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United States General Accounting Office
Washington, DC 20548

August 22, 2001

The Honorable Tom Davis
Chairman
Subcommittee on Technology and Procurement Policy
Committee on Government Reform
House of Representatives

Subject: Contract Management: Service Contracting Trends and Challenges

Dear Mr. Chairman:

On June 13, 2001, you asked me to provide additional comments on several issues that I raised in my May 22 testimony before your subcommittee on the service contracting trends and challenges facing the government. I am pleased to submit the following comments for your consideration.

- 1. In your testimony, you indicate “In particular, agencies are not clearly defining requirements, fully considering alternative solutions, performing rigorous analysis, and adequately overseeing contractor performance.” In your view, how can agencies do a better job of achieving these goals? Beyond aggressive oversight, do you believe there is the need for additional legislation to achieve these goals?**

The government has had long-standing difficulties in managing service contracts and it is clear that agencies are not doing all they can to ensure that they are acquiring services that meet their needs in a timely and cost-effective manner. We believe agencies can do a better job of achieving this goal by:

- Ensuring that acquisition teams consisting of all key stakeholders—which can include the customer or end user, the contracting officer, representatives from the budget or finance offices, and legal counsel, among others—devote sufficient time early in the acquisition process to clearly define their requirements and consider alternative solutions.
- Putting in place performance management and compensation systems that link performance to the agency’s mission.
- Having a training program that provides the workforce with the right skills and tools needed to perform their tasks. And,
- Developing performance metrics that provide feedback on how well the agency’s goals are being achieved.

With regard to legislative or regulatory changes, we are monitoring executive agencies' response to Section 804 of the National Defense Authorization Act for Fiscal Year 2000.¹ This section required the Federal Acquisition Regulation be revised to provide guidance to agencies on the appropriate use of task order and deliver order contracts, and was prompted, in part, by our work at six federal organizations.² We recently found that Department of Defense (DOD) contracting officers were still acquiring information technology services without receiving competing proposals and by using overly broad work descriptions,³ and were unaware of special ordering procedures applicable to ordering services using the General Services Administration's (GSA) Federal Supply Schedule program.⁴ We made recommendations to the Office of Federal Procurement Policy (OFPP) and to GSA intended to improve the guidance available to the acquisition workforce. While OFPP and GSA have efforts underway to implement our recommendations, neither agency has done so as yet. Additionally, we will assess the need for additional legislative or regulatory changes as we conduct further work on service contracting-related issues.

2. In your statement, you repeatedly stressed the importance of strategic human capital management particularly with the acquisition workforce. To the best of your knowledge, has any federal agency completed a strategic plan for their acquisition workforce and if so, have you reviewed it?

As I noted in my testimony, agencies have begun efforts to address their strategic human capital needs; however, to the best of our knowledge, no agency has completed a strategic human capital management plan for their acquisition workforce. For example, earlier this year, we reported on the extent to which the 24 agencies covered by the Chief Financial Officers' Act discussed human capital issues in their fiscal year 2001 performance plans.⁵ Overall, agencies' plans reflected different levels of attention to human capital, ranging from merely identifying human capital challenges to putting forward solutions to address those challenges, such as by defining actual plans, committing resources, and assigning accountability. When viewed collectively, we found that there was a need to increase the breadth, depth, and specificity of many related human capital goals and strategies and to better link them to the agencies' strategic and programmatic planning. For example, very few of the agencies' plans addressed

- succession planning to ensure reasonable continuity of leadership;
- performance agreements to align leaders' performance expectations with the agency's mission and goals;

¹ P.L. 106-65, October 5, 1999.

² *Acquisition Reform: Multiple-award Contracting at Six Federal Organizations* (GAO/NSIAD-98-215, Sept. 30, 1998).

³ *Contract Management: Few Competing Proposals for Large DOD Information Technology Orders* (GAO/NSIAD-00-56, Mar. 20, 2000).

⁴ *Contract Management: Not Following Procedures Undermines Best Pricing Under GSA's Schedule* (GAO-01-125, Nov. 28, 2000).

⁵ *Managing for Results: Human Capital Management Discussions in Fiscal Year 2001 Performance Plans* (GAO-01-236, Apr. 24, 2001). As part of the Government Performance and Results Act annual performance planning requirements, agencies are to establish results-oriented performance goals and describe the strategies and resources—including human capital—needed to accomplish those goals.

- competitive compensation systems to help the agency attract, motivate, retain, and reward the people it needs;
- workforce deployment to support the agency's goals and strategies;
- performance management systems, including pay and other meaningful incentives, to link performance to results;
- alignment of performance expectations with competencies to steer the workforce towards effectively pursuing the agency's goals and strategies; and
- employee and labor relations to ground a mutual effort on the strategies to achieve the agency's goals and to resolve problems and conflicts fairly and effectively.

Currently, we are preparing a summary of agencies' attention to human capital issues in their fiscal year 2002 performance plans. Although the summary is not yet complete, our preliminary review indicates that the agencies continue to have difficulty in linking their human capital goals to meaningful performance measures or programmatic results.

In July 2001, we met with representatives from the Departments of Defense and Energy and the National Aeronautics and Space Administration to discuss the status of their efforts to develop a comprehensive strategic human capital management plan for their acquisition workforce. These officials acknowledged that they still have considerable amount of work to do before they complete their plans.

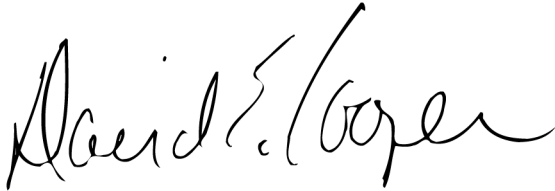
3. In your testimony, most of the evidence reviewed pointed to contract management problems within the Department of Defense. Is this due to a significant amount of work being DOD-oriented? If so, do you believe that GAO should be doing additional work examining contract management within the civilian agencies?

As the largest buyer within the federal government, DOD receives a considerable degree of attention from GAO. Nevertheless, since January 2000, we have issued reports discussing service contract-related issues affecting GSA, Veterans Affairs, Housing and Urban Development, the National Park Service and the Pension Benefit Guaranty Corporation, as well as general contract management issues at the Department of Energy and the National Aeronautics and Space Administration. The issues that we and other oversight agencies identified indicate that service contracting-related issues are not limited to a specific agency, but rather are governmentwide in nature.

To meet this governmentwide challenge, our goal is to identify work that maximizes the use of our resources and look for opportunities to leverage the work of other oversight agencies. In particular, we are focusing efforts to help minimize contracting risks faced by government agencies. Last year, GAO formed a new team, Acquisition and Sourcing Management, in part, to better focus our defense and civilian contract management work. The team's ongoing work includes identifying best commercial practices for purchasing services, determining how GSA's Federal Supply Service and Federal Technology Service are leveraging the government's buying power for acquiring information technology services, and assessing the fees that federal agencies charge other agencies to use their multiagency contracts.

If you have any questions about this letter or need additional information, please call me on (202) 512-4841. Copies of this letter are also available on GAO's homepage at <http://www.gao.gov>. Key contributors to this letter included Ralph Dawn, Timothy DiNapoli and Gordon Lusby.

Sincerely yours,

A handwritten signature in black ink that reads "David E. Cooper". The signature is written in a cursive style with a large, sweeping initial "D".

David E. Cooper
Director, Acquisition and Sourcing Management

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