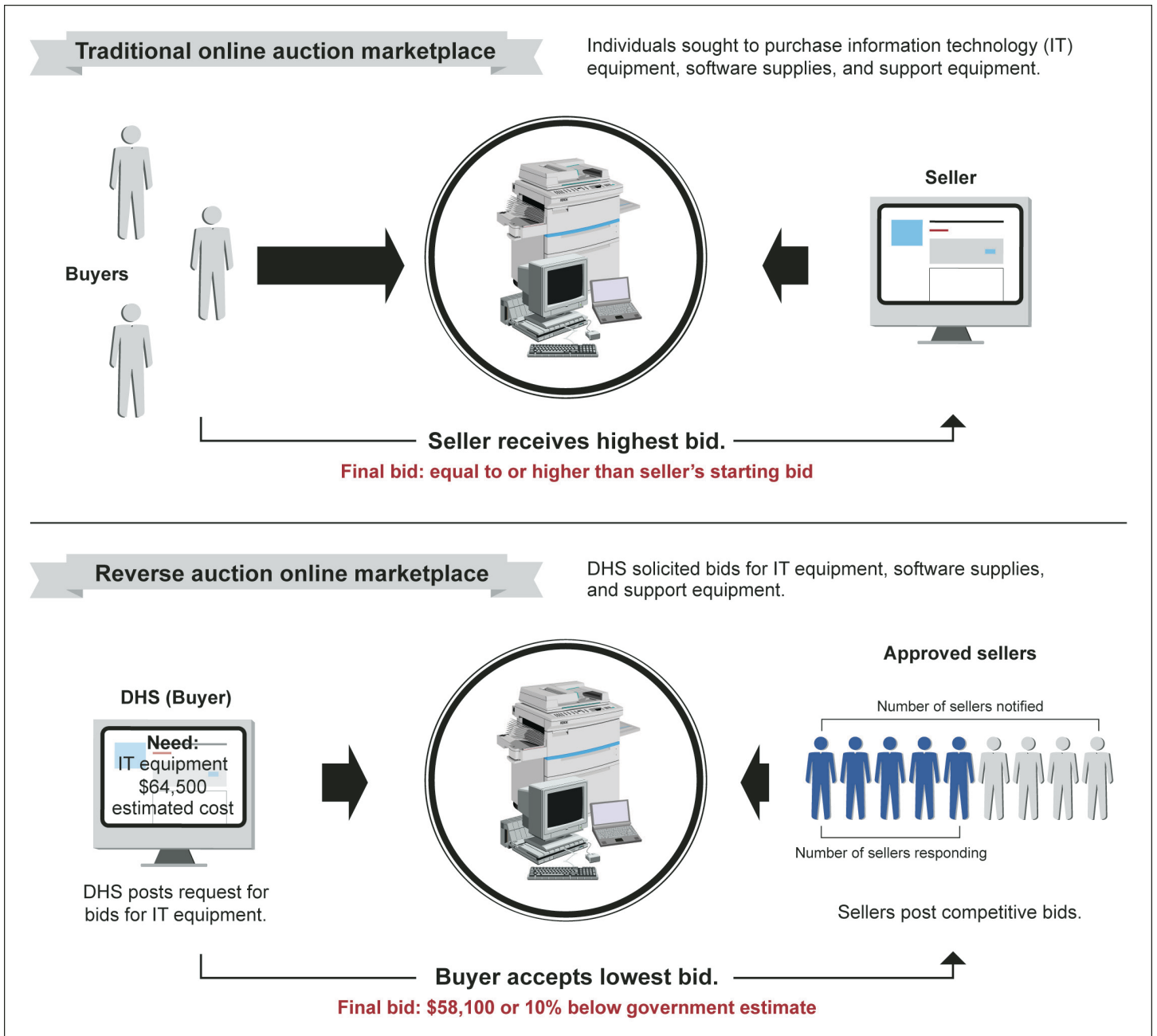
<b>Streamlining Acquisitions through Technology and Process Improvements</b>	
<b>Savings and risk reduction opportunities</b>	<b>Description</b>
Reverse auctions	Reverse auctions are online tools designed to improve competition and drive down prices on commonly purchased products and services
Technology to promote small-business participation	Developing new systems to reach out to small businesses, and streamline and simplify the acquisition process to increase participation
Reengineered procurement processes	Optimization of acquisition processes to obtain efficiencies and reduce unnecessary duplication

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Using Reverse Auctions to  
Increase Efficiency and  
Enhance Competition

Half of the agencies involved in the initiative reported using reverse auctions as a way to improve competition and reduce prices on commonly purchased products and services. Unlike a typical, or forward auction, in which multiple buyers bidding against one another push the price up, reverse auctions enable a buyer to evaluate proposals submitted from multiple sellers in an online marketplace, in which sellers compete against one another to provide the lowest price or highest-value offer. After considering all offers, the buyer selects the winning proposal, often at a reduced price. Figure 3 illustrates the differences between a traditional online auction marketplace and the reverse auction process, using an actual DHS purchase of information technology (IT) equipment as an example.

**Figure 3: Comparison of Forward and Reverse Auction Processes**



Source: GAO analysis of DHS data.

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In our review of agencies' acquisition savings initiatives, we found that a number of agencies are taking advantage of reverse auctions to enhance competition and improve transparency in procurement operations. For example, procurement officials at DHS reported saving more than \$50 million in fiscal year 2010 through the use of reverse auctions, and noted that Customs and Border Protection is considered to be the leading component within the agency regarding the use of this tool. Having first piloted a reverse auction program in fiscal year 2006, the component discovered that it could use the online marketplace to achieve lower prices on a wide range of goods and services, such as purchasing basic information technology services, while also increasing efficiency because transactions are automatically recorded online. Based on the success of this pilot, reverse auctions are now given priority consideration when selecting a technique to acquire noncomplex commodities and may be used for simple firm fixed-price services. Customs and Border Protection reported an average savings of approximately 10 percent on all such transactions in fiscal year 2010.

