



September 2018

FEDERAL ACQUISITIONS

Congress and the
Executive Branch
Have Taken Steps to
Address Key Issues,
but Challenges
Endure

Accessible Version

GAO Highlights

Highlights of [GAO-18-627](#), a report to congressional committees

Why GAO Did This Study

In fiscal year 2017, federal agencies obligated more than \$500 billion to acquire products and services. These products and services included military aircraft, information technology software, and maintenance services.

Amid this large spending, the federal government has taken steps to reform federal acquisitions, increase efficiencies, and improve results. For example, in the Services Acquisition Reform Act of 2003, Congress established the Acquisition Advisory Panel to review federal acquisition laws, regulations, and policies; and identify opportunities for improvement. The Panel issued its final report in 2007, addressing topics that span all three phases of the contracting life cycle identified by GAO: pre-contract award, contract award, and post-contract award.

GAO was asked to follow up on the Panel's report and identify progress made since 2007. This report identifies the actions the federal government has taken to address key issues raised in the Panel's report, and the challenges that remain. GAO reviewed documentation and interviewed personnel from federal agencies and the private sector. These personnel included staff from OMB that are responsible for federal procurement policy, as well as staff supporting a panel addressing DOD's acquisition regulations and processes, known as the Section 809 Panel. GAO also leveraged its large body of work on federal acquisitions.

View [GAO-18-627](#). For more information, contact William T. Woods at (202) 512-4841 or WoodsW@gao.gov.

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Congress and the Executive Branch Have Taken Steps to Address Key Issues, but Challenges Endure

What GAO Found

Congress and the executive branch have taken numerous actions to address key issues the Acquisition Advisory Panel (Panel) identified in its 2007 report, but these actions have not eliminated some enduring challenges. The figure below presents the key issues the Panel addressed in relation to the life cycle of a typical contract as identified by GAO.

Figure: Key Issues the Acquisition Advisory Panel Raised, by Contracting Life Cycle Phase

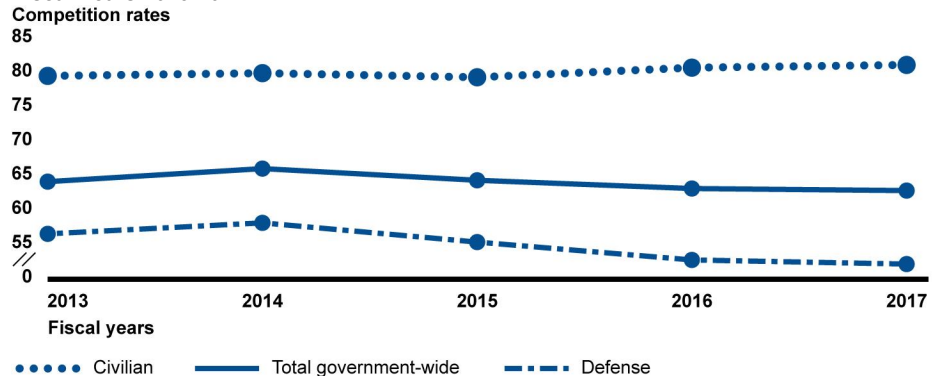


Source: GAO analysis of the 2007 Acquisition Advisory Panel report and Federal Acquisition Regulation. | GAO-18-627

Three of the key issues, and the corresponding challenges, align with specific phases in the contracting life cycle:

- Requirements Definition:** The Panel found that fully identifying requirements before a contract is awarded is key to achieving the benefits of competition. GAO has found that unrealistic requirements have contributed to poor program outcomes at the Department of Defense (DOD), and that the Army's requirements development workforce decreased by 22 percent from 2008 to 2017.
- Competition and Pricing:** The Panel said that competition can help reduce prices. GAO's work shows that competition rates have remained steady government-wide, and declined at DOD. See figure below.

Figure: Government-wide Competition Rates Compared to Civilian and Defense Agencies, Fiscal Years 2013-2017



Source: GAO analysis of Federal Procurement Data System – Next Generation data. | GAO-18-627

What GAO Recommends

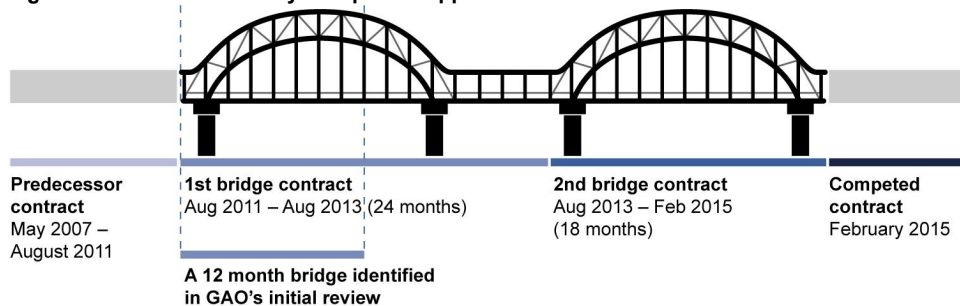
GAO is not making any new recommendations in this report, but it has made numerous recommendations in the past. The agencies have agreed with many of GAO's recommendations, and have implemented some of them but not others. For example, GAO has made the following recommendations.

- The Army should assess the resources needed for the requirements development process. The Army agreed, but it has not yet done so.
- OMB should provide guidance for agencies to manage bridge contracts. OMB agreed and has drafted management guidance but has not yet finalized it.
- Certain federal agencies should take steps to document how they conduct market research. The agencies agreed and did so.
- The Department of Veterans Affairs should develop tools to help oversee contracts. The department agreed and did so.
- DOD should have issued an updated acquisition workforce plan in fiscal year 2016. DOD agreed and issued the plan.
- OMB should take steps to improve how agencies collect certain procurement data. OMB generally agreed, but has not yet addressed the recommendation.
- Certain federal agencies should take steps to comply with OSDDBU-related requirements. Most agencies that provided comments agreed or partially agreed. Two agencies—the National Aeronautics and Space Administration, and the U.S. Agency for International Development—have addressed the recommendations.

GAO continues to believe the agencies should implement all of these recommendations.

GAO has also found that agencies are sometimes using bridge contracts—which GAO has generally defined as either extensions to existing contracts or new short-term, sole-source contracts—to avoid a lapse in service caused by delay of a follow-on contract award. In some instances, bridge contract awards delay opportunities for competition and can place the government at risk of paying higher prices for multiple years. The figure below depicts how an Army bridge contract for computer support services planned for 12 months was extended to 42 months.

Figure: Timeline for an Army Computer Support Services Contract



Source: GAO graphic based on information from contract file reviews and interviews with contracting officials. | GAO-18-627

Further, GAO's work shows that agencies have not fully embraced initiatives and techniques intended to reduce the prices they pay, including consolidated purchasing approaches and robust market research.

- **Contractor Oversight:** The Panel raised questions about the capacity of federal agencies to oversee contractors. GAO has found that agencies continue to award contracts warranting increased management attention at a steady rate, such as contracts for management support services. With contracts like those for management support services, there is an increased risk that contractors may perform tasks reserved for the government. Additionally, GAO found that heavy workloads at the Department of Veterans Affairs have made it difficult for officials who oversee contractors to ensure contractors adhere to contract terms.

Three of the key issues, and the corresponding challenges, cut across all the phases of the contracting life cycle:

- **Acquisition Workforce:** The Panel found that the federal acquisition workforce faces workload and training challenges. GAO's work has shown that DOD has enhanced its workforce, but some workforce gaps endure at DOD and across agencies.
- **Federal Procurement Data:** The Panel found that the government's primary repository for acquisition data contained some unreliable data. Also, GAO has found that the system has demonstrated limitations. For example, guidance from the Office of Management Budget (OMB) required that agencies collect specific contract award data, but the system did not have the capability to do so.
- **Small Business Participation:** The Panel found a number of challenges hindering agencies' efforts to meet small business goals. GAO has found small business participation has increased, but many agencies are not in full compliance with requirements governing Offices of Small and Disadvantaged Business Utilization (OSDBUs). For example, the directors of these offices should report directly to agency heads or their deputies, but not all agencies have established this type of direct reporting relationship.

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Abbreviations

CALC	Contract-Awarded Labor Category
CIO	Chief Information Officer
COR	contracting officer's representative
DAWDF	Defense Acquisition Workforce Development Fund
DOD	Department of Defense
eSRS	Electronic Subcontracting Reporting System
FITARA	Federal Information Technology Acquisition Reform Act
FPDS-NG	Federal Procurement Data System – Next Generation
GSA	General Services Administration
IAE	Integrated Award Environment
IT	information technology
NAICS	North American Industry Classification System
NDAA	National Defense Authorization Act
OFPP	Office of Federal Procurement Policy
OMB	Office of Management and Budget
OSDBU	Office of Small and Disadvantaged Business Utilization
PBA	performance-based acquisition
Panel	Acquisition Advisory Panel
PWS	performance work statement
SBA	Small Business Administration
WSARA	The Weapon Systems Acquisition Reform Act of 2009

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September 12, 2018

The Honorable Trey Gowdy
Chairman
The Honorable Elijah Cummings
Ranking Member
Committee on Oversight and Government Reform
House of Representatives

The Honorable Mark Meadows
Chairman
The Honorable Gerald Connolly
Ranking Member
Subcommittee on Government Operations
Committee on Oversight and Government Reform
House of Representatives

Federal agencies obligated more than \$500 billion through contracts for products and services in fiscal year 2017. These products and services included military aircraft, information technology software, and maintenance services. Amid this large spending, the federal government has taken steps to reform the federal acquisition process, increase efficiencies, and improve outcomes. For example, the Services Acquisition Reform Act of 2003 authorized the establishment of the Acquisition Advisory Panel (Panel) in order to review laws and regulations relating to various acquisition issues government-wide.¹ The Panel issued its final report in 2007, in which it identified numerous acquisition challenges facing the federal government, and suggested actions to address those challenges.

You asked us to review the progress the federal government has made since the Panel issued its final report. Our report identifies actions the federal government has taken to address the key issues in the Panel's report, and some of the acquisition challenges that remain. To frame the key issues the Panel identified, we reviewed the Panel report, categorized

¹National Defense Authorization Act for Fiscal Year 2004, Pub. L. No. 108-136, § 1423 (Nov. 24, 2003).

its findings by higher-order issue areas, and organized these issue areas according to the phases of the contracting life cycle identified by GAO:

- Pre-award phase activities generally include defining requirements, acquisition planning, and preparing the solicitation.
- Award phase activities generally involve the evaluation of offers, price negotiations and discussions with offerors, and the selection of awardees.
- Post-award phase activities generally involve contract administration, agency oversight of contractor performance, and closeout of the contract.

Figure 1 depicts how the six key issue areas identified by the Panel align with the contracting life cycle. Three of the issue areas—requirements definition, competition and pricing, and contractor oversight—align with specific phases of the contracting life cycle. The other three issue areas—acquisition workforce, federal procurement data, and small business participation—cut across all phases of the life cycle.

Figure 1: Key Issue Areas the Acquisition Advisory Panel Raised, by Contracting Life Cycle Phase



Source: GAO analysis of the 2007 Acquisition Advisory Panel report and Federal Acquisition Regulation. | GAO-18-627

To identify actions the federal government has taken to address challenges in these key issue areas, and challenges that remain, we reviewed prior GAO reports, relevant legislation, and acquisition guidance issued by the Office of Management and Budget’s (OMB) Office of Federal Procurement Policy (OFPP), the Department of Defense (DOD), the General Services Administration (GSA), and the Small Business

Administration (SBA). We also interviewed officials from these agencies and the Section 809 Panel, which was recently established by the Secretary of Defense, as required by Congress, to focus on acquisition issues at the Department of Defense.² We reviewed reports the Section 809 panel issued in May 2017, January 2018, and June 2018 to identify commonalities with the Acquisition Advisory Panel's 2007 report. Finally, we obtained comments on our preliminary findings from members of the Chief Acquisition Officer's Council—a group of senior acquisition leaders which OMB established to monitor and improve the federal acquisition system—and two groups representing companies that sell products and services to federal agencies. We focused our review on actions taken from 2007, when the Panel issued its final report, to 2018. See appendix I for more information on our objective, scope and methodology.

We conducted this performance audit from July 2017 to September 2018 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.

Background

The Services Acquisition Reform Act of 2003 required the Administrator for Federal Procurement Policy to establish an acquisition advisory panel (referred to as the Panel) to review federal acquisition laws, regulations, and policies; and identify opportunities to enhance how agencies award and administer contracts for the acquisition of goods and services.³ The Administrator for Federal Procurement Policy appointed the Panel members in February 2005, and the Panel issued its final report in 2007.

²Congress authorized the Secretary of Defense to establish an advisory panel on streamlining acquisition regulations (the Section 809 Panel) in the National Defense Authorization Act for Fiscal Year 2016. See Pub. L. No. 114-92, §809 (Nov. 25, 2015). See also National Defense Authorization Act for Fiscal Year 2018, Pub. L. No. 115-91, § 803(c), 883 (Dec. 12, 2017); National Defense Authorization Act for Fiscal Year 2017, Pub. L. No. 114-328, § 863(d) (Dec. 23, 2016).

³See Pub. L. No. 108-136, § 1423.

Our Work in Federal Acquisitions

We have a long history of reporting on the key issue areas that the Panel addressed in 2007. In 2007, we reported that the Panel's findings were largely consistent with our prior work.⁴ For example, the Panel found that defining requirements is key to achieving the benefits of competition. Similarly, we have issued numerous reports that address the importance of robust requirements definition. Panel members also recognized a significant mismatch between the demands placed on the acquisition workforce and the personnel and skills available to meet those demands. In 2006, we testified that DOD's acquisition workforce, the largest component of the government's acquisition workforce, remained relatively unchanged while the amount and complexity of contract activity had increased.

Since then, we have issued many reports and testimonies on topics ranging from requirements development at DOD, government-wide competition rates, small business, and the acquisition workforce, among others.⁵ We also track a number of key acquisition issues—such as DOD contract management and weapons systems acquisitions—through our high-risk program.⁶ Our high-risk program identifies government operations with greater vulnerabilities to fraud, waste, abuse, and mismanagement.

⁴GAO, *Federal Acquisition: Oversight Plan Needed to Help Implement Acquisition Advisory Panel Recommendations*, [GAO-08-160](#) (Washington, D.C.: Dec. 20, 2007).

⁵See, e.g., GAO, *Weapon Systems Annual Assessment: Knowledge Gaps Pose Risks to Sustaining Recent Positive Trends*, [GAO-18-360SP](#) (Washington, D.C.: Apr. 25, 2018); *Information Technology: Further Implementation of Recommendations Is Needed to Better Manage Acquisitions and Operations*, [GAO-18-460T](#) (Washington, D.C.: Mar. 14, 2018); *Defense Acquisition Workforce: Opportunities Exist to Improve Practices for Developing Program Managers*, [GAO-18-217](#) (Washington, D.C.: Feb. 15, 2018); *Small Business Contracting: Actions Needed to Demonstrate and Better Review Compliance with Select Requirements for Small Business Advocates*, [GAO-17-675](#) (Washington, D.C.: Aug. 25, 2017); *Contracting Data Analysis: Assessment of Government-wide Trends*, [GAO-17-244SP](#) (Washington, D.C.: Mar. 9, 2017).

⁶GAO, *High-Risk Series: Progress on Many High-Risk Areas, While Substantial Efforts Needed on Others*, [GAO-17-317](#) (Washington, D.C.: Feb. 15, 2017).

