

CIVILIAN SERVICE CONTRACT INVENTORIES

Opportunities Exist to Improve Agency Reporting and Review Efforts

Why GAO Did This Study

In fiscal year 2011, civilian agencies reported \$161 billion in contract obligations, \$126 billion (almost 80 percent) of which were for services such as professional management and information technology support. Concerned about agencies' reliance on contractors, Congress included a requirement in the Consolidated Appropriations Act of 2010 for civilian agencies to compile and review an annual inventory of service contracts to examine certain issues, such as contractors performing inherently governmental functions or functions closely associated with inherently governmental functions, which would require enhanced management oversight. It also required OMB to develop guidance to assist agencies in meeting the act's requirements and for GAO to report on agency efforts.

GAO assessed agency efforts to (1) compile their fiscal year 2011 inventories and (2) review and report on their fiscal year 2010 inventories. To meet these objectives, GAO analyzed agencies' fiscal year 2011 service contract inventories and fiscal year 2010 service contract inventory review reports and compared them to legislative requirements, OMB guidance, and federal procurement data.

What GAO Recommends

GAO recommends that OMB (1) work with agencies to improve how compliance with the act and with OMB guidance is monitored and (2) clarify guidance to agencies for compiling and reporting on their inventories. OMB generally concurred with our recommendations.

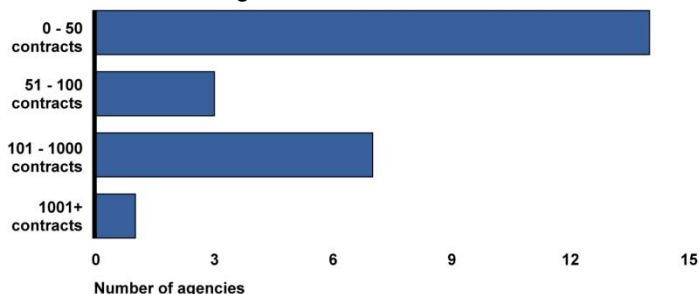
View [GAO-12-1007](#). For more information, contact John Hutton at (202) 512-4841 or HuttonJ@gao.gov.

What GAO Found

Civilian agencies did not fully comply with statutory requirements for compiling fiscal year 2011 service contract inventories. For example, because the information is not currently readily available, the Office of Management and Budget (OMB) directed the 49 agencies that were required to submit inventories to defer the collection of three statutorily required data elements for each contract—the role the services played in achieving agency objectives, the total dollar amount invoiced for services under the contracts, and the number and work locations of contractor and subcontractor personnel. Progress, however, is being made to collect this information for future inventories. OMB directed agencies to start collecting information on the role services play in achieving agency objectives for new contracts awarded on or after March 1, 2012. A proposed Federal Acquisition Regulation rule was published in April 2011 to start collecting the remaining two data elements directly from contractors. We also found several instances where agencies significantly underreported obligations in their inventories, either because they misinterpreted or did not follow OMB guidance. For example, the General Services Administration underreported obligations by approximately \$6.4 billion. Without complete and accurate service contract inventories, OMB and Congress cannot meaningfully compare service contract obligations among agencies, or develop spending trends for agencies, thus limiting the overall utility of the inventories.

Nine of the 49 civilian agencies did not submit a report on their fiscal year 2010 inventory review to OMB, as required. Of the 40 agencies that submitted reports on their inventory reviews, 5 agencies identified 3 contracts where contractors could be performing inherently governmental functions and 104 instances where contractors were performing closely associated with inherently governmental functions. It is unclear, however, based on the 40 agency reports, whether these results were a real indication of the agencies' effective and appropriate use of contractors or due to the different approaches agencies used to conduct the reviews. Agencies did not include important context in their reports, such as the number of contracts or the percentage of their inventories reviewed. As shown in the figure below, of the 25 agencies that reported the number of contracts they reviewed, most reviewed 50 or fewer contracts. OMB intends to have agencies share lessons learned, including the use of cross-functional teams, to help future review efforts.

Number of Contracts Agencies Reviewed



Source: GAO analysis of civilian agency data.