### Applying Technology to Promote Efficient Small-Business Participation

We found examples of agencies using technology to assist in meeting their small-business goals, while also achieving savings.<sup>51</sup> For example, the Department of Transportation's Federal Aviation Administration launched a system to more efficiently acquire professional, technical, and management support services from small, women-owned, and socially and economically disadvantaged businesses that generated \$7.5 million in reported savings during fiscal year 2010. According to officials, this new system has enabled contracting officers to more quickly and efficiently acquire services from 479 preapproved vendors that provide professional services such as systems engineering, business administration, and computer-system support and repair. Officials reported average price reductions of about 10 percent, in addition to shorter procurement timelines, using this system.

### Reengineering Procurement Processes

We found that some agencies are undertaking efforts to optimize acquisition processes by changing how products and services are acquired in terms of business processes, organizational structures, and roles and responsibilities. Our prior work with leading commercial firms found that typical process-improvement initiatives were focused on

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<sup>51</sup>The federal government has an annual goal of awarding not less than 23 percent of prime contract dollars to small businesses.



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improved coordination, establishment of new processes for routine tasks, and use of cross-functional teams made up of individuals with various skills to ensure the right mix of knowledge.<sup>52</sup> In one example, officials at the Department of Housing and Urban Development reported saving over \$8 million during fiscal year 2011 through an initiative to reduce redundancy in mortgage-underwriting service contracts by simplifying the review process and focusing on only the highest-risk mortgages. According to officials, the department's previous mortgage-underwriting review process required multiple levels of review and in some instances required independent secondary reviews. The department replaced this approach with a more focused, risk-based process that officials believed cut the workload by more than half.

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## Conclusions

In this era of growing fiscal constraint, it is increasingly important that federal agencies maximize available resources to make the best use of taxpayer dollars. While the administration's focus on savings through contracting initiatives has achieved some success, problems stemming from OMB's implementation have limited the potential for greater savings and improved acquisition outcomes. The potential of this initiative was hampered at the start with agencies' general sense of confusion about the savings targets themselves and unclear guidance in a number of areas. For example, by not addressing certain ambiguities—such as whether long-planned program terminations were allowable initiatives, and how savings under interagency contracts should be handled, among others—some agencies' savings plans included questionable initiatives and potentially double counting of savings. Further, while DOD's concrete actions to end poorly performing programs and to reduce other line items in the department's budget are commendable, the fact remains that this particular OMB initiative was intended to be a contract savings exercise. Taking into consideration DOD's approach, which was strictly budget-driven and not necessarily tied to contract savings—and which did not reflect contracting initiatives such as strategic sourcing—and the data reliability issues with civilian agencies' reported data in MAX, the extent to which agencies will meet the administration's announced goal of saving \$40 billion in contracting for fiscal year 2011 is unclear. Moreover, agencies were required to expend time and resources entering data into MAX to comply with OMB's requests for savings information; however,

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<sup>52</sup>[GAO-07-20](#).

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the combined lack of guidance and controls over how savings data were entered and captured in the system limited OMB's ability to accurately and reliably report the results of the initiative. Additionally, because the results of the high-risk contract reduction effort—another important undertaking for which OMB has not reported the cumulative results—was limited to only new awards, and, by our analysis, fell far short of the 10 percent target, many opportunities for greater risk reduction were missed.

The issues we have identified are not insurmountable. At a minimum, the acquisition savings initiative has generally prompted agency leadership to emphasize the need to review procurements for cost and risk reduction opportunities. In fact, agencies reported on hundreds of initiatives that achieved savings, avoided costs, or were designed to improve the efficiency and effectiveness of the acquisition function. The examples we provided are only a subset of a much larger effort to adopt beneficial acquisition practices and help agencies respond to budgetary challenges and financial constraints. However, there is uncertainty about whether the administration plans to continue this savings initiative through fiscal year 2011, as initially planned. In the absence of clearly communicated intent, including how the initiative relates to others—such as OMB's recent initiative to reduce use of professional and management support contracts—any momentum the savings initiative has generated could be lost.

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## Recommendations for Executive Action

To build on agencies' fiscal year 2010 achievements and leverage the momentum gained to date, we recommend that the Director of OMB take the following two actions:

- Clarify and convey the administration's continued focus on the acquisition savings initiative for fiscal year 2011 and beyond, and address how it is expected to align with other initiatives, such as OMB's new undertaking to reduce the use of professional and management support contracts and DOD's efficiencies and other savings initiatives.
- Report no later than the time of the fiscal year 2013 budget proposal submission to Congress on the dollar savings resulting from the agencies' initiatives and the cumulative high-risk contract reduction efforts for fiscal years 2010 and 2011. The results should be reported in a manner that can be easily compared with the administration's announced savings and high-risk reduction goals.

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To enhance agency implementation of the acquisition savings and high-risk contract reduction initiative, and to promote improved reporting and outcomes, we recommend that the Administrator of OFPP take the following three actions:

- Clarify guidance and criteria as to: (1) what constitutes appropriate agency baseline reductions, (2) how savings (or cost avoidance) initiatives are defined and reported, and (3) how actual savings resulting from agency initiatives should be validated.
- Determine OFPP's informational needs to effectively manage and oversee implementation of the savings initiative, including whether MAX is the appropriate tracking and information-sharing mechanism. If MAX continues to be the designated system, develop the appropriate quality-control measures to improve agency-reported data.
- Revise the focus of the high-risk reduction effort to include all high-risk contracting actions and not just new awards.

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## Agency Comments and Our Evaluation

We sent copies of a draft of this report to OMB and the 24 CFO Act agencies. A list of these agencies is provided in appendix II. Although the report recommendations were directed to OMB and OFPP, we welcomed comments from all participating agencies. Of the 24 agencies, 14 responded with no comments; Treasury did not respond. We received written comments from 5 agencies (OFPP, DOD, HHS, DHS, and Labor); the remaining agencies provided us with technical comments. A number of the comments acknowledged the serious financial challenges the agencies face given the current fiscal environment and described the agencies' commitment and current efforts to adopt and expand on many of the best practices identified in the report.