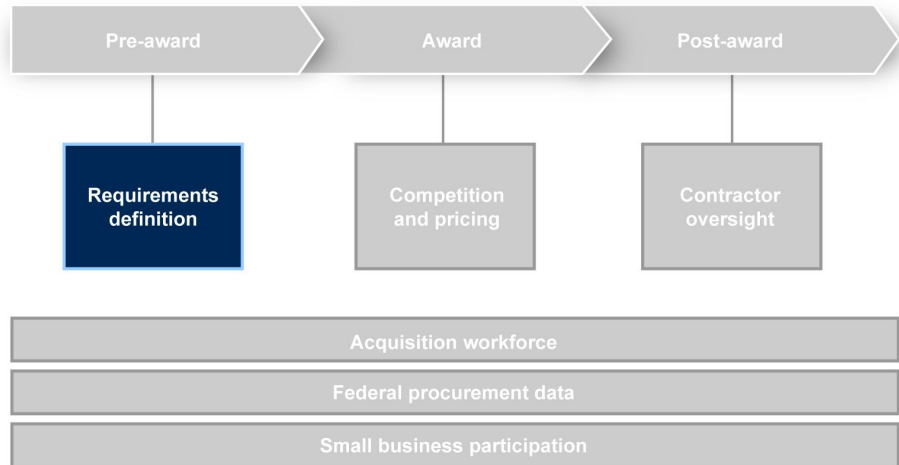
Section 809 Panel

Twelve years after the Services Acquisition Reform Act of 2003 required the Administrator for Federal Procurement Policy to establish the Panel, Congress required the establishment of another advisory panel by the Secretary of Defense in section 809 of the National Defense Authorization Act (NDAA) for Fiscal Year 2016 (referred to as the Section 809 Panel), and tasked it with reviewing applicable defense acquisition regulations and finding ways to streamline and improve the defense acquisition process, among other things.⁷ The Section 809 Panel is reporting on a number of topics related to areas covered by the 2007 Acquisition Advisory Panel report, including competition, acquisition workforce and small business participation.⁸ The Section 809 Panel issued an interim report in May 2017. Volumes I and II of its final report were issued in January 2018 and June 2018, respectively. Its final volume is expected in January 2019.

⁷See Pub. L. No. 114-92, § 809.

⁸The Section 809 Panel is performing its work in 10 teams: (1) Federal Acquisition Regulation (FAR) to Statute Baseline, (2) Streamlined Procurement Process, (3) Commercial Buying, (4) Barriers to Entry, (5) Characteristics of Successful Programs, (6) IT Acquisition, (7) Budget, (8) Streamlining Regulations, (9) Cost Accounting Standards, and (10) Workforce.

Key Issue Area 1: Requirements Definition



Source: GAO analysis of the 2007 Acquisition Advisory Panel report and Federal Acquisition Regulation. | GAO-18-627

Issue Area Context

Acquisition requirements describe the government's needs when agencies procure products (such as major weapon systems) and services (such as engineering support) from contractors. Federal statute, policy and best practices emphasize the need for valid, clear, and achievable requirements early in the acquisition process. An example of a requirement for a major weapon system could include the range that a missile must be able to travel, while a requirement for a service acquisition could include an engineer's experience and education.

In 2007, the Panel found that defining requirements is key to achieving the benefits of competition because procurements with clear requirements are far more likely to produce competitive, fixed-price offers that meet customer needs. The Panel also found that the government invested in requirements definition less than the private sector, and that better requirements definition would help facilitate implementation of performance-based acquisition (PBA). PBA is a preferred acquisition approach that focuses on contractors' deliverables rather than how they perform the work.

We have found that federal agencies continue to face challenges involving acquisition requirements definition.

- Congress passed a defense acquisition reform law with requirements-related provisions in 2009, but our work shows that DOD often begins programs with unrealistic requirements.
- Agencies have not consistently complied with OMB's requirements relating to key provisions from an information technology (IT) acquisition reform law.
- Numerous efforts have been made to improve and encourage commercial item procurements in an attempt to take advantage of market innovations and reduce acquisition costs.

-
- DOD and GSA have taken steps to improve how personnel define requirements for service acquisitions, and to focus more on contractors' deliverables than on how the contractors perform the work, but officials told us that some acquisition officials are reluctant to cede control of the acquisition to contractors.

We elaborate on these points below.

2009 Defense Acquisition Reform Law Included Provisions Related to Requirements Definition, but DOD Still Faces Challenges

The 2009 Weapon Systems Acquisition Reform Act (WSARA) included provisions related to requirements definition for major defense acquisition programs.⁹ In December 2012, we found that WSARA was helping program offices identify and mitigate requirements-related risks earlier in the acquisition process based on our analysis of 11 weapon acquisition programs.¹⁰

However, we have also observed and reported that DOD has struggled to adequately define requirements for its largest acquisition programs. For example, in 2014, we found that cost and schedule growth in major acquisition programs can, in part, be traced to a culture in which the military services begin programs with unrealistic requirements. This cost and schedule growth decreases DOD's buying power, reducing the aggregate military capability the department can deliver over time.¹¹

In 2017, we found that the Army's requirements development workforce had decreased by 22 percent since 2008, with some requirements

Section 809 Panel

In its June 2018 report, the Section 809 Panel suggested that the Department of Defense better align its acquisition, requirements, and budget processes.

It also suggested that the requirements system focus on capabilities needed to achieve strategic objectives instead of predefined systems.

Source: Section 809 Panel June 2018 report. | GAO-18-627

⁹See Weapons Systems Acquisition Reform Act of 2009, Pub. L. No. 111-23 (May 22, 2009).

¹⁰GAO, *Weapons Acquisition Reform: Reform Act Is Helping DOD Acquisition Programs Reduce Risk, but Implementation Challenges Remain*, [GAO-13-103](#) (Washington, D.C.: Dec. 14, 2012).

¹¹GAO, *Defense Acquisitions: Observations on Whether the Military Service Chiefs' Role in Managing and Overseeing Major Weapon Programs Should Be Expanded*, [GAO-14-520](#) (Washington, D.C.: May 1, 2014) and *Facilities Modernization: DOD Guidance and Processes Reflect Leading Practices for Capital Planning*, [GAO-15-489](#) (Washington, D.C.: July 27, 2015).

development centers reporting more significant reductions.¹² We recommended that the Secretary of the Army conduct a comprehensive assessment to better understand the resources necessary for the requirements development process and determine the extent to which the shortfalls can be addressed given other funding priorities. While the Army agreed with the recommendation, it remains unaddressed.

WSARA also required that DOD use competitive prototyping,¹³ which we generally define as two or more competing vendors producing prototypes for weapon systems before a design is selected for further development, in major defense acquisition programs as applicable.¹⁴ We have found that prototyping has benefited acquisition programs by, among other things, helping programs understand their requirements, and we have found that competitive prototyping has generated additional benefits, such as improving the quality of systems offered.¹⁵ Even though Congress repealed WSARA's competitive prototyping requirement in 2015, Congress simultaneously codified a preference for prototyping—including competitive prototyping—as a risk mitigation technique, which has been implemented in DOD policy.¹⁶ Further, the fiscal year 2017 and 2018 NDAs included several new prototyping-related provisions.¹⁷

As of 2018, DOD Weapons System Acquisitions remains on our High Risk list.¹⁸ Among other things, we reported that DOD needs to build on existing reforms intended to improve requirements definition and,

¹²GAO, *Army Weapon System Requirements: Need to Address Workforce Shortfalls to Make Necessary Improvements*, [GAO-17-568](#) (Washington, D.C.: June 22, 2017).

¹³Prototyping can be generally defined as the development and testing of a model or system design that uses available or emerging technologies. GAO, *Weapons Systems: Prototyping Has Benefited Acquisition Programs, but More Can Be Done to Support Innovation Initiatives*, [GAO-17-309](#) (Washington, D.C.: June 27, 2017).

¹⁴See Pub. L. No. 111-23, § 203; [GAO-17-309](#).

¹⁵[GAO-17-309](#).

¹⁶See Pub. L. No. 114-92, § 822(b) (codified at 10 U.S.C. § 2431b). See also DOD Instruction 5000.02, Operation of the Defense Acquisition System (Jan. 7, 2015) (incorp. change 3, eff. Aug. 10, 2017). Program acquisition strategies generally are to include the use of competitive prototypes before the start of system development to the maximum extent practicable and consistent with the economical use of available financial resources. See 10 U.S.C. § 2431b(c).

¹⁷See, e.g., Pub. L. No. 115-91, § 215; Pub. L. No. 114-328, § 806.

¹⁸[GAO-17-317](#).

specifically, examine best practices to better integrate critical requirements.

Agencies Have Not Consistently Complied with a Key IT Acquisition Reform Law

The 2014 Federal Information Technology Acquisition Reform Act (commonly referred to as FITARA) expanded the role of certain agency Chief Information Officers (CIOs) to improve acquisitions of information technology (IT) products and services.¹⁹ Several aspects of FITARA target requirements definition and OMB has expanded upon and reinforced these aspects in a number of ways through government-wide guidance.²⁰ However, as of 2018, Improving the Management of IT Acquisitions and Operations remains on our High Risk List because agencies have not completely implemented certain FITARA requirements as implemented by OMB or addressed a number of our recommendations, including several that target requirements definition.

CIO Responsibilities

FITARA includes a provision generally requiring that agency heads ensure CIOs review and approve all IT contracts prior to award, unless that contract is associated with a non-major investment.²¹ Additionally, OMB's implementing guidance states that CIOs—or other authorized officials, as appropriate—should review and approve IT acquisition plans or strategies as applicable.²² These reviews can provide CIOs greater

¹⁹See Carl Levin and Howard P. “Buck” McKeon National Defense Authorization Act for Fiscal Year 2015, Pub. L. No. 113-291, § 831, et seq. (Dec. 19, 2014); 40 U.S.C. § 11319 (stating “[t]he term ‘information technology’ has the meaning given to it under capital planning guidance issued by the Office of Management and Budget.”). The term “covered agency” means each agency listed in 31 U.S.C. § 901(b). See also GAO, *Information Technology: Continued Implementation of High-Risk Recommendations Is Needed to Better Manage Acquisitions Operations and Cybersecurity*, [GAO-18-566T](#) (Washington, D.C.: May 23, 2018).

²⁰See OMB, *Memorandum for Heads of Executive Departments and Agencies, Subject: Management and Oversight of Federal Information Technology*, M-15-14 (June 10, 2015).

²¹See Pub. L. No. 113-291, § 831; 40 U.S.C. § 11319(c). According to OMB, non-major investments are those that do not meet the criteria of major IT investments. See GAO, *Information Technology: Agencies Need to Involve Chief Information Officers in Reviewing Billions of Dollars in Acquisitions*, [GAO-18-42](#) (Washington, D.C.: Jan. 10, 2018).

²²See OMB, *Memorandum for Heads of Executive Departments and Agencies, Subject: Management and Oversight of Federal Information Technology*, M-15-14 (June 10, 2015).

insight into IT acquisition requirements. However, in January 2018, we found that officials at 14 of 22 selected agencies did not identify, or help identify, IT acquisitions for CIO review as required by OMB's guidance.²³ The same number of agencies did not fully satisfy OMB's requirement that the CIO or other appropriate parties review and approve IT acquisition plans or strategies. As a result, agencies increased the risk that they were awarding IT contracts that were duplicative, wasteful, or poorly conceived.²⁴

Incremental Development

FITARA requires that CIOs certify that their agencies are adequately implementing incremental IT development, as defined in capital planning guidance issued by OMB.²⁵ We previously reported that OMB has emphasized the need to deliver investments in smaller parts, or increments, to reduce risk, deliver capabilities more quickly, and facilitate the adoption of emerging technologies.²⁶ We have previously reported that a key step in implementing incremental development methods can include defining requirements appropriately, such as by involving end users and stakeholders.²⁷

We have found that agencies have struggled to adhere to FITARA's incremental development requirements, as implemented in OMB's capital planning guidance.²⁸ In 2017, we found less than 65 percent of major IT

²³[GAO-18-42](#).

²⁴[GAO-18-42](#).

²⁵See Pub. L. No. 113-291, § 831(b)(1)(B)(ii); 40 U.S.C. § 11319(b)(1)(B)(ii). "Adequate incremental development" is defined in OMB guidance as follows: "For development of software or services, planned and actual delivery of new or modified technical functionality to users occurs at least every six months." See OMB, *Memorandum for Heads of Executive Departments and Agencies, Subject: Management and Oversight of Federal Information Technology*, M-15-14 (June 10, 2015). See also [GAO-18-460T](#).

²⁶GAO, *Information Technology: Implementation of IT Reform Law and Related Initiatives Can Help Improve Acquisitions*, [GAO-17-494T](#) (Washington, D.C.: Mar. 28, 2017).

²⁷GAO, *Information Technology Reform: Agencies Need to Increase Their Use of Incremental Development Practices*, [GAO-16-469](#) (Washington, D.C.: Aug. 16, 2016).

²⁸See 40 U.S.C. § 11319(b)(1)(B)(ii); OMB, *FY 2017 IT Budget – Capital Planning Guidance* (Revised June 22, 2015).

software development investments were reported as being certified by the agency CIO for implementing adequate incremental development.²⁹

Software Licenses

FITARA also includes provisions addressing government software license management, calling for the identification and development of a strategic sourcing initiative to enhance government-wide acquisition, shared use, and dissemination of software.³⁰ In May 2014, we found that 22 of 24 major agencies did not have comprehensive license policies and only 2 had comprehensive license inventories.³¹ Without comprehensive policies and inventories, agencies are poorly positioned to understand their requirements for software licenses. We recommended that OMB issue a directive to help guide agencies in managing licenses and that the 24 agencies improve their policies and practices for managing licenses. As of July 2018, OMB had addressed our recommendation, but many of the recommendations to other agencies remained unaddressed.

Congress and DOD Have Worked to Encourage Commercial Item Procurements

Purchasing commercial items helps an agency take advantage of market innovations, increase its supplier base, and reduce acquisition costs. The commercial item definition includes items customarily used by and sold (or offered) to the general public, including products with minor modifications.³² Federal agencies can purchase commercial items to meet many requirements, from the relatively simple, such as office furnishings and housekeeping services, to the more complex, such as maintenance services and space vehicles. Further, contracting officers can use streamlined solicitation procedures—which can reduce the time needed

²⁹GAO, *Information Technology Reform: Agencies Need to Improve Certification of Incremental Development*, [GAO-18-148](#) (Washington, D.C.: Nov. 7, 2017).

³⁰See Pub. L. No. 113-291, § 837. Strategic sourcing is an acquisition strategy that moves away from numerous individual procurements of goods and services to fewer consolidated purchases intended to improve pricing for federal agencies.

³¹GAO, *Federal Software Licenses: Better Management Needed to Achieve Significant Savings Government-Wide*, [GAO-14-413](#) (Washington, D.C.: May 22, 2014).

³²GAO, *Defense Contracts: Improved Information Sharing Could Help DOD Determine Whether Items Are Commercial and Reasonably Priced*, [GAO-18-530](#) (July 31, 2018). For a complete definition of “commercial item,” see FAR § 2.101.

to solicit offers from vendors—if they determine that the product or service being procured is commercial.³³ We reported that federal agencies used commercial item procedures for over \$100 billion of goods and services in 2015.

The issue of commercial item procurements has been a concern of Congress for a number of years. In the fiscal year 2018 NDAA, and four of its predecessor acts, Congress specified how DOD is to define and purchase commercial items.³⁴ For example, a fiscal year 2017 provision set a preference for certain commercial services, such as facilities-related or knowledge-based services, by prohibiting defense agencies from entering into non-commercial contracts above \$10 million to meet those requirements without a written determination that no commercial services can meet the agency's needs.³⁵

Section 809 Panel

In its January 2018 report, the Section 809 Panel proposed a new approach for using commercial items to meet requirements. The panel proposed that Congress and the Department of Defense (DOD) tailor the department's acquisition approach based on the level of customization a given product entails. For readily available commercial items, or those requiring minor customization, the panel stated that DOD should be willing and able to reduce management and oversight to capitalize on the nondefense marketplace.

In its June 2018 report, the Section 809 Panel suggested additional statutory and regulatory

³³See FAR § 12.603.

³⁴See Pub. L. No. 115-91, Div. A, Title VIII, Subtitle E; Pub. L. No. 114-328, Div. A, Title VIII, Subtitle F; Pub. L. No. 114-92, Div. A, Title VIII, Subtitle E; Pub. L. No. 113-291, § 815; National Defense Authorization Act for Fiscal Year 2013, Pub. L. No. 112-239 § 822 (Jan. 2, 2013).

³⁵See Pub. L. No. 114-328, § 876 (citing 10 U.S.C. § 2377(c)(2), which states the head of an agency shall use the results of market research to determine whether there are commercial items that meet the agency's needs, among other things).

changes to simplify commercial item procurements.

