



Highlights of [GAO-08-263](#), a report to congressional requesters

## Why GAO Did This Study

The Department of Homeland Security (DHS) has relied on service acquisitions to meet its expansive mission. In fiscal year 2006, DHS spent \$12.7 billion to procure services. To improve service acquisition outcomes, federal procurement law establishes a preference for a performance-based approach, which focuses on developing measurable outcomes rather than prescribing how contractors should perform services.

GAO was asked to (1) evaluate the implementation of a performance-based approach in the context of service acquisitions for major, complex investments, and (2) identify management challenges that may affect DHS's successful acquisitions for major investments, including those using a performance-based approach.

GAO reviewed judgmentally selected contracts for eight major investments at three DHS components totaling \$1.53 billion in fiscal years 2005 and 2006; prior GAO and DHS Inspector General reviews; management documents and plans; and related data, including 138 additional contracts for basic services.

## What GAO Recommends

DHS generally concurred with GAO's recommendations that DHS develop measurable standards consistently linked to well-defined requirements, evaluate acquisition outcomes for major investments, and improve data quality to help identify and assess contracting methods and outcomes.

To view the full product, including the scope and methodology, click on [GAO-08-263](#). For more information, contact John Hutton (202) 512-4841 or [huttonj@gao.gov](mailto:huttonj@gao.gov).

## DEPARTMENT OF HOMELAND SECURITY

### Better Planning and Assessment Needed to Improve Outcomes for Complex Service Acquisitions

#### What GAO Found

All service contracts for the eight major, complex investments GAO reviewed had outcome-oriented requirements; however, four of these contracts did not have well-defined requirements, a complete set of measurable performance standards, or both. These service contracts experienced cost overruns, schedule delays, or did not otherwise meet performance expectations. In contrast, service contracts for the other four investments GAO reviewed had well-defined requirements linked to measurable performance standards. Contractors had begun work on three of these four contracts and performed within budget meeting the standards. This finding is consistent with prior GAO work on service acquisitions, which has highlighted the criticality of sound acquisition planning to develop well-defined requirements and measurable performance standards to achieving desired outcomes. In the four cases that had negative outcomes, program officials identified the contractor performance weaknesses through quality assurance surveillance and took corrective actions. Prior GAO work has found that if acquisitions, including those that are performance-based, are not appropriately planned, structured, and monitored, there is an increased risk that the government may receive products or services that are over budget, delivered late, and of unacceptable quality.

In managing its service acquisitions, including those that are performance based, DHS has faced workforce and oversight challenges. Prior GAO work has highlighted the importance of having the right people with the right skills to achieve successful acquisition outcomes. Contracts for two major investments with negative cost and schedule outcomes did not have the staff needed to adequately plan and execute the contracts. Further, while representatives for several of the contracts GAO reviewed indicated that contracting and program staff worked well together, some senior acquisition representatives at the component level indicated that a lack of collaboration between these key stakeholders has been a challenge when developing and managing complex service acquisitions. In terms of oversight, component contracting and program officials said they used a performance-based approach to the maximum extent practicable; however, DHS does not have reliable data to facilitate required reporting, informed decisions, and analyzing acquisition outcomes. GAO's review also found that about half of an additional 138 contracts for basic services identified as performance-based did not have any of the elements intended to foster good outcomes: a performance work statement, measurable performance standards, and a quality assurance surveillance plan. DHS's Chief Procurement Officer (CPO)—who is responsible for departmentwide oversight of acquisitions—has several efforts under way to address some of these workforce and oversight issues. One initiative is an acquisition oversight program that is intended to assess (1) compliance with federal acquisition guidance, (2) contract administration, and (3) business judgment. However, this oversight program has not yet included an evaluation of the outcomes of contracting methods such as performance-based service acquisition.