In its written comments (reproduced in appendix III), OFPP stated it would adopt, as appropriate, our three recommendations to the Administrator concerning the methodological and data concerns we identified. The comments did not address whether OMB agrees with or intends to address the two recommendations we made to the Director. OFPP expressed concern that our report presents a narrow and questionable picture of the results of the initiative. We disagree. We believe our report accurately depicts the scope of agencies' efforts under the initiative and the challenges they and OFPP faced in developing and reporting the fiscal year 2010 savings. Our report also discusses, in detail, the positive outcomes of this initiative, including many actions agencies have taken to implement acquisition savings and risk reduction strategies that show promise in yielding long-term benefits. OFPP also stated that our report

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presents an incomplete picture of the progress agencies made, particularly DOD, in generating savings from contracting. OFPP commented that we do not give proper credit to DOD's reported savings and states that those savings should be counted as contract savings because the department's initiatives are directly related to spending for the acquisition of weapons and support systems and services. We note, however, that because DOD's reported savings were solely based on reductions to the department's budget, they represent a mix of contracts along with all other program-related costs, such as DOD civilian employee pay. In fact, almost 20 percent of the department's fiscal year 2010 savings stem from reductions to other activities, such as recruiting, and not from the department's procurement and research and development accounts. DOD budget officials also told us that, with the information they have available, it is not possible to determine the extent to which the budget reductions stemmed from contract savings without a labor-intensive data call for each specific initiative included in DOD's savings plan.

Further, while acknowledging that methodological improvements are needed so that the extent of future savings is more clearly established, OFPP expressed concern that our report focuses more on process than results—and that the importance of the progress agencies have made could be obscured as a result. We disagree. As already noted, an entire section of our report is devoted to highlighting the promising practices agencies are undertaking to achieve long-term savings from contracting and to reduce contracting risks. We also note that OMB has not yet reported on the results of the initiative for fiscal years 2010 or 2011; our recommendation that it do so was not addressed in the agency comments. Moreover, process is important. OFPP's ability to gauge and report on agencies' progress in meeting the administration's savings goals were significantly affected by a lack of clear guidance and communication, as well as other methodological issues.

OFPP also provided technical comments, which we considered and incorporated into the report as appropriate. We did not make changes where OFPP suggested changes that were not consistent with the factual language in our report.

In written comments provided by DOD (reproduced in appendix IV), the department stated that we called into question the extent of its participation in the initiative and noted that its savings were, "in a number of cases," tied to specific contract actions. Because, as we discuss in this

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report, we did not receive DOD's savings data until August 2011, our initial draft report called into question DOD's full participation in the savings initiative. Shortly after our draft was sent to the agencies for review, we met with DOD Comptroller and acquisition policy officials to obtain additional information on the department's reported fiscal year 2010 savings and the nature of its participation in the initiative. We revised our draft report to reflect the new information and provided the revisions to DOD and OFPP for consideration in their comments.

In written comments provided by DHS and HHS (reproduced in appendixes V and VI, respectively), the agencies emphasized their commitment to pursue savings opportunities and employ acquisition best practices to curb any potential wasteful spending, as well as to promote efficiency in the contracting process. HHS further committed to work with its heads of contracting activity to review and resolve discrepancies with the department's savings data contained in OMB's MAX system and to verify its fiscal year 2010 and 2011 savings.

In written comments provided by the Department of Labor (reproduced in appendix VII), the agency emphasized the success of the Job Corps program and reiterated its decision to adjust its savings baseline by excluding contract obligations under this program because these contracts are congressionally-mandated. At the same time, however, the department acknowledged the importance of reducing its high risk contracts, including those in support of its Job Corps program, and identified plans to convert some of those contracts from cost-reimbursement to firm fixed-price contracts beginning in fiscal year 2012, as ongoing contracts require renewal.

We received additional technical comments from the Departments of Justice, State, and VA, the Agency for International Development, and the Environmental Protection Agency. We incorporated the comments as appropriate. For example, based on the comments from VA, we revised our characterization of the methodology it used to develop its savings estimates. In its technical comments, the Department of State disagreed with our assessment that its security contractor savings initiative was based on a hypothetical and unrealistic scenario, noting that the department must provide security services in Iraq either through contractors or direct hires. As support for its reported savings of \$732

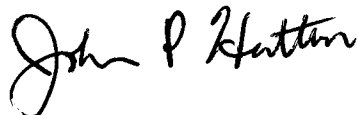
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million in fiscal years 2010 and 2011, the department cites our 2010 report, which presented a cost comparison of using contractors versus hiring its own employees to provide these services.<sup>53</sup> We believe this is an erroneous basis for claiming actual contract savings under the OMB initiative. The department has contracted out for these services since 2004 and has no plans to do otherwise. As indicated by the Under Secretary of State for Management during a September 2009 hearing, the department could not hire and train sufficient numbers of personnel to meet its security requirements in the needed time frame. In its technical comments, the Agency for International Development noted that it has realized cost efficiencies through contracting strategies and through rigorous contract negotiations, increasing the impact of the agency's programs. For example, the agency stated that it has saved \$136 million by purchasing generic antiretroviral drugs and has used these savings to procure additional drugs, providing treatment to additional patients.

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We are sending copies of this report to interested congressional committees, the Director of OMB, the Administrator of OFPP, and the heads of the 24 agencies subject to the CFO Act. This report will also be available at no charge on GAO's website at <http://www.gao.gov>.

If you or your staff have any questions about this report or need additional information, please contact me at (202) 512-4841 or [huttonj@gao.gov](mailto:huttonj@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Staff acknowledgments are provided in appendix VIII.



John P. Hutton  
Director  
Acquisition and Sourcing Management

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<sup>53</sup>[GAO-10-266R](#).

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# Appendix I: Scope and Methodology

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The objectives of this review were to assess the status of the administration's acquisition savings and high-risk contract reduction goals and identify strategies agencies implemented that may show potential in being leveraged across government. Accordingly, we assessed: (1) the extent to which the Office of Management and Budget's (OMB) initiative has achieved the intended savings from contracting, (2) the effectiveness of OMB's initiative to reduce obligations on new high-risk contract awards as a share of base spending by 10 percent, and (3) the acquisition savings and risk reduction strategies to identify those with the potential to yield long-term savings or improve acquisition outcomes.