Source: Section 809 Panel January and June 2018 reports.
GAO-18-627

In January 2018, DOD revised its regulations and corresponding procedures, guidance, and information related to the procurement of commercial items to reflect recent legislative changes.³⁶ DOD also updated its acquisition regulations to provide guidance to contracting officers for making price reasonableness determinations, promoting consistency in making commercial item determinations, and expanding opportunities for nontraditional defense contractors to do business with DOD. The Department also updated its Guidebook for Acquiring Commercial Items, which includes information on how to define, determine, and price commercial items, to reflect the regulatory changes.³⁷

DOD has also created six commercial item Centers of Excellence to provide analytical support and assist in both the timeliness and consistency of commercial item determinations. The centers are staffed with engineers and price/cost analysts to help contracting officers with market analysis, commercial item reviews and determinations, and commercial pricing analysis. The centers also provide training and assistance to the DOD acquisition community on various techniques and tools used to evaluate commercial items and commercial item pricing.

Finally, the fiscal year 2018 NDAA directed GSA to establish a program to procure commercial items through commercial e-commerce portals, which can generally be described as online marketplaces.³⁸ OMB was charged with carrying out the program's implementation phases.³⁹ GSA issued the initial implementation plan in March 2018, and the next phase

³⁶See 83 FR 4431 (Jan. 31, 2018) (describing the regulatory implementation of sections of the National Defense Authorization Acts for Fiscal Years 2013, 2016, and 2018).

³⁷See Department of Defense, Office of the Secretary of Defense Acquisition, Technology, and Logistics, *Department of Defense Guidebook for Acquiring Commercial Items, Part A: Commercial Item Determination* (January 2018).

³⁸See Pub. L. No. 115-91, § 846(a), (k). The fiscal year 2018 NDAA defines a "commercial e-commerce portal" as a commercial solution providing for the purchase of commercial products aggregated, distributed, sold, or manufactured via an online portal. The NDAA states that the term does not include an online portal managed by the government for, or predominantly for use by, government agencies.

³⁹See Pub. L. No. 115-91, § 846(c).

of implementation will entail market analysis and consultation with industry and agencies.⁴⁰

Efforts to Improve Service Acquisition Requirements Have Not Fully Overcome Cultural Resistance

In 2017, we found that federal agencies procured over \$272 billion in services in fiscal year 2015, which was approximately 60 percent of total contract obligations for that year.⁴¹ We've also previously reported that services contracts are sometimes awarded for professional and management support services that can put contractors in a position to inappropriately influence government decisionmaking if proper oversight is not provided.⁴² As we previously reported, in 2009, DOD's Defense Acquisition University introduced a Services Acquisition Workshop to provide training and guidance on developing service acquisition requirements. The workshop brings together the key personnel responsible for an acquisition to discuss the requirements and how they will know if a contractor has met those requirements. During the workshop, the teams develop the language that will articulate the requirements, and by the end of the process, the goal is to have draft acquisition documents. We reported in 2013 that DOD mandated the use of the workshop for service acquisitions valued at \$1 billion and above, and encouraged its use for acquisitions valued at \$100 million or more.⁴³

Performance-based acquisition (PBA) is, as the Panel reported in 2007, a preferred commercial technique. PBA focuses on contractors' deliverables rather than how they perform the work. Rather than using traditional statements of work that define requirements in great detail, PBA uses performance work statements (PWS) that define requirements

⁴⁰See GSA, *Procurement through Commercial E-Commerce Portals: Implementation Plan* (March 2018). See Pub. L. No. 115-91, § 846(c)(2) (describing Phase II of the implementation).

⁴¹[GAO-17-244SP](#).

⁴²GAO, *Managing Service Contracts: Recent Efforts to Address Associated Risks Can Be Further Enhanced*, [GAO-12-87](#) (Washington, D.C.: Dec. 7, 2011).

⁴³GAO, *Defense Acquisitions: Goals and Associated Metrics Needed to Assess Progress in Improving Service Acquisition*, [GAO-13-634](#) (Washington, D.C.: June 27, 2013); DOD Office of the Under Secretary of Defense (USD), *Memorandum, Subject: Service Acquisition Workshop* (Dec. 6, 2012).

more generally based on desired outcomes.⁴⁴ We have reported that defining requirements this way has been a struggle for DOD for several years.⁴⁵ Additionally, we have found that implementing PBA can be particularly challenging when acquiring certain services.⁴⁶ Services differ from products in several aspects and can offer challenges when attempting to define requirements and establish measurable, performance-based outcomes.

In 2012, we found that the Defense Acquisition University developed an Acquisition Requirements Roadmap Tool, which is an online resource designed to help personnel write requirements for PBA and create pre-award documents, including requirements documents, using a standardized template. Additionally, in 2018, GSA updated its Steps to Performance-Based Acquisition guidance for managing PBAs and made sample PBA planning documents available to contracting officers across the federal government. The updated PBA guidance is a start-to-finish set of instructions for planning and executing a PBA, and the planning documents include examples of requirements documents, such as performance work statements, which set forth the contractor's expected outcomes for the acquisition.

During the course of this review, we identified that some cultural resistance to PBA has endured. Under PBA, which is structured around the results to be achieved as opposed to the manner in which the work is to be performed, a PWS may be prepared by a contractor in response to an agency's statement of objectives.⁴⁷ A PWS is a type of statement of work that describes the required results in clear, specific and objective terms with measurable outcomes.⁴⁸ While some DOD and GSA officials reported that PBA has become an increasingly standard approach, other DOD officials told us that some acquisition officials are still reluctant to

⁴⁴See FAR § 2.101; FAR Subpart 37.6.

⁴⁵See for example, GAO, *Defense Acquisitions: Further Actions Needed to Address Weaknesses in DOD's Management of Professional and Management Support Contracts*, [GAO-10-39](#) (Washington, D.C.: Nov. 20, 2009).

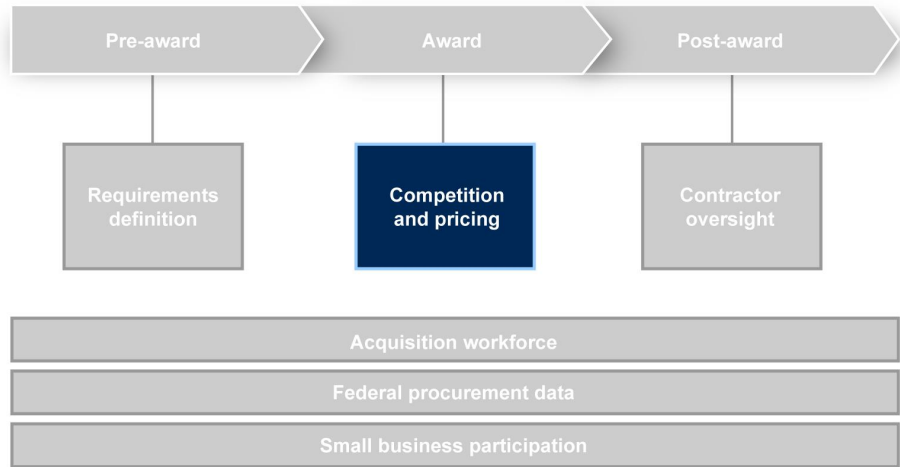
⁴⁶GAO, *Defense Contracted Services: DOD Needs to Reassess Key Leadership Roles and Clarify Policies for Requirements Review Boards*, [GAO-17-482](#) (Washington, D.C.: Aug. 31, 2017); [GAO-10-39](#).

⁴⁷See FAR § 37.603.

⁴⁸See FAR § 2.101.

give contractors control over how agencies' requirements will be met under PBA because they fear that they may not get what they need. The officials we spoke with asserted it is difficult to overcome decades of conducting federal acquisition using government-drafted statements of work that outline—often in precise detail—how an agency expects a contractor to perform work.

Key Issue Area 2: Competition and Pricing



Source: GAO analysis of the 2007 Acquisition Advisory Panel report and Federal Acquisition Regulation. | GAO-18-627

Issue Area Context

Federal regulations generally require that agencies determine that the prices proposed by contractors are fair and reasonable before purchasing goods or services. Agencies normally establish a fair and reasonable price through competitions where multiple offerors submit proposals. Competition is considered the cornerstone of a sound acquisition process and a critical tool for the government. It helps agencies achieve the best prices and return on investment for taxpayers.

Federal statutes and regulations permit agencies to award contracts noncompetitively in certain circumstances. Under those circumstances, agencies may obtain other types of data—for example via market research—to determine whether prices proposed by contractors are fair and reasonable.

In 2007, the Panel found that the private sector relied heavily on competition and rigorous market research to effectively and efficiently buy products and services. The Panel also found the federal government could improve competition and pricing through greater adoption of commercial practices. Further, the Panel cited our prior findings about interagency contracting—a contracting approach in which an agency either places an order directly against another agency’s indefinite-delivery contract, or uses another agency’s contracting operation to obtain goods or services. This approach can reduce the prices the government pays for goods and services, but we had found that interagency contracts did not always adhere to federal procurement laws, regulations, and sound contracting practices.

We have found that federal agencies’ efforts to increase competition and improve pricing have had limited success.

- OFPP and DOD have taken steps to increase competition rates, but the government-wide competition rate has remained steady, while DOD’s rate has declined over the past 5 years.

- Agencies facing acquisition planning obstacles are sometimes using bridge contracts, which we have generally defined as extensions to existing contracts or new short-term, sole-source contracts to avoid a lapse in service caused by a delay in awarding a follow-on contract. In some instances, bridge contract awards delay opportunities for competition and can place the government at risk of paying higher prices for multiple years.
- In response to our recommendations, several agencies have taken steps to improve how they conduct market research and determine price reasonableness.
- GSA has developed new pricing tools, but is not collecting pricing data as it had planned. GSA officials told us pricing data helps contracting officers conduct market research and negotiate prices.
- OFPP has promoted consolidated purchasing approaches to improve pricing, but low adoption rates diminish potential savings.
- The federal government has made significant progress addressing challenges related to interagency contracting, where one agency uses another's contract or contracting support to obtain goods or services.

We elaborate on these points below.

The Government-wide Competition Rate Has Remained Steady while DOD's Rate Has Declined

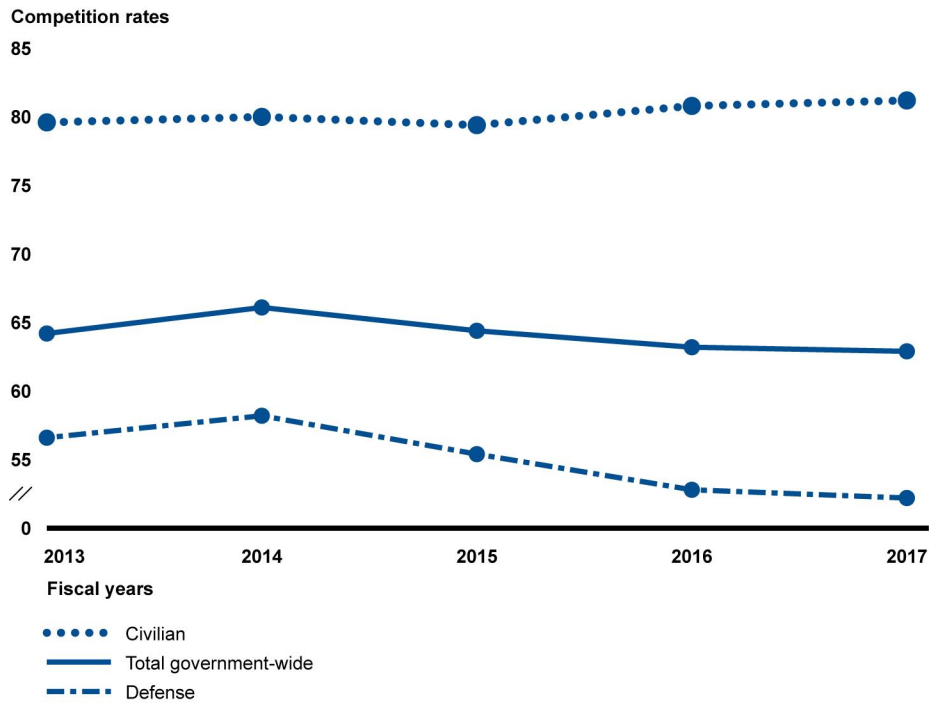
Despite the existence of OFPP memoranda directing agencies to increase competition, we found that competition rates—the percentage of total obligations reported for competitive contracts versus noncompetitive contracts—have remained largely unchanged.⁴⁹ We previously reported that, in 2009, OFPP directed agencies to increase competition and reduce their spending on sole-source contracts.⁵⁰ However, in 2017, we found that the government-wide competition rates had remained relatively steady, at just below two-thirds of all contract obligations from fiscal years

⁴⁹Competitive contract actions included contracts and orders set aside for small business concerns.

⁵⁰GAO, *Sole Source Contracting: Defining and Tracking Bridge Contracts Would Help Agencies Manage Their Use*, [GAO-16-15](#) (Washington, D.C.: Oct. 14, 2015). See OMB OFPP, *Memorandum for Chief Acquisition Officers and Senior Procurement Executives, Subject: Increasing Competition and Structuring Contracts for the Best Results* (Oct. 27, 2009).

2013 through 2017.⁵¹ Furthermore, during the same time period, DOD’s rate declined by over 4 percent, and civilian agency rates increased by 1.6 percent. See figure 2.

Figure 2: Government-wide Competition Rates Compared to Civilian and Defense Agencies, Fiscal Years 2013-2017



Source: GAO analysis of Federal Procurement Data System – Next Generation data. | GAO-18-627

We have previously identified various factors that affect competition rates, including the government’s preference for a specific vendor, inadequate acquisition planning, and overly restrictive government requirements.⁵²

We have also identified a number of reasons why DOD’s competition rates have been particularly low:

⁵¹GAO-17-244SP (defining “competition rates” as “the percentage of total obligations reported for competitive contracts”).

⁵²GAO, *Federal Contracting: Noncompetitive Contracts Based on Urgency Need Additional Oversight*, GAO-14-304 (Washington, D.C.: Mar. 26, 2014) and *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).

- In 2017, we found that some companies that had not done business with DOD reported several barriers preventing them from competing for DOD contracts, including the complexity of DOD's contracting process.⁵³
- In 2014, we found that that 7 of the 14 justifications in a non-generalizable sample of non-competitive DOD contracts cited the "lack of data rights" as a barrier to competition.⁵⁴ Obtaining adequate data rights, such as unlimited rights in technical data, for instance, can allow the government to use, modify, and release the technical data used to design, produce, support, maintain, or operate an item, among other things.⁵⁵ A long-standing factor impacting DOD's competition rate has been its reliance on original equipment manufacturers throughout the life cycle of a program because of a previous decision not to purchase adequate data rights.
- In 2013, we found that DOD may be missing opportunities to effectively facilitate competition in future acquisitions for products and services previously acquired non-competitively. We reviewed justifications for why awards were non-competitive and found that some of them provided limited insight into reasons for the noncompetitive award, or did not fully describe actions that the agency could take to bring about competitive awards in future acquisitions of the same goods or services.⁵⁶ We recommended that DOD identify, track, and consider the specific factors that affect competition when setting competition goals and develop guidance to

⁵³GAO, *Military Acquisitions: DOD Is Taking Steps to Address Challenges Faced by Certain Companies*, [GAO-17-644](#) (Washington, D.C.: July 20, 2017).

⁵⁴GAO, *Defense Contracting: Early Attention in the Acquisition Process Needed to Enhance Competition*, [GAO-14-395](#) (Washington, D.C.: May 5, 2014).

⁵⁵See, e.g., DFARS § 252.227-7013 (describing rights in technical data for noncommercial items). This regulation defines technical data as "recorded information, regardless of the form or method of the recording, of a scientific or technical nature (including computer software documentation)... [but not including] computer software or data incidental to contract administration, such as financial and/or management information." This regulation defines unlimited rights as "rights to use, modify, reproduce, perform, display, release, or disclose technical data in whole or in part, in any manner, and for any purpose whatsoever, and to have or authorize others to do so." Technical data for weapon systems can include drawings, specifications, standards, and other details necessary to ensure the adequacy of item performance, as well as manuals that contain instructions for installation, operation, maintenance, and other actions needed to support weapon systems. See GAO, *Defense Contracting: Actions Needed to Increase Competition*, [GAO-13-325](#) (Washington, D.C.: Mar. 28, 2013).

