



Agencies Having Trouble Analyzing Service Contracts

By Jason Miller May 27, 2011

Civilian agencies will have a tough time meeting the upcoming deadline to analyze whether they are using service contractors appropriately.

The Government Accountability Office reviewed nine agencies and found seven have started their analysis, but only a few were far along with about two months before the reports were due to the Office of Management Budget.

As part of the Consolidated Appropriations Act of 2010, Congress asked OMB issue guidance and agencies to create and analyze inventories of services contractors to better determine if they have the proper use of, and balance between contractors and federal employees. These reports are due June 30.

GAO found there were "mixed opinions among agency officials on the usefulness of the inventories. Some agency officials believe the inventories will help with existing efforts related to workforce balance. Others are concerned they will not be given the necessary resources to implement any changes that would come from what they learned from the inventories such as converting contractor positions to government positions."

GAO described its findings in a letter to the House committees on Appropriations and Oversight and Government Reform and the Senate committees on Appropriations and Homeland Security and Governmental Reform.

Congress has increased its oversight of service contracts over the last eight years starting with the passage of the Service Acquisition Reform Act (SARA) of 2003 and as the amount of money going to these contracts surpassed those for products. In 2000, agencies, including the Defense Department, spent \$164 billion on service contracts. Last year, agencies spent \$343 billion.

In fact, GAO reported 80 percent of all civilian agency contracts were for services in fiscal 2010. Auditors also reported that civilian agencies spent more than \$100 billion on service contracts since 2006.

To try to better manage service contract spending, Congress wanted civilian agencies to follow the DoD lead and create service contract inventories. GAO found agencies met that deadline, and reviewed six of the largest agencies, which accounted for 66 percent of all service contract spending in 2009.

But meeting the next deadline to determine whether the mix of contractors and feds was appropriate will be more difficult for many agencies.

The General Services Administration, for example, is reviewing more than 5,400 positions worth more than \$2.3 billion. The Homeland Security Department is reviewing 13,000 positions worth almost \$12 billion.

GAO found GSA is on track to meet the deadline, but DHS still was in the early stages of the review process as of April.

"The results of [DHS's] review so far have been mixed; there are some contracts they believe will need to be converted into government positions, but they have determined others are appropriate to be outsourced," GAO stated. "DHS officials stated that they are trying to ensure their process for conducting inventory analysis will be repeatable to facilitate inventory analyses in subsequent years."

The Department of Housing and Urban Development and the Department of Veterans Affairs were behind as of April.

"HUD officials told us in April 2011 that due to staff shortages they have not been able to start an analysis yet, but they plan to review the inventory in May when they go through their program management review process," GAO stated. "Similarly, VA officials told us that they were beginning the analysis. VA has selected contracts to be reviewed through statistical sampling and has selected a contractor to review them starting in May 2011. VA officials believe they will meet the deadline for conducting the required analysis."

GAO also said OMB is almost a year late in getting a report to Congress the actions it's taking to support agency efforts to identify and analyze service contracting.

"We are currently finalizing the report and plan to issue it shortly," said OMB spokeswoman Moira Mack.

Finally, the Federal Acquisition Regulations Council will begin reviewing comments on a proposed rule to increase the number of data elements agencies and contractors must submit to better track service contracts.

The FAR Council issued the proposal in April and is accepting comments through mid-June.

"On April 20, the administration published the proposed Federal Acquisition Regulation (FAR) rule for public comment, which has been a critical focus since that rule will play a key role in

allowing the collection of information on contracted labor and the amount invoiced - data points required by the law but not currently available," Mack said.

GAO stated agencies need these analyses of their service contracts to make informed decisions on the makeup of their workforces.

"OMB's service inventory guidance has enabled agencies to take the initial steps to collect this information and begin analyzing their inventories, but challenges lie ahead in how agencies will collect the additional required inventory data that are not currently available governmentwide," GAO states. "Because the revision to the FAR will not likely be implemented until late in the current fiscal year and the process and system for collecting this information are not available, agencies will not likely be able to modify existing contracts in time to collect the additional inventory data for the fiscal year 2011 inventories."

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