To determine the extent to which the OMB initiative has achieved the intended savings from contracting, we reviewed the President's March 2009 memorandum announcing the acquisition savings initiative and OMB's July 2009 guidance that instructed the 24 agencies subject to the Chief Financial Officers Act to develop acquisition savings plans. Throughout the course of the engagement, we obtained periodic updates on the progress agencies made in attempting to meet OMB's savings targets from the Office of Federal Procurement Policy (OFPP), which oversaw implementation of the initiative. We also obtained periodic reports of fiscal year 2010 and fiscal year 2011 data on agencies' savings initiatives from OMB's MAX Information System (MAX), which OFPP used to track and monitor agencies' savings efforts. We reviewed the savings plans agencies submitted to OFPP and the accompanying MAX data, and interviewed senior procurement officials at each of the 24 agencies to (1) obtain additional insight into development of the agencies plans; (2) learn of the actions taken to identify initiatives, determine savings, and track the progress in meeting OMB's savings targets; (3) discuss the various savings strategies used as well as agency-specific initiatives that either appeared to have the potential to result in significant savings, or that we considered could be questionable; and (4) identify challenges agency procurement officials encountered while implementing the savings initiative. Because agencies submitted to OFPP or entered into MAX, as of January 2011, information on over 800 savings initiatives, we did not conduct an in-depth review of each initiative. However, we did identify a number of initiatives that could be considered questionable or not consistent with the objectives of the initiative when compared with our prior work, prior OMB reports, or federal acquisition regulations.

To obtain insight on agencies' progress in meeting their savings targets, we analyzed savings initiative data from MAX, downloaded for us by OFPP, on four separate occasions—January 2011, February 2011, April 2011, and July 2011. In the January and February datasets, we identified

data irregularities that prevented us from determining agencies' actual or estimated savings. In some instances, text was entered into fields where dollar values were requested or savings were entered in whole dollars rather than in the format requested by OFPP. We took steps to standardize these and other errors and removed duplicate entries. We also identified a number of initiatives where agencies entered in total contract obligations rather than the actual savings resulting from the implementation of the savings initiative, which we did not attempt to correct because the actual savings from these initiatives were unclear. We brought these irregularities as well as the fact that the Defense Department (DOD) had not entered any savings data into MAX to OFPP officials' attention. This prompted the Administrator to instruct the senior procurement executives at each agency to review and update their agency's savings information and provide assurances the data were accurate. We subsequently reviewed agencies' reported data in MAX, as of April and July 2011, and although many of the data irregularities we previously identified were corrected, some still remained. In some instances we identified new irregularities with the data. Beginning in December 2010, we attempted to obtain information and additional insight into DOD's participation in this initiative and its estimated and reported savings. The Associate Administrator for OFPP informed us in August 2011 that the department's fiscal year 2010 savings data had been recently entered into MAX. Although at this point our audit work had been completed, we subsequently conducted an assessment of the savings data and met with senior officials from DOD's Office of the Comptroller and Defense Procurement and Acquisition Policy to discuss specific savings initiatives.

To assess the effectiveness of OMB's initiative to reduce obligations on new high-risk contract awards as a share of base spending by 10 percent, we extracted and analyzed, from the Federal Procurement Data System – Next Generation (FPDS-NG), high-risk contract actions and dollars obligated by agencies for fiscal years 2009 and 2010. We applied OFPP's methodology (using a set of FPDS-NG filtering variables) to calculate the results of the high-risk reduction initiative. To calculate the total base spending against which subsequent reductions would be compared, OFPP's approach only included newly awarded high-risk contracts and new orders under single award indefinite delivery contracts. OFPP's approach excluded all modifications, all multiple-award contracts, and "order dependent" and "other" contract types, and compared total base spending to noncompetitive, cost-reimbursement, time-and-material and labor-hour, and competitively awarded contracts receiving only one offer. Since a contract can fall into one or more of OMB's four high-risk



categories, we identified all of the contracts that were in each of the categories and deleted the duplicates, to avoid double counting contracts. We also performed additional analysis of each of four high-risk categories to determine percentage reductions as a share of base spending. Since OFPP included in its methodology obligation data on only newly awarded high-risk contracts, we obtained additional FPDS-NG data containing information on modifications to new awards as well as contracting actions on existing awards. To understand the effect of the dollars excluded from OFPP's methodology, we used FPDS-NG data to determine: (1) the share of obligations under high-risk contracts in fiscal year 2010 as compared to 2009 if modifications made on new contract awards were added to OFPP's methodology in one scenario, and (2) another scenario where all high-risk obligations made in the fiscal year were included (including high-risk orders under blanket purchase agreements, task orders under multiple-award contracts, and contract option years).

In general, we found FPDS-NG data to be adequately reliable for overall trend analysis on high-risk contracting for fiscal years 2009 and 2010 and based our analysis on the methodology used by OFPP. However, system changes that were made to the type of contract and the number of offers fields within FPDS-NG in the beginning of fiscal year 2010 made comparison between years problematic. For example, starting in 2010, the type of contract field no longer allowed for a combination (or hybrid) type of contract for new awards. As a result, we do not know how these combination contracts are allocated between cost-reimbursement, time-and-materials and labor-hour, and firm fixed-price contracts for fiscal year 2009. Different assumptions produce different results, which is primarily the reason why the results of our analysis and OFPP's analysis were generally not similar. In order to allow for a more reasonable comparison of fiscal year 2009 and 2010 high-risk contracting data, we assumed that the percentages of these contracts that held for the overall population of new awards would also hold for the combination contracts and we allocated the data accordingly. However, because we did find that the percentages for these types of contracts varied considerably between our three categories of actions (base spending, modifications to base, and not part of base) we decided to differentiate between these categories when allocating the combination obligations by type. During this analysis, we also found a significant error in FPDS-NG, which had been corrected in 2010 and affected the results for competitively awarded contracts with one offer. A Department of Veterans Affairs contract, with over \$3 billion in obligations, had been incorrectly coded in 2009 as having been awarded after receiving only one offer, when in fact the solicitation received eight offers. When this error was corrected in 2010, it skewed

the data in FPDS-NG to show a significant decrease in newly awarded competitive solicitations receiving only one offer, when in actuality, obligations made on such contracts were relatively flat between the two years.