⁵⁶[GAO-13-325](#).

apply lessons learned from past procurements to help achieve competition in the future. We also recommended DOD collect reliable data on one-offer awards. DOD agreed with these recommendations, and implemented them in 2014.

Between 2010 and 2015, DOD's then-Under Secretary for Acquisition, Technology and Logistics issued a series of Better Buying Power memos intended to promote competition, among other things.⁵⁷ For example, some memos provide guidance on the effective management of technical data rights, which can include acquiring rights in data, as appropriate, to avoid future reliance on original equipment manufacturers. In 2017, we found that more large DOD weapon system programs were implementing "Better Buying Power" initiatives among other reforms, which led to better acquisition outcomes for some programs.⁵⁸ In 2018, we further found that DOD programs initiated after 2010, and therefore subject to Better Buying Power guidance, gained nearly \$5 billion in buying power—which is the amount of goods or services that can be purchased given a specified level of funding.⁵⁹ The fiscal year 2018 NDAA directed the Secretary of Defense to ensure that DOD negotiates prices for technical data to be delivered under development or production contracts before selecting a contractor to engineer and manufacture a major weapon system, among other things.⁶⁰

⁵⁷Department of Defense, Office of the Under Secretary of Defense for Acquisition, Technology and Logistics, *Implementation Directive for Better Buying Power 3.0 – Achieving Dominant Capabilities through Technical Excellence and Innovation* (Washington, D.C.: Apr. 9, 2015); *Implementation Directive for Better Buying Power 2.0 – Achieving Greater Efficiency and Productivity in Defense Spending* (Washington, D.C.: Apr. 24, 2013); *Implementation Directive for Better Buying Power – Obtaining Greater Efficiency and Productivity in Defense Spending* (Washington, D.C.: Nov. 3, 2010); *Better Buying Power: Guidance for Obtaining Greater Efficiency and Productivity in Defense Spending* (Washington, D.C.: Sept. 14, 2010); and *Better Buying Power – Mandate for Restoring Affordability and Productivity in Defense Spending* (Washington, D.C.: June 28, 2010).

⁵⁸GAO, *Defense Acquisitions: Assessments of Selected Weapon Programs*, [GAO-17-333SP](#), (Washington, D.C.: Mar. 30, 2017).

⁵⁹[GAO-18-360SP](#).

⁶⁰See Pub. L. No. 115-91, § 835.

Some Agencies Are Using Non-Competitive Bridge Contracts When Facing Acquisition Planning Obstacles

When an existing contract is set to expire but the follow-on contract is not ready to be awarded, the government may simply extend the existing contract beyond the period of performance (including option years). Alternatively, an agency may award a new short-term sole-source contract to the incumbent contractor to avoid a gap in service caused by a delay in awarding a follow-on contract.⁶¹ These contract extensions and short-term sole-source contracts are often referred to as “bridge contracts”. Bridge contracts can be necessary tools, but they can also delay opportunities for competition, which we and others have noted is the cornerstone of a sound acquisition process.⁶²

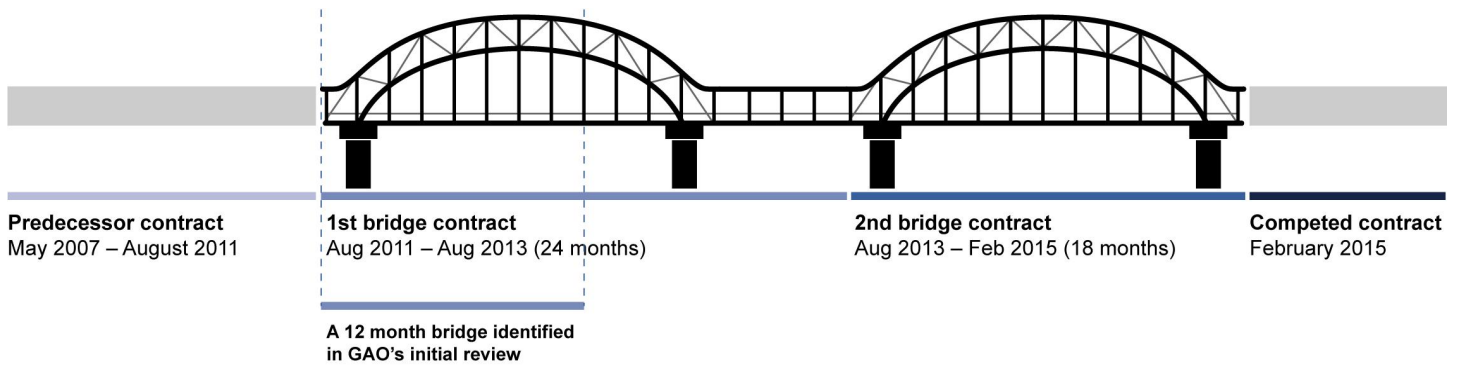
Additionally, bridge contracts are typically envisioned as short-term, but we found in 2015 that some bridge contracts spanned multiple years, potentially undetected by agency management.⁶³ For example, of the 29 contracts we reviewed in-depth in 2015, six were longer than three years. As figure 3 illustrates, an Army bridge contract for computer support services was initially planned as a 12-month bridge, but because of subsequent bridges, ultimately spanned 42 months.

⁶¹See [GAO-16-15](#) (defining “bridge contract”). Currently, there is no government-wide definition of a bridge contract.

⁶²See, e.g., [GAO-10-833](#); OMB OFPP, *Memorandum for Chief Acquisition Officers and Senior Procurement Executives, Subject: Increasing Competition and Structuring Contracts for the Best Results* (Oct. 27, 2009).

⁶³[GAO-16-15](#). GAO’s determination that some bridge contracts spanned multiple years resulted from the observation that agencies would sometimes approve a series of short-term bridge contracts.

Figure 3: Timeline for an Army Computer Support Services Contract



Source: GAO graphic based on information from contract file reviews and interviews with contracting officials. | GAO-18-627

Obstacles during the pre-award phase, including poor acquisition planning, delayed completion of requirements documents, bid protests, and an inexperienced and overwhelmed acquisition workforce largely drove the use of bridge contracts in the cases we studied. We further found that in the sample we reviewed, increased periods of performance sometimes corresponded to increased contract values, and that—consistent with best practices—agencies paid lower prices in several instances after subsequent contracts were competed. We recommended that OFPP take steps to amend acquisition regulations to incorporate a definition of bridge contracts, and, in the interim, provide guidance for agencies to track and manage their use. OFPP agreed with the recommendation to provide guidance for managing bridge contracts, and has drafted management guidance, but has not yet finalized it as of July 2018. This guidance includes a definition of bridge contracts.

Some Agencies Have Taken Steps to Improve How They Determine Price Reasonableness, but More Can Be Done

Market research helps agencies obtain knowledge about pricing that can be critical to the government’s ability to determine that prices are fair and reasonable. Market research can include:

- Contacting knowledgeable government and industry officials,
- Obtaining information about similar items from other agencies,
- Querying government-wide databases for contract prices, and
- Reviewing the results of recent market research undertaken to meet similar requirements.

However, in 2014, we found that four agencies—DOD, the Department of Homeland Security, the Department of Transportation, and the Federal Aviation Administration—did not leverage many available market research techniques on lower dollar contracts, and, as a result, may have missed opportunities to promote competition.⁶⁴ We recommended that the Secretaries of Defense and Homeland Security take action to ensure their acquisition personnel more clearly document the market research activities they conduct, and that the Secretary of Transportation (the Federal Aviation Administration falls under this department) update its market research guidance to include more detail on which elements of market research should be documented. All three agencies agreed with and addressed our recommendations.

In July 2018, we issued a report on DOD's efforts to determine whether prices are fair and reasonable for commercial items, and we have found that dealing with a limited marketplace and limited price data can be a challenge.⁶⁵ Limited market information can hinder contracting officers' ability to make commercial item and price reasonableness determinations. Additionally, the inability to obtain contractor data can make it difficult for acquisition staff to make commercial item and price reasonableness determinations. We also found that better information sharing efforts could address some of the challenges, and recommended that DOD develop a strategy to better share commerciality and price reasonableness information across the department. DOD agreed with our recommendation.

GSA has Developed New Pricing Tools, but Some Agencies and Contractors Are Not Providing GSA Key Data

GSA has developed a number of web-based tools that, according to GSA officials, are intended to enhance contracting officers' understanding of the basis of contractors' proposed prices, improve contracting officers'

⁶⁴GAO, *Market Research: Better Documentation Needed to Inform Future Procurements at Selected Agencies*, [GAO-15-8](#) (Washington, D.C.: Oct. 9, 2014). We have also reported on how independent government cost estimates are used as a market research technique to determine that prices are fair and reasonable. GAO, *Service Contracts: Agencies Should Take Steps to More Effectively Use Independent Government Cost Estimates*, [GAO-17-398](#) (Washington, D.C.: May 17, 2017).

⁶⁵[GAO-18-530](#).

leverage during contract negotiations, and ultimately reduce the cost of some government contracts. These tools are housed under GSA's Acquisition Gateway, a website intended to provide federal contracting professionals with access to tools and resources.

- GSA has developed the Contract-Awarded Labor Category (CALC) tool that is intended to help federal contracting officers find awarded prices to use in negotiations for labor contracts. It currently contains pricing data from professional services and IT contracts.
- GSA has developed an independent cost estimate tool that is intended to help contracting personnel develop cost estimates prior to contract award.
- GSA has developed a Prices Paid Portal to capture how much the government has previously paid for certain goods and services.

Additionally, in 2016, GSA issued a Transactional Data Reporting Rule that requires contractors to report more granular transactional data, including pricing information, to the government.⁶⁶ GSA officials told us they anticipate that the collection of this transactional pricing data will greatly enhance the government's price analyses, and provide pricing data for the Prices Paid Portal. GSA officials also told us that transactional data reporting will provide contracting officers real-time, prices-paid information that should help them conduct market research and negotiate prices faster and easier.

However, GSA officials told us that agencies do not collect and share pricing data in a standardized manner, and that this makes pricing analysis challenging. Furthermore, the Transactional Data Rule may provide less data than initially expected since GSA has decided to make reporting these data optional for contractors under certain circumstances. According to OMB staff, GSA is also collecting transactional data from all "best-in-class" contracting vehicles—those that are recommended for agency use as part of the OMB-directed category management effort. We will continue to monitor GSA's efforts to collect pricing data.

⁶⁶See 81 FR 41104 (June 23, 2016).

Agency Adoption of Consolidated Purchasing Approaches Has Been Limited, Diminishing Potential Savings

As we have reported, category management is a multi-pronged acquisition approach that includes a broad set of strategies such as consolidated purchasing, supplier management, and improving data analysis and information sharing.⁶⁷ Federal category management efforts are intended to manage entire categories of spending across the federal government for commonly purchased goods and services in order to maximize the government's buying power and improve pricing for all federal buyers. In December 2014, OFPP issued a memo that directed GSA to develop guidance to provide agencies with consistent standards for the development and execution of category management.⁶⁸ Category management follows a similar government-wide effort known as strategic sourcing, which also strove to consolidate purchasing activities. According to OMB and GSA guidance, a tenet of strategic sourcing is that higher volume generally translates to lower prices. As we have reported, a key characteristic of strategic sourcing is the use of tiered pricing,

⁶⁷GAO, *Federal Procurement: Smarter Buying Initiatives Can Achieve Additional Savings, but Improved Oversight and Accountability Needed*, [GAO-17-164](#) (Washington, D.C.: Oct. 26, 2016). "Consolidated purchasing" in this context refers to strategic sourcing and category management efforts.

⁶⁸OMB OFPP, *Memorandum for Chief Acquisition Officers and Senior Procurement Executives, Subject: Transforming the Marketplace: Simplifying Federal Procurement to Improve Performance, Drive Innovation, and Increase Savings* (Dec. 4, 2014). GSA was directed to develop its guidance in coordination with the Strategic Sourcing Leadership Council, an interagency council that was established by OMB to lead the government's efforts to increase the use of government-wide management and sourcing of goods and services.

where unit prices are reduced as cumulative sales volume increases.⁶⁹ Table 1 illustrates an example of a tiered pricing model.

Table 1: Example of Tiered Pricing Model

Tiers	Annual sales in dollars	Discount (%)
Base pricing	< 10 million	0
Tier 1	10 million-30 million	3
Tier 2	30 million-60 million	5
Tier 3	60 million-100 million	7
Tier 4	>100 million	10

Source: GSA guidance. | GAO-18-627

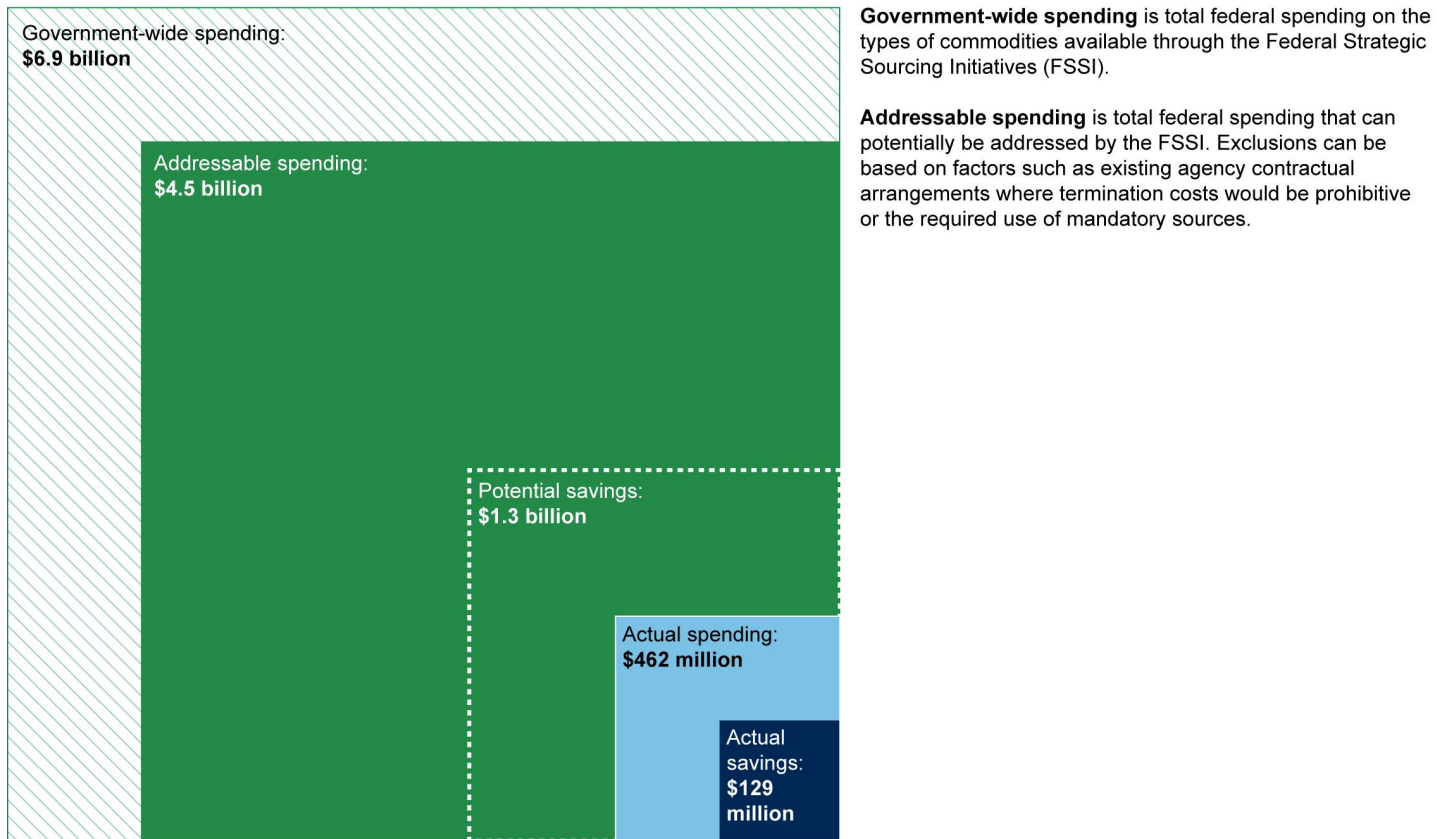
As we have reported, it is unclear whether the government will fully realize consolidated purchasing approaches' potential to reduce prices. We have found that agencies' adoption of strategic sourcing has historically been low, and that tiered price discounts negotiated with vendors were not reached in most instances.⁷⁰ For example, we reported in 2016 that, in fiscal year 2015, federal agencies spent an estimated \$6.9 billion on the types of commodities—goods and services—available through federal strategic sourcing initiatives, but they only saved \$129 million because of low adoption rates.⁷¹ We estimated the government could have saved \$1.3 billion if agencies had directed more spending to strategic sourcing initiatives. See figure 4.