We conducted interviews with agency procurement-policy representatives and heads of contracting activities and reviewed acquisition savings plans to gain additional insight into the various high-risk reduction actions agencies pursued as part of this initiative. We also met with OFPP officials and reviewed pertinent documents to understand the process by which OFPP gauged the success of agencies' high-risk reduction efforts. Where appropriate, we supplemented our analysis with reviews of prior GAO reports and recent statutory and regulatory actions pertaining to high-risk contracting authorities and competition.

To identify agencies' acquisition savings and risk reduction strategies that show promise in yielding long-term savings or improving acquisitions outcomes, we reviewed prior GAO reports and associated recommendations, met with OFPP and agency procurement officials, analyzed agency acquisition savings plans and OFPP progress reports on the acquisition savings initiatives, and reviewed reported savings data in MAX that were provided by OFPP. Using a nongeneralizable sampling approach, we selected 27 out of more than 800 initiatives contained in MAX, as of January 2011, for further analysis. To select these initiatives, we identified a set of beneficial acquisition practices that (1) our past work had identified, (2) had yielded agency-reported savings for fiscal year 2010, or (3) could have widespread application across the government. Furthermore, the initiatives we selected across multiple agencies included a variety of savings strategies, such as acquisition planning, requirements setting, workforce development, contract negotiation practices, strategic approaches to leveraging buying power, efforts to reduce reliance on high-risk contracts, use of technology to improve efficiency, reengineering of ineffective business processes, and others. We asked agency officials about the development, implementation, and tracking of the selected initiatives, and assessed their responses. As part of our review, we also identified other notable examples of good procurement practices based on our conversations with procurement officials and our analysis of information contained in the MAX system. We incorporated information from these initiatives and activities as appropriate.

We conducted this performance audit from December 2010 to November 2011 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to

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obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

# Appendix II: Summary of the 24 CFO Act Agencies' Unadjusted and Adjusted Savings Baselines and Associated Fiscal Year 2010 Savings Targets

Chief Financial Officers (CFO) Act Agency	Fiscal year 2008 baseline spending			GAO analysis of Office of Federal Procurement Policy's (OFPP) fiscal year 2010 savings targets (3.5% of baseline)		GAO analysis of OFPP's fiscal year 2011 savings targets (7.0% of baseline)	
	Unadjusted baseline spending (millions of dollars)	Agency adjusted baseline (millions of dollars)	GAO analysis of the percent reduction in agencies' baseline (percent)	Unadjusted baseline (millions of dollars)	Adjusted baseline (millions of dollars)	Unadjusted baseline (millions of dollars)	Adjusted baseline (millions of dollars)
	Agency for International Development	\$3,660.00	\$3,660.00		\$128.10	\$128.10	\$256.20
Department of Agriculture	5,312.00	2,470.00	-53.5%	185.92	86.45	371.84	172.90
Department of Commerce	2,344.00	1,127.50	-51.9	82.04	39.46	164.08	78.93
Department of Defense	393,582.60	393,582.60		13,775.39	13,775.39	27,550.78	27,550.78
Department of Education	1,375.60	1,375.60		48.15	48.15	96.29	96.29
Department of Energy	24,800.00	10,954.96	-55.8	868.00	383.42	1,736.00	766.85
Department of Health and Human Services	11,111.80	5,883.60	-47.1	388.91	205.93	777.83	411.85
Department of Homeland Security	14,150.00	13,336.00	-5.8	495.25	466.76	990.50	933.52
Department of Housing and Urban Development	883.90	883.90		30.94	30.94	61.87	61.87
Department of Justice	6,059.00	5,303.00	-12.5	212.07	185.61	424.13	371.21
Department of Labor	1,800.00	700.00	-61.1	63.00	24.50	126.00	49.00
Department of State	5,587.90	5,587.90		195.58	195.58	391.15	391.15
Department of the Interior	3,734.60	2,676.10	-28.3	130.71	93.66	261.42	187.33
Department of the Treasury	4,526.60	4,526.60		158.43	158.43	316.86	316.86

**Appendix II: Summary of the 24 CFO Act  
Agencies' Unadjusted and Adjusted Savings  
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Savings Targets**

Chief Financial Officers (CFO) Act Agency	Fiscal year 2008 baseline spending			GAO analysis of Office of Federal Procurement Policy's (OFPP) fiscal year 2010 savings targets (3.5% of baseline)		GAO analysis of OFPP's fiscal year 2011 savings targets (7.0% of baseline)	
	Unadjusted baseline spending (millions of dollars)	Agency adjusted baseline (millions of dollars)	GAO analysis of the percent reduction in agencies' baseline (percent)	Unadjusted baseline (millions of dollars)	Adjusted baseline (millions of dollars)	Unadjusted baseline (millions of dollars)	Adjusted baseline (millions of dollars)
Department of Transportation	4,115.90	4,115.90		144.06	144.06	288.11	288.11
Department of Veterans Affairs	14,589.50	13,886.60	-4.8	510.63	486.03	1,021.27	972.06
Environmental Protection Agency	1,360.00	1,360.00		47.60	47.60	95.20	95.20
General Services Administration	7,716.10	1,600.00	-79.3	270.06	56.00	540.13	112.00
National Aeronautics and Space Administration	15,000.40	15,000.40		525.01	525.01	1,050.03	1,050.03
National Science Foundation	379.20	379.20		13.27	13.27	26.54	26.54
Nuclear Regulatory Commission	175.50	150.40	-14.3	6.14	5.26	12.29	10.53
Office of Personnel Management	111.40	111.40		3.90	3.90	7.80	7.80
Small Business Administration	67.50	67.50		2.36	2.36	4.73	4.73
Social Security Administration	746.60	746.60		26.13	26.13	52.26	52.26
<b>Total</b>	<b>\$523,190</b>	<b>\$489,486</b>	<b>-6.4%</b>	<b>\$18,311.65</b>	<b>\$17,132.00</b>	<b>\$36,623.31</b>	<b>\$34,264.00</b>

Sources: GAO analysis of OFPP and agency data.

Note: OFPP allowed agencies to reduce baseline spending levels to account for spending anomalies or onetime spikes in spending.

# Appendix III: Comments from the Office of Management and Budget

Note: Page numbers in the draft report may differ from those in this report.



OFFICE OF FEDERAL  
PROCUREMENT POLICY

EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

October 28, 2011

Mr. John P. Hutton  
Director  
Acquisition and Sourcing Management  
U.S. Government Accountability Office  
441 G Street, NW, Room 4440A  
Washington, DC 20548

Dear Mr. Hutton:

Thank you for the opportunity to offer views on the Government Accountability Office's (GAO) draft report entitled "Federal Contracting: OMB's Acquisition Savings Initiative Had Results, but Improvements Needed" (GAO-12-57). The report discusses the Administration's initiative to reduce contract spending and reduce high-risk contracting in Fiscal Year (FY) 2010.

We appreciate the recognition given by GAO to the many examples of success in saving money and improving acquisition outcomes. We also appreciate the recommendations GAO offers for achieving even greater fiscal responsibility in savings and risk reduction efforts going forward. As explained below, however, we are concerned that the report presents a narrow and questionable picture of results.

The draft report made five recommendations to OMB. Two of these recommendations are directed to the Director and relate to OMB's continued focus on acquisition savings (conveying the Administration's continued focus on savings and reporting on such savings with the FY 2013 Budget). The remaining three recommendations are directed to the Administrator for Federal Procurement Policy and include clarifying guidance, determining informational needs, and expanding the high-risk reduction effort beyond new awards. We will be adopting GAO's recommendations, where appropriate, in particular to address the methodological and recording concerns that were raised by GAO.

Our initiatives to strengthen buying practices have been changing the way the Federal Government does business. As part of that effort, for the first time, every agency subject to the Chief Financial Officers Act (which collectively account for 99 percent of annual contract spending) put together a plan to outline its strategies for reducing contract costs. In some cases, these strategies involved commitments to buy less – for example, by divesting the agency of contracts that were no longer necessary or affordable. In other cases, the strategies entailed buying smarter in accordance with best practices previously identified by GAO – for example, by leveraging the government's buying power to negotiate better prices for everyday needs, and using electronic reverse auctions where vendors bid prices down to win an agency's work.

Concerted efforts to use more fiscally responsible buying practices have produced results. In FY 2010, contract spending decreased for the first time in 13 years. According to data in the

Federal Procurement Data System (FPDS), agencies spent approximately \$15 billion less than they did in FY 2009 and \$80 billion less than they would have spent had contract spending continued to grow at the same rate it had under the prior Administration. While final FY 2011 FPDS spending figures have not yet been validated by agencies, we expect contract spending in FY 2011 to remain near the lower level seen in FY 2010. To build on this progress, we have directed agencies to focus greater attention in FY 2012 on reducing spending on management support services, such as engineering and program management, where spending has grown even faster than for contracting in general and where spending has disproportionately occurred through vehicles that GAO has flagged as problematic, such as time-and-material contracts.

In our view, the draft GAO report presents an incomplete picture of the progress made in reducing spending on contracts, because GAO does not give proper credit to the Department of Defense's (DOD) reported acquisition savings of more than \$18 billion. On page 9, of the draft report, the GAO states that "it is not possible to accurately determine the results of this initiative, in part because . . . DOD's identified savings . . . [were] solely attributed to budget reductions included in the Department's broader, ongoing effort to reduce spending by \$330 billion through 2015, and not necessarily tied to contract savings." In the conclusion to its report, GAO further explains that "while DOD's concrete actions to end poorly performing programs and to reduce other line items in the Department's budget are commendable, the fact remains that this particular OMB initiative was intended to be a contract savings exercise." We disagree with the implication in GAO's statements that spending less on contracts is not a contract savings. Buying less – such as by ending, de-scoping, or restructuring contracts that are missing program goals, duplicative of other acquisitions, or no longer required by the mission – is the most basic form of contract savings and requires our agency officials to make the very types of hard choices that taxpayers should expect of a fiscally responsible government. As GAO notes (on page 9 of the draft report), OMB supported DOD's "budget-based approach" because its reported savings would be "quantifiable and verifiable." To the extent GAO is questioning if DOD's identified savings include funding that falls outside of spending on acquisition, DOD's Office of the Comptroller has confirmed that the specific initiatives in its reported savings are directly related to spending for the acquisition of weapons and support systems and services.

In addition, it is our view that there is no basis for GAO's apparent assumption that agency decisions to spend less on contracts were outside the scope of OMB's initiative. OMB's July 2009 savings plan guidance expressly calls out "savings through reductions in spending" as a prime example of the type of savings that may be credited towards savings targets. See Attachment I of M-09-25, *Improving Government Acquisition*, available at [http://www.whitehouse.gov/sites/default/files/omb/assets/memoranda\\_1y2009/m-09-25.pdf](http://www.whitehouse.gov/sites/default/files/omb/assets/memoranda_1y2009/m-09-25.pdf). We fully agree with GAO that agencies, including DOD, must continue to give high priority to smarter buying practices, such as strategic sourcing. In this regard, the Office of Federal Procurement Policy has been working closely with all major buying agencies, including DOD, to increase the use of strategic sourcing as a savings tool. Important as those "buying smarter" efforts are, however, they should not take away from what GAO acknowledges are "concrete" and "commendable" actions by DOD to reduce spending on its contracts. For all of these reasons, DOD's contract savings of more than \$18 billion should be recognized towards achievement of the Administration's FY 2010 savings goal of \$19 billion.