⁶⁹ [GAO-17-164](#). See also OMB, *Memorandum for the Heads of Executive Departments and Agencies, Subject: Improving Acquisition through Strategic Sourcing*, M-13-02 (Washington D.C.: Dec. 5, 2012); 81 F.R. 69860 (Oct. 7, 2016) (proposing to rescind and replace OMB Memorandum M-13-02 with a new circular titled "Implementing Category Management for Common Goods and Services" (not issued)). Additional OFPP guidance includes: OMB OFPP, *Memorandum for the Heads of Departments and Agencies, Subject: Category Management Policy 16-2: Providing Comprehensive Identity Protection Services, Identity Monitoring, and Data Breach Response*, M-16-14 (July 1, 2016); OMB OFPP, *Memorandum for the Heads of Departments and Agencies, Subject: Category Management Policy 16-1: Improving the Acquisition and Management of Common Information Technology: Software Licensing*, M-16-12 (June 2, 2016); OMB OFPP, *Memorandum for the Heads of Departments and Agencies, Subject: Category Management Policy 15-1: Improving the Acquisition and Management of Common Information Technology: Laptops and Desktops*, M-16-02 (Oct. 16, 2015).

⁷⁰ See GAO, *Strategic Sourcing: Improved and Expanded Use Could Save Billions in Annual Procurement Costs*, [GAO-12-919](#) (Washington, D.C.: Sept. 20, 2012) and [GAO-17-164](#).

⁷¹ [GAO-17-164](#).

Figure 4: Fiscal Year 2015 Actual and Potential Spending and Savings through Strategic Sourcing Vehicles



Source: GAO analysis of General Services Administration data. | GAO-18-627

In our 2016 report, we found that agencies' adoption of the federal strategic sourcing initiatives was low, in part, because individual agencies were not held accountable for complying with their own commitment letters.⁷² In these commitment letters, agencies identified how much spending they planned to direct to strategic sourcing vehicles. Additionally, agencies were not held accountable for implementing transition plans that specified timelines for redirecting their relevant spending to strategic sourcing vehicles.

In 2016, we made six recommendations to OMB's OFPP and GSA in order to better promote agency accountability for implementing the strategic sourcing initiatives and category management effort. OMB and

⁷²GAO-17-164.

GSA have taken actions to address all six recommendations, including a recommendation for OFPP to report on agency-specific targets for the use of category management that.

Although agency adoption of strategic sourcing initiatives has been low, we reported in 2012 and 2016 that strategic sourcing has still achieved significant savings for the government, and resulted in savings rates that are comparable to those reported by leading companies.⁷³ For example, GSA officials reported that federal agencies directed almost \$2 billion of spending through strategic sourcing contracts between fiscal years 2011 and 2015, and achieved an estimated \$470 million in savings—which represents an overall savings rate of about 25 percent. By comparison, leading companies typically achieved savings rates between 10 and 20 percent by using strategic sourcing.

Since our 2016 analysis of savings under strategic sourcing, category management efforts have continued. OMB staff told us that statistics show early progress in category management.

Progress Made Addressing Interagency Contracting Challenges

Interagency contracting refers to instances when an agency either places an order directly against another agency's indefinite-delivery contract, or uses another agency's contracting operation to obtain goods or services.⁷⁴ Interagency contracting can leverage the government's buying power and allow agencies to meet the demands for goods and services efficiently. This method of contracting can reduce the prices the government pays for goods and services when properly managed, but it also poses a variety of risks.

In 2005 we reported that DOD used a Department of the Interior contract for information technology to obtain interrogation services quickly during the Iraq War, and, as a result, six task orders for interrogation, screening, and other intelligence-related services were placed on an information technology contract.⁷⁵ Our additional work found that interagency

⁷³[GAO-12-919](#) and [GAO-17-164](#).

⁷⁴See FAR § 2.101.

⁷⁵GAO, *Interagency Contracting: Problems with DOD's and Interior's Orders to Support Military Operations*, [GAO-05-201](#) (Washington, D.C.: Apr. 29, 2005).

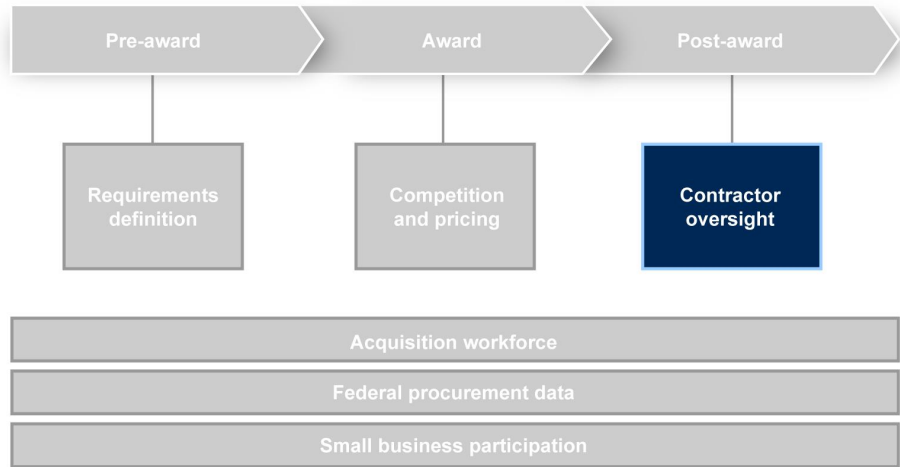
contracting deficiencies stemmed from increasing demands on the acquisition workforce, insufficient training, and—in some cases— inadequate guidance; as well as questionable lines of responsibility for key functions such as requirements definition, contract negotiation, and contractor oversight. For these reasons, we added the management of interagency contracts to our High Risk list in 2005.⁷⁶

In 2013, we found that the federal government had made significant progress in addressing challenges involving interagency contracting.⁷⁷ Specifically, we found that agencies had adopted new oversight requirements for interagency contracts, and that OMB and GSA had taken steps to improve the reliability of data on interagency contracts, increasing transparency into how agencies used them. Therefore, we removed interagency contracting from our High Risk list in February 2013.

⁷⁶GAO, *GAO's 2005 High-Risk Update*, [GAO-05-350T](#) (Washington, D.C.: Feb. 17, 2005).

⁷⁷GAO, *High Risk Series: An Update*, [GAO-13-283](#) (Washington, D.C.: Feb. 2013).

Key Issue Area 3: Contractor Oversight



Source: GAO analysis of the 2007 Acquisition Advisory Panel report and Federal Acquisition Regulation. | GAO-18-627

Issue Area Context

The government uses contracts to procure a wide range of services, some of which warrant increased management attention because there is an increased risk that the contractors may perform tasks reserved for the government. The responsibility for overseeing contractors often falls to contracting officers' representatives, who are expected to help ensure contractors perform their work in accordance with contractual requirements. Additionally, the Federal Acquisition Regulation (FAR) contains a prohibition on using personal services contracts, which are characterized by the employer-employee relationships they create.

In 2007, the Panel found that uncertainty about inherently governmental functions led to confusion about the necessary amount of contractor oversight, and it raised questions about federal agencies' capacity to oversee contractors. Additionally, the Panel asserted that the FAR prohibition on personal services contracts should be removed and that new guidance should be provided to define where, to what extent, under what circumstances, and how agencies may procure personal services by contract.

We have found that contracts requiring increased management attention have posed contractor oversight challenges for federal agencies.⁷⁸

⁷⁸OMB guidance on analyzing service contract inventories has identified special interest functions that require "increased management attention" or "heightened management consideration" based on concerns that these functions can pose an increased risk of an agency losing control of mission and operations. See OMB OFPP, *Memorandum for Chief Acquisition Officers and Senior Procurement Executives, Subject: Service Contract Inventories* (Nov. 5, 2010) and OMB OFPP, *Memorandum for Chief Acquisition Officers and Senior Procurement Executives, Subject: Service Contract Inventories* (Dec. 19, 2011).

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- Agencies across the federal government award contracts requiring increased management attention, such as contracts for professional and management support services.
 - DOD is not leveraging its annual reports to Congress on its portfolio of contracted services to systematically identify contracts requiring increased management attention.
 - DOD has taken steps to improve the reliability of data on personal services contracts, which could help ensure contractors are supervised appropriately.

We elaborate on these points below.

Federal Agencies Are Awarding Contracts Warranting Increased Management Attention at a Steady Rate

There are benefits to using contractors to provide services, such as addressing surge capacity needs and providing needed expertise. But we and OFPP have identified the need for increased management attention on certain types of contracted services. These contracted services include professional and management support services, such as intelligence services and policy development.⁷⁹ Additionally, some of these services can be closely associated with inherently governmental

⁷⁹OMB OFPP, *Memorandum for Chief Acquisition Officers and Senior Procurement Executives, Subject: Service Contract Inventories* (Nov. 5, 2010); and OMB, OFPP *Memorandum for Chief Financial Officers, Chief Acquisition Officers, and Senior Procurement Executives, Subject: Reduced Contract Spending for Management Support Services* (Nov. 7, 2011). See [GAO-12-87](#) and GAO, *Civilian Service Contract Inventories: Opportunities Exist to Improve Agency Reporting and Review Efforts*, [GAO-12-1007](#) (Washington, D.C.: Sept. 27, 2012).

functions.⁸⁰ In 2009, we found that federal agencies introduce the risk that contractors may inappropriately influence government authority when performing contracts for services “closely associated” with inherently governmental functions.⁸¹

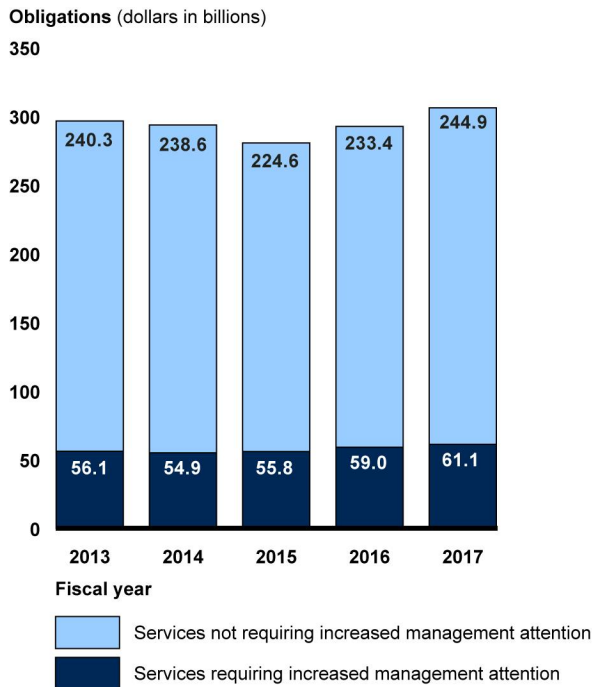
In 2017, we found that agencies continued to award service contracts warranting increased management attention at a steady rate.⁸² See figure 5. From fiscal years 2013 through 2017, the share of government-wide obligations for these services remained consistent for civilian agencies at around 20 percent, and grew for DOD from about 18 percent to 20 percent.

⁸⁰“Inherently governmental function” means, as a matter of policy, a function that is so intimately related to the public interest as to mandate performance by Government employees. This definition is a policy determination, not a legal determination. An inherently governmental function includes activities that require either the exercise of discretion in applying Government authority, or the making of value judgments in making decisions for the Government. See FAR § 2.101. Section 7.503(c) of the FAR provides examples of such functions. Contracts shall not be used for the performance of inherently governmental functions. FAR § 7.503(a). The FAR also generally prohibits awarding personal services contracts, which are defined as contracts that, by their express terms or as administered, make the contractor personnel appear to be, in effect, Government employees, unless an agency is specifically authorized to do so by statute. See FAR § 37.104; FAR § 2.101. Functions that are “closely associated” with inherently government functions may approach being in that category because of the nature of the function and the risk that performance may impinge on Federal officials’ performance of an inherently governmental function, such as services in support of an inherently governmental function, provision of inspection services, provision of legal advice, etc. See OMB OFPP, *Policy Letter 11-01 to the Heads of Civilian Executive Departments and Agencies, Subject: Performance of Inherently Governmental and Critical Functions* (Sept. 12, 2011).

⁸¹[GAO-10-39](#).

⁸²[GAO-17-244SP](#).

Figure 5: Government-wide Obligations for Services Requiring Increased Management Attention and All Other Services, Fiscal Years 2013-2017



Source: GAO analysis of Federal Procurement Data System – Next Generation data. | GAO-18-627

Note: OFPP and GAO's prior work have identified the need for increased management attention on certain types of contracted services.

OMB has taken steps to help agencies reduce some of the risks associated with contracts warranting increased management attention. In 2011, OMB emphasized the importance of adequate management by government employees when contractors perform work that is closely associated with inherently governmental functions.⁸³ For example, OMB directed agencies to employ and train a sufficient number of qualified government personnel to provide active and informed management and oversight of contractor performance where contracts have been awarded for functions closely associated with the performance of inherently governmental functions.

We have found that some agencies face other challenges overseeing their contractors. In 2010 and 2012, we reported that DOD lacked

⁸³See 76 FR 56227 (Sept. 12, 2011) (publishing OFPP Policy Letter 11-01, *Performance of Inherently Governmental and Critical Functions*).

sufficient numbers of adequately trained personnel, including contracting officer's representatives (CORs), to oversee contractors in contingency operations like those in Afghanistan and Iraq.⁸⁴ In 2013, at the Department of Veterans Affairs, we found that heavy workloads and competing demands made it difficult for CORs to effectively monitor contractors and ensure they were executing their work in accordance with contract terms.⁸⁵ In addition, we have found that these CORs often lacked the technical knowledge and training needed to effectively oversee certain technical aspects of a contractor's performance.⁸⁶ We recommended that the Department of Veterans Affairs develop tools to help the officials oversee contracts. The department agreed and did so.

DOD Is Not Using Available Information to Inform Contractor Oversight Efforts

In 2008 and again in 2009, Congress mandated that defense and certain civilian agencies start providing annual reports on certain service contract actions.⁸⁷ These inventories can improve agency insight into the number of contractor personnel providing services and the functions they are performing, among other things, and help agencies determine whether any of these functions require increased management attention. Despite the increased reporting requirements, we have found that DOD has not always used available inventory information to improve contractor oversight. In March 2018, for example, we found that the military departments generally had not developed plans to use the inventory to

⁸⁴GAO, *Warfighter Support: Continued Actions Needed by DOD to Improve and Institutionalize Contractor Support in Contingency Operations*, [GAO-10-551T](#) (Washington, D.C.: Mar. 17, 2010) and *Operational Contract Support: Sustained DOD Leadership Needed to Better Prepare for Future Contingencies*, [GAO-12-1026T](#) (Washington, D.C.: Sept. 12, 2012).

⁸⁵GAO, *VA Health Care: Additional Guidance, Training, and Oversight Needed to Improve Clinical Contract Monitoring*, [GAO-14-54](#) (Washington, D.C.: Oct. 31, 2013).

⁸⁶[GAO-14-54](#).

⁸⁷See National Defense Authorization Act for Fiscal Year 2008, Pub. L. No. 110-181, § 807 (Jan. 28, 2008); 10 U.S.C. § 2330a (imposing reporting requirements on DOD). See also Consolidated Appropriations Act, 2010, Pub. L. No. 111-117, § 743 (Dec. 16, 2009) (imposing reporting requirements on executive agencies, except DOD, covered by the Federal Activities Inventory Reform Act of 1998, Pub. L. No. 105-270) (Oct. 19, 1998)); OMB OFPP, *Memorandum for Chief Acquisition Offices and Senior Procurement Executives, Subject: Service Contract Inventories* (Nov. 5, 2010).

inform management decisions as required.⁸⁸ We did not make any new recommendations at the time, noting that seven of our 18 prior recommendations related to the inventory remained open, including a recommendation for DOD to identify officials at the military departments responsible for developing plans and enforcement mechanisms to use the inventory. In its comments on our March 2018 report, DOD stated it was committed to improving its inventory processes.