Overall, we are concerned that the GAO report focuses more on process rather than results. In particular, the report highlights methodological issues related to measuring the amount of the savings that agencies have achieved. We agree that it is important to improve in this area, and we are committed to improving the methodology going forward, so that the extent of future savings is more clearly established. We are troubled, though, that, notwithstanding legitimate concerns about how to measure the progress made over the past two years, there is a risk that those concerns could obscure the importance of the very real progress made. The fact is that the Administration's efforts in agencies across the Executive Branch led to the government actually decreasing contracting spending last year for the first time in 13 years, and that unprecedented progress is not in question.

Again, we appreciate GAO's recognition of the many agency initiatives to buy less and buy smarter. As mentioned above, as we move forward, we will be adopting GAO's recommendations, where appropriate, in particular to address the methodological and recording concerns that GAO focused on. We welcome GAO's review as we move forward to expand and deepen the contract savings initiative reported on in this report.

Sincerely,



Daniel I. Gordon  
Administrator



# Appendix IV: Comments from the Department of Defense



ACQUISITION  
TECHNOLOGY  
AND LOGISTICS

OFFICE OF THE UNDER SECRETARY OF DEFENSE  
3000 DEFENSE PENTAGON  
WASHINGTON, DC 20301-3000

Mr. John P. Hutton  
Director, Acquisition and Sourcing Management  
U.S. Government Accountability Office  
441 G Street, N.W.  
Washington, DC 20548

NOV -1 2011

Dear Mr. Hutton:

Thank you for the opportunity to comment on GAO Draft Report, GAO-12-57, "FEDERAL CONTRACTING: OMB's Acquisition Savings Initiative Had Results, but Improvements Needed, dated November 2011. The draft report did not contain specific recommendations for the Department of Defense, although it called into question the extent of the Department's participation in the initiative.

The Department participated vigorously in the Office of Management and Budget (OMB) Office of Federal Procurement Policy (OFPP) savings initiative. We generated contract savings in complete compliance with OFPP guidance on savings. As requested by OFPP we have documented those savings in MAX that were a result of our commitment to obtain greater efficiency and productivity in defense spending. In a number of cases our savings were tied to specific contract actions that included terminating and restructuring programs that were performing poorly or were determined to be in excess of real-world needs.

The Department worked in close coordination with OMB/OFPP in developing its Saving Plan in response to OMB memorandum M-09-25, Improving Government Acquisition. The Department's plan was provided to OFPP by the Director, Defense Procurement and Acquisition Policy, and was prepared in coordination with the Under Secretary of Defense (Comptroller).

We have continued to pursue contract and program savings initiatives, the latest being the on-going implementation of AT&L's Better Buying Power Initiatives which will result in billions of dollars of savings to the taxpayers.

Sincerely,

A handwritten signature in black ink, appearing to read "Shay D. Assad".

Shay D. Assad  
Director, Defense Pricing

# Appendix V: Comments from the Department of Homeland Security

U.S. Department of Homeland Security  
Washington, DC 20528



**Homeland  
Security**

September 26, 2011

John P. Hutton  
Director, Acquisition and Sourcing Management  
441 G Street, NW  
U.S. Government Accountability Office  
Washington, DC 20548

Re: Draft Report GAO-12-57, "FEDERAL CONTRACTING: OMB's Acquisition Savings Initiative Had Some Results, but Improvement Needed"

Dear Mr. Hutton:

Thank you for the opportunity to review and comment on this draft report. The U.S. Department of Homeland Security (DHS) appreciates the U.S. Government Accountability Office's (GAO's) work in planning and conducting its review and issuing this report.

The Department is pleased to note the report's positive acknowledgement that the DHS Strategic Sourcing Program Office has identified savings of about \$347 million in Fiscal Year 2010 through a portfolio of more than 300 Department-wide contracts and participation in the General Service Administration's Federal Strategic Sourcing Initiative. Although the report does not contain any recommendations specifically directed at DHS, the Department remains committed to employing a variety of acquisition strategies to curb any potential wasteful spending and reduce inefficient contracting practices.

Again, thank you for the opportunity to review and comment on this draft report. We look forward to working with you on future Homeland Security issues.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim H. Crumpacker".

Jim H. Crumpacker  
Director  
Departmental GAO-OIG Liaison Office

# Appendix VI: Comments from the Department of Health and Human Services



DEPARTMENT OF HEALTH & HUMAN SERVICES

OFFICE OF THE SECRETARY

Assistant Secretary for Legislation  
Washington, DC 20201

John P. Hutton, Director  
Acquisition and Sourcing Management  
U.S. Government Accountability Office  
441 G Street NW  
Washington, DC 20548

SEP 22 2011

Dear Mr. Hutton:

Attached are comments on the U.S. Government Accountability Office's (GAO) draft report entitled, "FEDERAL CONTRACTING: OMB's Acquisition Savings Initiative Had Some Results, but Improvements Needed" (GAO-12-57).

The Department appreciates the opportunity to review this report prior to publication.

Sincerely,

A handwritten signature in black ink that reads "Jim R. Esquea".

Jim R. Esquea  
Assistant Secretary for Legislation

Attachment

**GENERAL COMMENTS OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS) ON THE GOVERNMENT ACCOUNTABILITY OFFICES'S (GAO) DRAFT REPORT ENTITLED, "FEDERAL CONTRACTING: OMB'S ACQUISITION SAVINGS INITIATIVE HAD SOME RESULTS, BUT IMPROVEMENTS NEEDED" (GAO-12-57)**

The Department appreciates the opportunity to review and comment on this draft report.

HHS takes the OMB acquisition savings initiative seriously. Information in this report will be used to identify "best practices" in planning for, achieving, and reporting on acquisition savings. The Department, working with the Heads of Contracting Activity, will review and resolve any discrepancies in the data currently posted in the MAX system, verifying accurate reporting for Fiscal Years 2010 and 2011.

# Appendix VII: Comments from the Department of Labor

Note: Page and footnote numbers in the draft report may differ from those in this report.

**U.S. Department of Labor**

Office of the Assistant Secretary  
for Administration and Management  
Washington, D.C. 20210



Reply to the Attention of:

SEP 26 2011

Mr. John P. Hutton  
Director  
Acquisition and Sourcing Management  
Government Accountability Office  
441 G St. NW  
Washington, D.C. 20548

Dear Mr. Hutton:

Thank you for the opportunity to review and comment on the Draft Government Accountability Office (GAO) Report on *Federal Contracting: OMB's Acquisition Savings Initiative Had Some Results, but Improvements Needed* (GAO-12-57) (GAO Report). Though the Department of Labor (DOL) has no comments on the Report's recommendations, we are concerned with the reference to our Job Corps program on page 17 of the Draft Report:

*Billions of Dollars in Baseline Reductions [starts on page 16]*

*OFPP allowed agencies to propose reductions to their fiscal year 2008 spending baselines to reflect what were considered to be spending anomalies or significant onetime spending increases. Ultimately, OFPP allowed 11 agencies to reduce their baselines against which savings would be measured by \$34 billion—from about \$523 billion to \$489 billion—a reduction of more than 6 percent. This had the effect of lowering the agencies' savings targets. For example, Energy had proposed reducing its baseline from \$24.8 billion to \$6.6 billion by removing \$18.2 billion in contracts associated with the management and operations of its national laboratories. This amount represented 73 percent of Energy's total fiscal year 2008 spending. However, OFPP officials instructed the department to reconsider many of its proposed reductions, and as a result Energy's adjusted baseline was set at \$11.0 billion, or 56 percent of its fiscal year 2008 spending. Energy's baseline adjustment effectively reduced the savings target from \$868 million (3.5 percent of its original \$24.8 billion baseline) to \$385 million (3.5 percent of its adjusted baseline of \$11.0 billion).*

*We also identified some instances of questionable baseline reductions. For example, the Department of Labor excluded \$1.1 billion in obligations under contracts associated with the Job Corps program—the department's largest program, accounting for 61 percent of the agency's fiscal year 2008 contract spending." Procurement officials told us that, because this program is mandated by Congress, it was not appropriate to include these contracts in the department's baseline, as savings opportunities would be limited. However, although the*

*program is mandated, there could still be opportunities to achieve savings or improve acquisition practices associated with these contracts. Appendix II contains more details on each agency's baseline reductions and the effect on their savings goals.*

*Footnote 21 - Established as part of the Economic Opportunity Act of 1964, Pub. L. No. 88-452, Job Corps is the nation's largest residential, educational, and career technical-training program for disadvantaged youths. Job Corps is the most expensive federal job-training program, with the cost of each training slot averaging about \$34,000.*

The Employment and Training Administration's (ETA) Office of Contracts Management (OCM), Office of Job Corps (OJC), and Office of Financial and Administrative Management (OFAM) have reviewed the Office of Management and Budget's (OMB) response to the Department's request to have the Job Corps Operational contracts excluded from the Department's baseline contract dollars. ETA maintains its position that the Job Corps regional operation contracts (Job Corps centers, Outreach and Admissions (OA), and Career Transition Services (CTS)) should not be included in the DOL pool of contracts to meet the Department's reduction targets due to the fact that these contracts are Congressionally mandated under the Workforce Investment Act, 29 U.S.C. §§ 2881-2901.

Notwithstanding this congressional mandate, ETA proposes to take steps to reduce the level of high risk (cost reimbursement) contracts within the Job Corps program. Currently, 100% of Job Corps Regional Operation Contracts are cost reimbursement contracts. Over time, ETA will reduce risk by gradually converting OA and CTS contracts from cost reimbursement to firm-fixed price contracts. OCM, in consultation with OJC, will identify the OA/CTS contracts scheduled for re-procurement during FY12 that will be awarded as firm fixed price. This deliberate process will allow time to review the impact of the transition from cost reimbursement to firm fixed price on: 1) performance; 2) funding, as firm-fixed price contracts must be funded in their entirety upon award and Job Corps receives quarterly apportionments of its program funds; and 3) Federal staff workload. The impact of these variables will be fully evaluated prior to completely transitioning OA and/or CTS contracts.

Finally, with respect to footnote 21 in the GAO Report, I would like to emphasize the fact that Job Corps is one of the most successful vocational programs that the federal government is currently funding. For example:

- The annual number of high school diplomas attained by students has tripled since 2001. In Program Year 2009, 20,048 students attaining a high school diploma or GED.
- In PY 2009, over 31,681 students, completed career and technical training programs in 11 high growth, high demand industry sectors encompassing more than 100 occupational offerings.
- In PY 2009, 76% of graduates were placed in employment or the military, or enrolled in postsecondary education.
- In PY 2009, Job Corps graduates entered the workforce with an average hourly wage of \$9.22

Should you have any questions regarding the Department's response, please contact Mr. Al Stewart, Procurement Executive, at [Stewart.Milton@dol.gov](mailto:Stewart.Milton@dol.gov) or 202-693-4028.

Sincerely,

  
T. Michael Kerr  
Chief Acquisition Officer

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# Appendix VIII: GAO Contact and Staff Acknowledgments

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## GAO Contact

John P. Hutton, (202) 512-4841 or [huttonj@gao.gov](mailto:huttonj@gao.gov)

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## Staff Acknowledgments

Other individuals making key contributions to this report include Michele Mackin, Assistant Director; Christopher Kunitz; Peter F. Beck; Antoine Clark; Lisa L. Fisher; Julia M. Kennon; Jean McSween; Charles W. Perdue; Roxanna T. Sun; and Alyssa B. Weir.



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*Defense Acquisitions: Role of Lead Systems Integrator on Future Combat Systems Program Poses Oversight Challenges.* [GAO-07-380](#). Washington, D.C.: June 6, 2007.

*Defense Acquisitions: Improved Management and Oversight Needed to Better Control DOD's Acquisition of Services.* [GAO-07-832T](#). Washington, D.C.: May 10, 2007.

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*DOD Acquisitions: Contracting for Better Outcomes.* [GAO-06-800T](#). Washington, D.C.: September 7, 2006.

*Best Practices: Using Spend Analysis to Help Agencies Take a More Strategic Approach to Procurement.* [GAO-04-870](#). Washington D.C.: September 16, 2004.

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Ralph Dawn, Managing Director, [dawnr@gao.gov](mailto:dawnr@gao.gov), (202) 512-4400  
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