DOD Has Taken Steps to Improve the Reliability of Data on Personal Services Contracts

A personal services contract is one that creates an employer-employee relationship between the government and contractor personnel. Because such contracts could be used to circumvent the competitive hiring procedures of the civil service laws, the use of personal services contracts requires specific statutory authority.⁸⁹

Section 809 Panel

In its June 2018 report, the Section 809 Panel suggested eliminating statutory and regulatory distinctions between personal services contracts and non-personal services contracts to increase managerial flexibility in determining how to fulfill requirements.

Source: Section 809 Panel June 2018 reports. | GAO-18-627

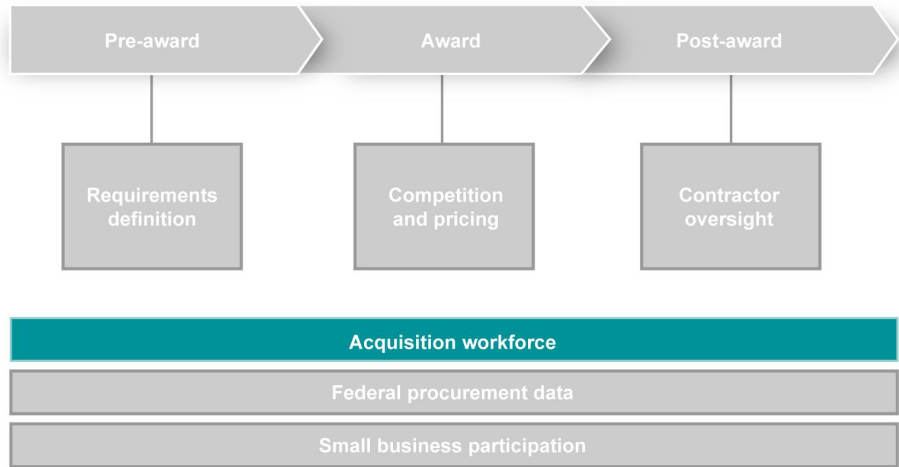
As of July 2017, we could not verify how often DOD awarded personal services contracts because more than one third (17 of 45) of the contracts we reviewed that had been designated personal services contracts in the government's primary acquisition-data repository (the Federal Procurement Data System-Next Generation) were incorrectly recorded.⁹⁰ DOD concurred with our recommendation to address this issue and has taken steps to do so. As we found in 2017, agencies need accurate information about their personal services contracts in order to ensure that they are supervising contractors work appropriately.

⁸⁸See GAO, *DOD Contracted Services: Long-Standing Issues Remain about Using Inventory for Management Decisions*, [GAO-18-330](#) (Washington, D.C.: Mar. 29, 2018). See also 10 U.S.C. § 2330a(e).

⁸⁹FAR § 37.104.

⁹⁰GAO, *Federal Contracting: Improvements Needed in How Some Agencies Report Personal Services Contracts*, [GAO-17-610](#) (Washington, D.C.: July 27, 2017).

Key Issue Area 4: Acquisition Workforce



Source: GAO analysis of the 2007 Acquisition Advisory Panel report and Federal Acquisition Regulation. | GAO-18-627

Issue Area Context

The federal acquisition workforce manages and oversees billions of dollars in acquisition programs and contracts to help federal agencies get what they need at the right time and at a reasonable price. The acquisition workforce consists of contracting officers, contracting officer’s representatives, program and project managers; and may include others such as, engineers, logisticians, and cost estimators. A number of governmental organizations play critical roles in assisting agencies in building and sustaining their acquisition workforces. Among these agencies, OFPP provides government-wide guidance on acquisition workforce issues, GSA’s Federal Acquisition Institute promotes the development of the civilian acquisition workforce, and the Defense Acquisition University provides training for DOD’s acquisition workforce.

In 2007, the Panel found the federal acquisition workforce was understaffed, overworked, and undertrained. The Panel also found that most agencies were not carrying out appropriate workforce planning activities and had not assessed the skills of their current acquisition workforce or the number of individuals with relevant skills that would be needed in the future.

We found that steps have been taken to address acquisition workforce issues, but workforce gaps endure.

- Congress established the Defense Acquisition Workforce Development Fund (DAWDF) in 2008 which helps DOD recruit, train, and retain acquisition personnel. It has helped DOD close some staffing gaps.
- The acquisition workforce faces skill gaps due to the increasing complexity of acquisitions, particularly IT acquisition.
- OFPP, GSA, and DOD have introduced new training programs to help improve the skills of the federal acquisition workforce.

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- Congress and OMB have taken several actions intended to ensure agencies conduct adequate workforce planning, but agencies have not done so consistently.

We elaborate on these points below.

The Defense Acquisition Workforce Development Fund Has Helped DOD Close Some Staffing Gaps

In 2008, Congress established the Defense Acquisition Workforce Development Fund (DAWDF), which provides resources for the recruitment, training, and retention of DOD acquisition personnel.⁹¹ In 2017 we reported that, as of September 2016, DOD obligated more than \$3.5 billion for these purposes and that DAWDF had helped increase the total size of the DOD acquisition workforce by about 24 percent from 2008 to 2016, among other things.⁹²

However, DOD did not achieve its growth targets for each of its acquisition career fields. In December 2015, we reported that DOD had exceeded its planned growth for seven career fields by about 11,300 personnel, including the priority career fields of auditing and program management. However, DOD had not reached its growth targets for six other career fields, falling about 4,400 personnel short. These included the additional priority career fields of contracting, business, and engineering. We recommended that DOD issue an updated acquisition workforce plan that includes revised career field goals as a guide to ensure that the most critical acquisition needs are being met. Since that time, DOD has continued to hire more people in its acquisition workforce, including the contracting and engineering career fields. It also issued an updated strategic plan in October 2016. However, as we reported in 2017, the plan does not include workforce targets for each career field, so the sizes of DOD's current staffing shortfalls, if any, are unclear.⁹³ DOD officials stated that determining which career fields were a priority was most appropriately determined by the components rather than at the department level.

⁹¹See Pub. L. No. 110-181, § 852.

⁹²GAO, *Defense Acquisition Workforce: DOD Has Opportunities to Further Enhance Use and Management of Development Fund*, [GAO-17-332](#) (Washington, D.C.: Mar. 28, 2017).

⁹³[GAO-17-332](#).

Section 809 Panel

In its June 2018 report, the Section 809 Panel made recommendations to improve the resourcing, allocation, and management of the Defense Acquisition Workforce Development Fund (DAWDF).

Source: Section 809 Panel June 2018 reports. | GAO-18-627

In 2017, we also reported on the amount of unobligated balances in the DAWDF account that have been carried over from one fiscal year to the next.⁹⁴ According to DOD officials, these balances—which totaled \$875 million at the beginning of fiscal year 2016—were the result of several factors. For example, DOD officials generally did not begin the process of collecting and distributing DAWDF funds before DOD received its annual appropriations. Other factors that affected DAWDF execution included hiring freezes and imbalances between DOD’s DAWDF requirements and the minimum amount that DOD was required to put into DAWDF. In order to improve fund management, we recommended that DOD officials clarify whether and under what conditions DAWDF funds could be used to pay for personnel to help manage the fund. DOD indicated that it planned to address the recommendation.

We continue to highlight DOD acquisition workforce issues in our High-Risk List, through the DOD Contract Management area, because agencies continue to face challenges in maintaining sufficient staff levels and monitoring the competencies of their acquisition workforce.⁹⁵ In our 2017 High Risk report, we determined that DOD should continue efforts to ensure that its acquisition workforce is appropriately sized and trained to meet the department’s needs, among other actions.

Increasingly Complex Acquisitions Are Creating Skill Gaps

The acquisition workforce faces skill gaps due to the increasing complexity of acquisitions, particularly IT acquisitions, according to officials we spoke with for this review. Officials from DOD, GSA, and one industry group indicated that a lack of technical knowledge presents challenges for effectively planning and executing complex IT acquisitions. Additionally, we have reported that the government’s ability to respond to evolving cybersecurity threats depends in part on the skills and abilities of the IT acquisition workforce.⁹⁶

⁹⁴GAO-17-332.

⁹⁵GAO-17-317.

⁹⁶GAO, *Cybersecurity Workforce: Urgent Need for DHS to Take Actions to Identify Its Position and Critical Skill Requirements*, GAO-18-175 (Washington, D.C.: Feb. 6, 2018).

Cross-functional or multidisciplinary teams may help to address the acquisition skill gaps because they can provide a broad range of specialized skills.⁹⁷ In 2014, Congress included provisions in FITARA to ensure timely progress by federal agencies toward developing, strengthening and deploying IT acquisition cadres consisting of personnel with highly specialized skills in IT acquisitions.⁹⁸ This legislation followed an initiative OMB started in 2010 when OMB's United States Chief Information Officer issued a 25 point implementation plan requiring each major IT investment to establish an integrated program team to include, at a minimum, a dedicated, full-time program manager and an IT acquisition specialist.⁹⁹ In 2016, we reported on three characteristics that contribute to the creation and operation of a comprehensive integrated program team.¹⁰⁰ We also found that shortfalls in these characteristics—leadership, team competition and team processes—had contributed to significant problems in major IT acquisitions.

New Training Opportunities Help Address Skill Gaps

Over the past 10 years, OFPP, GSA and DOD have introduced new training programs to help improve the skills of the federal acquisition workforce.

- In fiscal year 2007, OFPP launched two new certification programs for civilian agencies: (1) the program/project managers' certification, and (2) the contracting officers' representatives' certification.
- In 2011, GSA introduced the Federal Acquisition Institute Training Application System, which includes continuous learning modules, certification modules, and a learning management system. In 2013,

⁹⁷GAO, *IT Workforce: Key Practices Help Ensure Strong Integrated Program Teams; Selected Departments Need to Assess Skill Gaps*, [GAO-17-8](#) (Washington, D.C.: Nov. 30, 2016).

⁹⁸See Pub. L. No. 113-291, § 835; 41 U.S.C. § 1704 note.

⁹⁹See OMB, *25 Point Implementation Plan to Reform Federal Information Technology Management* (Dec. 9, 2010).

¹⁰⁰[GAO-17-8](#).

OFPP issued a memo requiring all civilian federal agencies to increase use of the system.¹⁰¹

- In 2015, OFPP and the United States Digital Service jointly developed the Digital Information Technology Acquisition Professional Training Program to help make acquisition personnel better IT buyers.
- In 2015, GSA established the Center for Acquisition Professional Excellence to improve training for GSA's own acquisition personnel.
- In 2016, DOD reported that, since 2008, its Defense Acquisition University increased its capacity with a 28 percent increase in classroom graduates and a 15 percent increase in online training graduates. In addition, DOD reports that its overall acquisition workforce certification level increased from 58.3 percent in fiscal year 2008 to 76 percent in fiscal year 2017.¹⁰²
- In 2018, OFPP established a new certification program for digital services as part of the overall effort to increase expertise in buying technology.¹⁰³

Gaps Persist in Agency Workforce Planning Efforts

Workforce planning involves identifying critical occupations, skills, and competencies; analyzing workforce gaps; building the capabilities needed to support workforce strategies; and monitoring and evaluating progress toward achieving workforce planning and strategic goals, among other things. Since 2009, Congress and OMB have taken several steps involving agencies' acquisition workforce planning efforts.

- In the fiscal year 2009 NDAA, Congress directed OMB to prepare a 5-year Acquisition Workforce Development Strategic Plan for civilian agencies to increase the size of the federal acquisition workforce,

¹⁰¹OMB OFPP, *Memorandum for Chief Acquisition Officers and Senior Procurement Executives, Subject: Increasing Efficiencies in the Training, Development, and Management of the Acquisition Workforce* (Sept. 3, 2013).

¹⁰²Department of Defense Acquisition Workforce Strategic Plan for Fiscal Years 2016-2021, October 2016.

¹⁰³OMB OFPP, *Memorandum for Chief Acquisition Officers and Senior Procurement Officials, Subject: Establishment of Federal Acquisition Certification in Contracting Core-Plus Specialization in Digital Services (FAC-C-DS)* (May 18, 2018).

among other things.¹⁰⁴ In response, OMB issued the plan in October 2009.¹⁰⁵

- From 2011 to 2016, Congress required DOD to develop biennial plans to improve the defense acquisition workforce.¹⁰⁶ However, DOD did not always meet this biennial requirement, issuing an acquisition strategic plan in 2010 and then not issuing another until October 2016. In 2016, we reported that DOD officials cited budget uncertainties as the primary reason for the delay.¹⁰⁷
- In July 2016, OMB released its Federal Cybersecurity Workforce Strategy, which cited the need for agencies to examine specific IT, cybersecurity, and cyber-related work roles, and to identify personnel skills gaps.¹⁰⁸ We have ongoing work reviewing federal agencies' IT and cybersecurity workforce planning.

Nonetheless, we have found gaps in agency workforce planning efforts. In December 2015, we found that DOD had assessed workforce competencies for 12 of its 13 career acquisition fields, but had not established a timeline for reassessing competencies in 10 of those fields to gauge progress in addressing previously identified gaps.¹⁰⁹ We made four recommendations to DOD as a result. DOD concurred with all four recommendations, including the recommendation that the department issue an updated acquisition workforce plan in fiscal year 2016, which DOD implemented. The other three recommendations remain

¹⁰⁴Duncan Hunter National Defense Authorization Act for Fiscal Year 2009, Pub. L. No. 110-417, § 869 (Oct. 14, 2008).

¹⁰⁵OMB OFPP, *Memorandum for Chief Acquisition Officers, Senior Procurement Executives, Chief Financial Officers, and Chief Human Capital Officers, Subject: Acquisition Workforce Development Strategic Plan for Civilian Agencies – FY 2010-2014* (Oct. 27, 2009).

¹⁰⁶See Pub. L. No. 114-328 §1102(a) (Dec. 23, 2016), repealing 10 U.S.C. §115b (codifying the requirement for submission of the strategic workforce plan on a biennial basis in the National Defense Authorization Act for Fiscal Year 2012, Pub. L. No. 112-81, § 935(a)(1)(A) (Dec. 31, 2011)).

¹⁰⁷GAO, *Defense Acquisition Workforce: Actions Needed to Guide Planning Efforts and Improve Workforce Capability*, [GAO-16-80](#) (Washington, D.C.: Dec. 14, 2015).

¹⁰⁸See OMB, *Memorandum for Heads of Executive Departments and Agencies, Subject: Federal Cybersecurity Workforce Strategy*, M-16-15 (July 12, 2016).

¹⁰⁹DOD has taken steps to implement the recommendation, reporting that it plans to conduct four career field assessments a year, starting in October 2017 with an anticipated completion date for all career fields by 2021. See [GAO-16-80](#).

unaddressed as of June 2018, including the recommendation to establish a timeframe for reassessment.

Similarly, in 2017, we found that the Department of Homeland Security was continuing to refine its acquisition workforce planning efforts.¹¹⁰ In April 2017, we reported that the department's 2016 staffing assessments did not take into account all acquisition-related positions, which could limit its insight into the size and nature of potential staffing shortfalls.¹¹¹

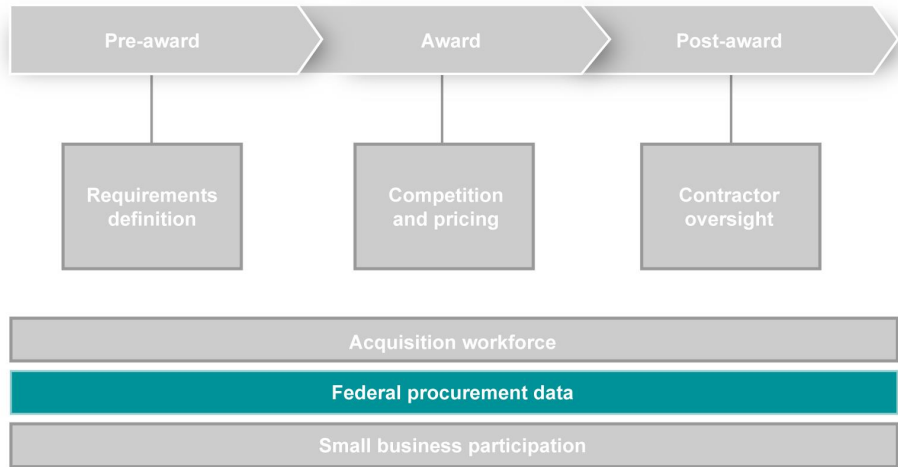
Additionally, in November 2016, we found that the five departments in our review—the Departments of Defense, Commerce, Health and Human Services, Transportation, and the Treasury—had not fully implemented key workforce planning steps and activities for IT acquisitions.¹¹² For example, four of these agencies had not demonstrated an established IT workforce planning process, which should include training for acquisition personnel. In addition, none of these agencies had fully developed strategies and plans to address IT workforce gaps. We recommended that the selected departments implement IT workforce planning practices to facilitate (1) more rigorous analyses of gaps between current skills and future needs, and (2) the development of strategies for filling the gaps. As of June 2018, all five recommendations remain open.

¹¹⁰[GAO-17-317](#).

¹¹¹GAO, *Homeland Security Acquisitions: Earlier Requirements Definition and Clear Documentation of Key Decisions Could Facilitate Ongoing Progress*, [GAO-17-346SP](#) (Washington, D.C.: Apr. 6, 2017).

¹¹²[GAO-17-8](#).

Key Issue Area 5: Federal Procurement Data



Source: GAO analysis of the 2007 Acquisition Advisory Panel report and Federal Acquisition Regulation. | GAO-18-627

Issue Area Context

The Federal Procurement Data System-Next Generation (FPDS-NG) is the federal government's primary repository for procurement data. Government officials and others use FPDS-NG for a variety of analytical and reporting purposes, such as examining data across government agencies, providing managers a mechanism for determining where contract dollars are being spent, and populating USASpending.gov, a website that contains data on federal awards. The General Services Administration, with guidance from the Office of Federal Procurement Policy, established and administers FPDS-NG.

In 2007, the Panel found that FPDS-NG contained unreliable data at the granular level, didn't have appropriate validation rules in place, and lacked appropriate administration.

We found that OMB, GSA, and federal agencies have taken steps to improve data reliability, but the government's primary repository for acquisition data still faces capability limitations.

- OMB and GSA have taken steps to improve FPDS-NG data quality.
- FPDS-NG's current capabilities face limitations.
- OMB's IT Dashboard provides detailed information on major IT acquisitions at 26 agencies, but accuracy and reliability issues endure.

We elaborate on these points below.

Some FPDS-NG Data Reliability Concerns Endure

From 2008 to 2011, OMB repeatedly directed agencies to take specific actions to improve the quality of the data they report in FPDS-NG.

- In May 2008, OMB provided agencies guidance on how to verify, validate, and certify their FPDS-NG data.¹¹³
- In October 2009, OMB directed agencies to explicitly describe their data quality improvement and validation activities.¹¹⁴
- In May 2011, OMB directed agencies to verify that they have the policies, procedures, and internal controls in place to monitor and improve procurement data quality generally, and that they have similar controls for ensuring that contractors comply with their reporting requirements.¹¹⁵

Since 2007, GSA has reported improvements in FPDS-NG data quality. Agencies are responsible for developing a process and monitoring results to ensure timely and accurate reporting of contractual transactions in FPDS-NG and are required to submit certifications about the accuracy of contract reporting to GSA. In 2017, GSA reported that these certifications collectively demonstrate that the data in FPDS-NG have an overall accuracy rate of 95 percent.¹¹⁶ GSA also reports that the overall completeness rate for FPDS-NG data has increased from 98.0 percent in fiscal year 2009 to 99.2 percent in fiscal year 2016.

Nonetheless, our work has recently identified data reliability challenges with FPDS-NG data. For example, in 2017 we found that FPDS-NG did

¹¹³See OMB OFPP, *Memorandum for Chief Acquisition Officers, Senior Procurement Executives, and Small Agency Council Members, Subject: Improving Acquisition Data Quality – FY 2008 FPDS Data* (May 9, 2008). This memorandum superseded OMB OFPP, *Memorandum for Chief Acquisition Officers, Subject: Federal Procurement Data Verification and Validation* (Mar. 9, 2007).

¹¹⁴See OMB OFPP, *Memorandum for Chief Acquisition Officers, and Senior Procurement Executives, Subject: Improving Acquisition Data Quality for Fiscal Years 2009 and 2010* (Washington, D.C.: Oct. 7, 2009).

¹¹⁵OMB, *Memorandum for Chief Acquisition Officers, Senior Procurement Executives, and Small Agency Council Members, Subject: Improving Federal Procurement Data Quality – Guidance for Annual Verification and Validation* (Washington, D.C.: May 31, 2011).

¹¹⁶[GAO-17-610](#).

not accurately identify some indefinite delivery contracts.¹¹⁷ And in March 2016, we identified some FPDS-NG data limitations, including the misclassification of some contractors as small businesses, and some incorrect obligations data.¹¹⁸

FPDS-NG Capabilities Have Expanded, but Limitations Remain

GSA has updated the FPDS-NG system to expand its capabilities several times since the Panel issued its 2007 report. The most recent version was released in October 2017, and it increased the type of data that could be collected. For example, FPDS-NG now collects more detailed information on women-owned business types, inherently governmental services, and legislative mandates. A previous update in 2009 standardized how FPDS-NG tracks and reports competition data.

Despite these changes, FPDS-NG has limitations in the type of acquisition data it can track. For example, in November 2017, we reported that agencies were unable to use FPDS-NG to track and report specific contract award data elements in accordance with OMB guidance because the required data had no corresponding data-entry field in FPDS-NG.¹¹⁹ We recommended that OMB take steps to improve how agencies collect certain procurement data. OMB generally agreed, but has not yet addressed the recommendation. Similarly, in 2014 we found limitations in FPDS-NG with regard to tracking small business subcontractors.¹²⁰ Specifically, we found that FPDS-NG did not contain data on subcontracts, and was not designed to identify the type of

¹¹⁷GAO, *DATA Act: OMB, Treasury, and Agencies Need to Improve Completeness and Accuracy of Spending Data and Disclose Limitations*, [GAO-18-138](#) (Washington, D.C.: Nov. 8, 2017).

¹¹⁸GAO, *Alaska Native Corporations: Oversight Weaknesses Continue to Limit SBA's Ability to Monitor Compliance with 8(a) Program Requirements*, [GAO-16-113](#) (Washington, D.C.: Mar. 21, 2016).

¹¹⁹[GAO-18-138](#).

¹²⁰GAO, *Federal Subcontracting: Linking Small Business Subcontractors to Prime Contracts Is Not Feasible Using Current Systems*, [GAO-15-116](#) (Washington, D.C.: Dec. 11, 2014).

subcontracting plan used or to link small business subcontractors to particular prime contracts.¹²¹

In fiscal year 2020, GSA plans to fully integrate FPDS-NG with nine other legacy systems operated by the agency's Integrated Award Environment (IAE). IAE was initiated in 2001 to bring together 10 different acquisition data systems into a unified system. GSA, DOD, and OMB staff expect that the IAE will contribute to improved FPDS-NG data reliability and better system governance. Integration with other systems will reduce the need to input the same data multiple times, which creates opportunities for errors. DOD and OMB staff also stated that FPDS-NG is currently managed through the IAE governance model, which offers a clear governance structure, including strategic planning, conflict resolution, and decision-making.

OMB's IT Dashboard Enhances Transparency and Oversight, but Accuracy and Reliability Issues Persist

In 2009, OMB deployed a public website, known as the IT Dashboard, to provide detailed information on major IT acquisitions at 26 agencies, including ratings of the IT acquisitions' performance against cost and schedule targets. Among other things, agencies are to submit investment risk ratings from their CIOs.¹²²

For more than 6 years, we have issued a series of reports about the IT Dashboard, noting the significant steps OMB has taken to enhance the oversight, transparency, and accountability of federal IT acquisitions. We have also reported concerns about the accuracy and reliability of IT Dashboard data. We have made 47 recommendations to OMB and federal agencies to help improve the accuracy and reliability of this data and to increase its availability. As of March 2018, 19 of the

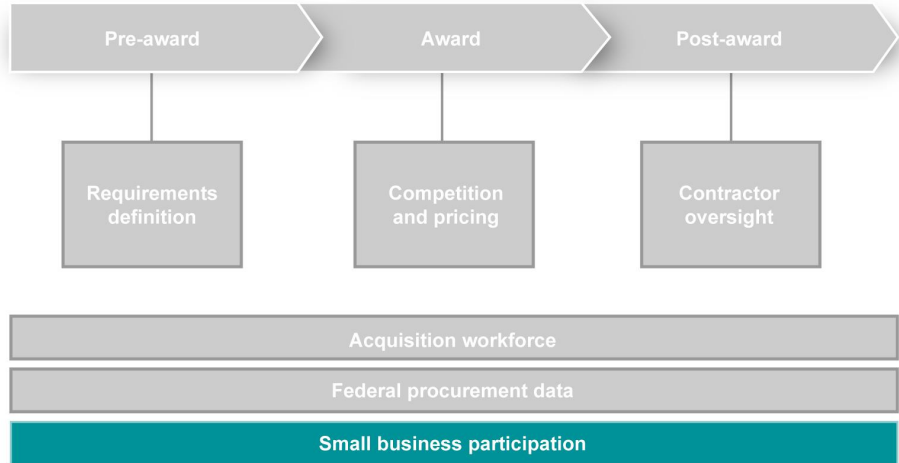
¹²¹[GAO-15-116](#). GAO reported that a different system, the Electronic Subcontracting Reporting System (eSRS), is intended to report information on contractors' performance against small business subcontracting goals. See FAR § 19.702(a). We noted that eSRS can indicate that subcontracting to small businesses has occurred or may occur, but the utility of eSRS in linking small business subcontractors to prime contracts is limited. The system is not intended to provide a list of subcontractors associated with a particular contract. In addition, agency officials stated that information in the system is limited to contracts awarded after the system was created or above certain dollar thresholds.

¹²²GAO, *IT Dashboard: Agencies Need to Fully Consider Risks When Rating Their Major Investments*, [GAO-16-494](#) (Washington, D.C.: June 2, 2016).

recommendations remain open, including recommendations that agencies factor active risks into their IT Dashboard ratings, and ensure that major IT investments are included on the Dashboard.¹²³

¹²³ [GAO-18-460T](#).

Key Issue Area 6: Small Business Participation



Source: GAO analysis of the 2007 Acquisition Advisory Panel report and Federal Acquisition Regulation. | GAO-18-627

Issue Area Context

The federal government has a long-standing policy to maximize contracting opportunities for small businesses. Congress has established, and the Small Business Administration (SBA) maintains, goals for small business participation in federal contracting. SBA also manages several programs targeted at increasing participation by particular business types, including: Small Disadvantaged Businesses, Service-Disabled Veteran-Owned Small Businesses, Women-Owned Small Businesses, and those in Historically Underutilized Business Zones (HUBZone). Agency-specific goals are established through negotiation between SBA and the respective agency.

In 2007, the Panel found a number of challenges hindering agencies' efforts to achieve small business participation goals. In particular, the Panel made recommendations focused on a lack of parity across small business types (identifying that some statutes appeared to prioritize certain small business programs over others), consolidation or bundling of contract requirements, and how small businesses are prioritized under multiple award contracts (contracts awarded to two or more contractors under a single solicitation).

We found that small business participation in government contracting has increased over the past few years, but small business advocates report emerging concerns, and agencies struggle with policy compliance.

- Executive branch agencies have increased small business participation over time.
- Small business advocates have expressed concerns that category management will reduce the number of small businesses eligible for a given opportunity; the executive branch has taken some steps to address such concerns.

- Most agencies did not demonstrate that they are in full compliance with requirements involving their small business offices.
- SBA has improved how it assesses firms' eligibility for small business programs, but we found it should do more to oversee its women-owned small business program and its HUBZone program.

We elaborate on these points below.

Agencies Have Met More Small Business Goals Over Time

Since the Panel issued its report in 2007, Congress and executive branch agencies have continued efforts to encourage small business participation, with improved results over time.¹²⁴ In the 2010 Small Business Jobs Act, Congress addressed the three primary small business issues raised by the Panel. These issues included taking action on issues of parity, requiring justifications and reporting for contract bundling, and addressing small business concerns about multiple award contracts, among other things.¹²⁵

Meanwhile, executive branch agencies have also taken steps to encourage small business participation. For example:

- GSA strongly supports small business participation in its Federal Supply Schedules program. The schedule program provides federal agencies a simplified method of purchasing commercial products and services at prices associated with volume buying. GSA set aside some specific schedule categories—such as photographic services and library furniture—for small businesses. GSA also developed a forecasting tool in 2016, intended to give small businesses a preview of upcoming federal contracting opportunities.
- In a 2013 rule, SBA clarified how contracting officers should assign small business codes under multiple award contracts.¹²⁶ North

Section 809 Panel

Federal agencies continue to address challenges related to small business participation. For example, the Department of Defense (DOD) did not meet all of its small business goals in 2017. In its January 2018 report, the Section 809 Panel recommended that DOD refocus its small business policies and programs to prioritize the department's mission, among other things.

Source: GAO analysis of Small Business Dashboard data and Section 809 Panel January 2018 report. | GAO-18-627

¹²⁴We have ongoing work looking at the implementation of veteran-owned small business programs at the Department of Veterans Affairs.

¹²⁵See Small Business Jobs Act of 2010, Pub. L. No. 111-240, § 1311-1313, 1347 (Sept. 27, 2010) (addressing multiple award contract requirements, consolidation or bundling of contract requirements, and small business contracting parity).

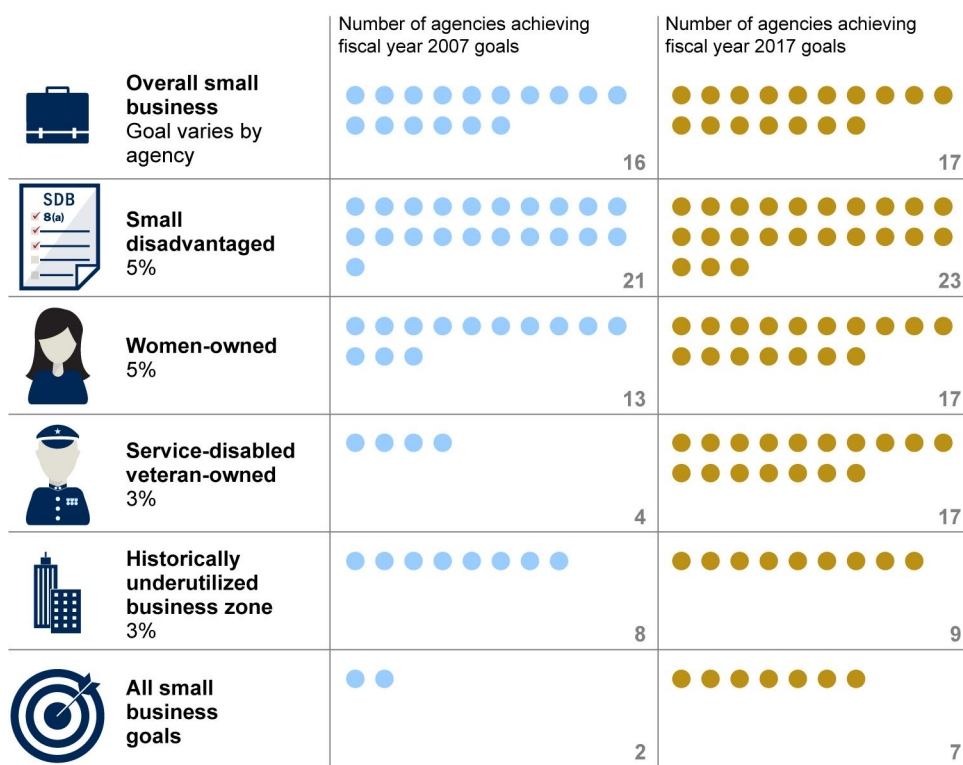
¹²⁶See 78 FR 61114 (Oct. 2, 2013), codified at 13 C.F.R. § 121.402(c) (Multiple Award Contracts).

American Industry Classification System (NAICS) codes are the basis for SBA's size standards; therefore, the NAICS code that a contracting officer assigns determines whether a firm is eligible for small business set-asides. In its rule, SBA observed that when NAICS codes are assigned to a multiple award contract solicitation, a business concern may be small for one or some of the NAICS codes, but not all. In that situation, an agency could receive small business credit on an order for an award to a "small business" where a firm qualifies as small for any NAICS code assigned to the contract, even though the business is not small for the NAICS code that was assigned or that should have been assigned to that particular order. SBA's rule stated that, to ensure small businesses receive the awards that are intended for them, contracting officers should assign NAICS codes to discrete components of a contract in certain circumstances. The contracting officers we interviewed stated that assigning a NAICS code can be challenging when one or more codes could apply to a contract and we noted that SBA's rule may further clarify code assignment for these officials. However, updates to the FAR are required to fully implement SBA's final rule. This FAR rule-making process is ongoing.¹²⁷

In fiscal year 2017, the federal government met three of its five government-wide small business participation goals. This is progress compared to fiscal year 2007, when the government met just one of its five small business goals. While individual agencies' success varied, there was significant improvement in the number of agencies meeting service-disabled veteran-owned and women-owned small business goals. Additionally, the number of agencies meeting all of their small business goals increased from two to seven. Meanwhile, HUBZone goals have remained unmet for a majority of agencies. See figure 6.

¹²⁷GAO, *Small Business Contracting: SBA Efforts May Clarify the Assignment of Industry Codes, and Most Code Appeals Were Dismissed*, [GAO-18-76](#) (Washington, D.C.: Dec. 5, 2017). See also 81 FR 88072 (Dec. 6, 2016). A regulatory update on 81 FR 88072 was published in June 2018. See 83 FR 27217 (June 11, 2018).

Figure 6: Number of Agencies Achieving Small Business Goals Has Increased from Fiscal Years 2007 to 2017



Source: GAO analysis of Small Business Dashboard data. | GAO-18-627

Note: Data analyzed for 24 Chief Financial Officer Act agencies.

Small Business Advocates Have Concerns About Category Management

According to OMB guidance, under category management the federal government should “buy as one.” Specifically, agencies are expected to move away from making numerous individual procurements to purchasing through a broader aggregate approach.¹²⁸

Small business advocates we spoke with have reported a number of concerns to us about the government-wide category management effort.

¹²⁸See OMB OFPP, *Memorandum for Chief Acquisition Officers and Senior Procurement Executives, Subject: Transforming the Marketplace: Simplifying Federal Procurement to Improve Performance, Drive Innovation, and Increase Savings* (Dec. 4, 2014).

Because category management includes streamlining the number of available contracts, small business advocates—including officials at DOD and SBA—have told us that they worry the initiative will reduce the number of small businesses eligible for a given opportunity, and that the number of small businesses awarded federal contracts may fall.

The executive branch has taken some steps to provide small businesses with contracting opportunities through category management. For example, the category management effort includes a set of cross-agency priority goals that include small business utilization. Another element of category management identifies best-in-class contracting vehicles that are recommended for agency use. Some best-in-class vehicles under category management focus on small business providers, including GSA's Alliant Small Business vehicle that provides IT solutions. Additionally, in 2015, we found that DHS's "on-ramp/off-ramp" mechanisms offered an option to help maintain a pool of eligible small businesses by reopening an indefinite-delivery, indefinite-quantity vehicle's solicitation to new small business vendors after participating businesses outgrew their small size status and left the program.¹²⁹ GSA recently reported that two of its small business interagency contracts—OASIS Small Business and 8(a) Stars II—used on-ramp procedures in 2017 and 2018.¹³⁰

However, in 2014 we analyzed small business participation in strategic sourcing, a predecessor to category management, and found that agencies had not implemented OMB requirements to develop performance measures to determine how strategic sourcing initiatives had affected small business participation.¹³¹ As of June 2018, four of the six

¹²⁹An "off ramp" requires businesses that have outgrown or otherwise lost their small business status to leave a small business contract pool after completing any ongoing task orders, while an "on ramp" permits the agency to replenish the pool of small businesses by reopening the solicitation to new small businesses. GAO, *DHS IT Contracting: Steps Taken to Enhance EAGLE II Small Business Opportunities, but Better Assessment Data Needed*, [GAO-15-551](#) (Washington, D.C.: June 24, 2015).

¹³⁰OASIS Small Business is a best-in-class multiple award IDIQ contract that provides professional services. 8(a) STARS II is a small business set-aside, government-wide acquisition contract that provides IT solutions.

¹³¹GAO, *Strategic Sourcing: Selected Agencies Should Develop Performance Measures on Inclusion of Small Businesses and OMB Should Improve Monitoring*, [GAO-14-126](#) (Washington, D.C.: Jan. 23, 2014).

contracting agencies we reviewed had implemented our recommendation to do so.

Most Agencies Did Not Demonstrate Full Compliance With Small Business Office Requirements

In the Small Business Act, Congress required certain agencies to create and appropriately staff Offices of Small and Disadvantaged Business Utilization (OSDBUs) to advocate for small businesses.¹³² Throughout the years, Congress amended the requirements on multiple occasions, generally expanding the areas for the OSDBU to maintain involvement in, and providing details on how the OSDBU office should function.¹³³

However, among other results, we have found that many agencies have not demonstrated that they are in full compliance with a number of requirements related to the functions and duties of these offices, such as establishing a direct reporting relationship between the OSDBU director and the agency head or deputy head, and specifying that the director must have supervisory authority over staff performing certain duties.¹³⁴ As we reported in August 2017, noncompliance with these legislative requirements may limit the extent to which an office can advocate for small businesses, and we made recommendations to 19 agencies to come into full compliance with these OSDBU requirements or report to Congress on why they have not. Most agencies that provided comments agreed or partially agreed with the recommendations. As of June 2018, two of the 19 agencies—the National Aeronautics and Space Administration and the U.S. Agency for International Development—had implemented our recommendations.

SBA Has Improved How It Assesses Firms' Eligibility for Small Business Programs, but Work Remains

Over the past decade, we have identified a number of weaknesses in the processes SBA uses to certify and recertify businesses as being eligible to participate in its selected programs—specifically HUBZone and

¹³²See Small Business Act and Small Business Investment Act of 1958, amendment, Pub. L. No. 95-507, § 221 (Oct. 24, 1978); 15 U.S.C. § 644(k).

¹³³See, e.g., Pub. L. No. 114-328, § 1812, 1813, 1821 (2016); Pub. L. No. 114-92, § 870 (2015); Pub. L. No. 112-239, § 1691 (2013).

¹³⁴[GAO-17-675](#).

women-owned programs, and the 8(a) program for small disadvantaged businesses—and made recommendations to SBA to address them.¹³⁵ SBA has taken steps to address these weaknesses, but some remain. In March 2010, we made six recommendations to improve how SBA assesses the continuing eligibility of firms to participate in the 8(a) program, and we have closed all six recommendations as implemented.¹³⁶ In 2014, we made two recommendations to improve SBA's oversight of firms' participation in its women-owned small business program. We had found that SBA had not yet developed procedures that provided reasonable assurance that only eligible businesses obtained set-aside contracts. Then in 2015, we made two recommendations to improve SBA's oversight of firms' participation in the HUBZone program. We had found that SBA lacked an effective way to communicate program changes to small businesses as well as key oversight controls over the process that small businesses used to recertify that they are eligible to participate. The four recommendations in these two reports remained open as of May 2018.

Agency Comments and Third Party Views

We provided a draft of this report to OMB, DOD, GSA and SBA for review and comment. We received written comments from DOD, which are reprinted in appendix II, and one technical comment via e-mail. OMB and GSA provided technical comments via e-mail. We addressed OMB's, DOD's and GSA's comments as appropriate. SBA told us that they had no comments on the draft report.

We also offered three third party organizations—two industry groups and the Section 809 Panel—the opportunity to provide their views on sections

¹³⁵GAO, *Small Business Administration: Government Contracting and Business Development Processes and Rule-Making Activities*, [GAO-17-573](#) (Washington, D.C.: June 30, 2017). For examples, also see GAO, *Small Business Contracting: Opportunities Exist to Further Improve HUBZone Oversight*, [GAO-15-234](#) (Washington, D.C.: Feb. 12, 2015); *Women-Owned Small Business Program: Certifier Oversight and Additional Eligibility Controls Are Needed*, [GAO-15-54](#) (Washington, D.C.: Oct. 8, 2014); *Small Business Administration: Steps Have Been Taken to Improve Administration of the 8(a) Program, but Key Controls for Continued Eligibility Need Strengthening*, [GAO-10-353](#) (Washington, D.C.: Mar. 30, 2010). SBA's 8(a) program is a business development program for small disadvantaged businesses.

¹³⁶[GAO-10-353](#).

of the report that relate to them. They confirmed these sections of the report are accurate.

We are sending copies of this report to the appropriate congressional committees, the Director of the Office of Management and Budget, the Secretary of Defense, the Administrator of General Services, the Administrator of the Small Business Administration, and other interested parties. In addition, the report is available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-4841 or WoodsW@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix III.



William T. Woods
Director, Contracting and National Security Acquisitions

Appendix I: Objective, Scope, and Methodology

This report identifies actions the federal government has taken to address the key issues the Acquisition Advisory Panel (the Panel) raised in its 2007 report, and some of the acquisition challenges that remain.

To frame the key issues the Panel identified in its 2007 report, we worked with internal subject matter experts and officials from the Office of Management and Budget's (OMB) Office of Federal Procurement Policy (OFPP), Department of Defense (DOD), General Services Administration (GSA), and Small Business Administration (SBA) to categorize the Panel's 89 recommendations into six higher-level issue areas:

- Requirements definition,
- Competition and pricing,
- Contractor oversight,
- Acquisition workforce,
- Federal procurement data, and
- Small business participation.

To identify progress made and challenges that remain in each of these issue areas, we reviewed relevant GAO reports and testimonies; key legislation such as the Weapon Systems Acquisition Reform Act of 2009,¹ and the Small Business Jobs Act of 2010;² acquisition guidance issued by OMB, DOD, GSA, and SBA; and interim reports from the Section 809 Panel, which is addressing acquisition challenges at DOD, and plans to issue its final report in January 2019. We also interviewed officials from OMB, DOD, GSA, and SBA; and Section 809 Panel staff. Further, we collected input from members of the Chief Acquisition Officers Council

¹Pub. L. No. 111-23.

²Pub. L. No. 111-240.

and two industry groups: the Professional Services Council and the Coalition for Government Procurement.³

The GAO reports cited throughout this report include detailed information on the scope and methodology from our prior reviews. For findings based on analyses of data from the Federal Procurement Data System-Next Generation (FPDS-NG) in our prior work, we updated the previous analyses to include the most recent years available. We reviewed current documentation for FPDS-NG in order to identify any changes that might impact our analyses. We determined that the FPDS-NG data were sufficiently reliable for the purpose of updating previous analyses.

We conducted this performance audit from July 2017 to September 2018 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 objective.

³The Professional Services Council is an industry group that advocates for the government technology and professional services industry. The Coalition for Government Procurement is a non-profit association of commercial contractors that offer commercial services and products in the federal market. We also solicited written responses from the Chief Information Officers Council, but this council did not provide us any information.

Appendix II: Comments from the Department of Defense

**Appendix II: Comments from the Department
of Defense**



ACQUISITION
AND SUSTAINMENT

OFFICE OF THE UNDER SECRETARY OF DEFENSE


3000 DEFENSE PENTAGON
WASHINGTON, DC 20301-3000

AUG 14 2018

Mr. William T. Woods
Director, Contracting and National Security Acquisitions
U.S. Government Accountability Office
441 G Street, N.W.
Washington, DC 20548

Dear Mr. Woods:

This is the Department of Defense response to the Government Accountability Office (GAO) Draft Report, GAO-18-627, "FEDERAL ACQUISITIONS: Congress and the Executive Branch Have Taken Steps to Address Key Issues, but Challenges Endure" dated July 20, 2018 (GAO Code 102196). The Department acknowledges receipt of the draft report. The Department also notes the report includes no recommendation but appreciates the GAO noting that Congress and the Executive Branch have taken action to address key issues taken from the Acquisition Advisory Panel's 2007 report. Thank you for the opportunity to review. For future reference, our organization has a new name, Defense Pricing and Contracting.



Shay D. Assad
Director, Defense Pricing
and Contracting

Appendix III: GAO Contact and Staff Acknowledgments

GAO Contact

William T. Woods, (202) 512-4841 or WoodsW@gao.gov

Staff Acknowledgments

In addition to the contact named above, Nathan Tranquilli (Assistant Director), Betsy Gregory-Hosler (Analyst-in-Charge), Holly Williams, George Bustamante, and Brandon Voss made key contributions to this report. Ted Alexander, Cheryl Andrew, Peter Del Toro, Brenna Derritt, Alexandra Dew Silva, Tim DiNapoli, Jennifer Dougherty, Kathleen Drennan, Lorraine Ettaro, Stephanie Gustafson, Dave Hinchman, Javier Irizarry, Justin Jaynes, Julia Kennon, Sherrice Kerns, Emily Kuhn, Heather B. Miller, Angie Nichols-Friedman, Shannin O'Neill, Miranda Riemer, William Russell, Bill Shear, Roxanna T. Sun, and Katherine Trimble also made contributions to the report.

Appendix IV: Accessible Data

Data Tables

Accessible Data for Figure: Government-wide Competition Rates Compared to Civilian and Defense Agencies, Fiscal Years 2013-2017

Fiscal year	Civilian	Defense	Total government-wide
2013	79.6	56.6	64.2
2014	80	58.2	66.1
2015	79.4	55.4	64.4
2016	80.8	52.8	63.2
2017	81.2	52.2	62.9

Accessible Data for Figure 2: Government-wide Competition Rates Compared to Civilian and Defense Agencies, Fiscal Years 2013-2017

Fiscal year	Civilian	Defense	Total government-wide
2013	79.6	56.6	64.2
2014	80	58.2	66.1
2015	79.4	55.4	64.4
2016	80.8	52.8	63.2
2017	81.2	52.2	62.9

Accessible Data for Figure 5: Government-wide Obligations for Services Requiring Increased Management Attention and All Other Services, Fiscal Years 2013-2017

Fiscal year	Services requiring increased management attention	Services not requiring increased management attention
2013	56.12	240.3
2014	54.95	238.57
2015	55.84	224.62
2016	59.04	233.36

Fiscal year	Services requiring increased management attention	Services not requiring increased management attention
2017	61.06	244.91

Accessible Data for Figure 6: Number of Agencies Achieving Small Business Goals Has Increased from Fiscal Years 2007 to 2017

n/a	number of agencies achieving fiscal year 2007 goals	number of agencies achieving fiscal year 2017 goals
Overall small business Goal varies by agency	15	17
Small disadvantaged 5%	21	23
Women-owned 5%	13	17
Service-disabled veteran-owned 3%	4	17
Historically underutilized business zone 3%	8	9
All small business goals	2	7

Agency Comment Letter

Accessible Text for Appendix II Comments from the Department of Defense

Mr. William T. Woods

Director, Contracting and National Security Acquisitions

U.S. Government Accountability Office

441 G Street, N.W.

Washington, DC 20548

Dear Mr. Woods:

AUG 14 2018

This is the Department of Defense response to the Government Accountability Office (GAO) Draft Report, GAO-18-627, "FEDERAL ACQUISITIONS: Congress and the Executive Branch Have Taken Steps to Address Key Issues, but Challenges Endure" dated July 20, 2018 (GAO Code 102196). The Department acknowledges receipt of the draft report. The Department also notes the report includes no recommendation but appreciates the GAO noting that Congress and the Executive Branch have taken action to address key issues taken from the Acquisition Advisory Panel's 2007 report. Thank you for the opportunity to review. For future reference, our organization has a new name, Defense Pricing and Contracting.

Shay D. Assad

Director, Defense Pricing and Contracting

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