



Highlights of [GAO-08-578](#), a report to congressional committees

Why GAO Did This Study

Interagency contracting—using another agency’s contracts or contracting services—can provide agencies with opportunities to streamline the procurement process and achieve savings. However, GAO designated the management of interagency contracting a high-risk area in 2005 due, in part, to a lack of reliable data on its use and of clarity regarding contract management responsibilities.

In 2002, the Department of State (State) issued the State First policy, requiring domestic bureaus to obtain approval from State acquisition officials before paying other agencies for contract support services. Under the Comptroller General’s authority to conduct evaluations on his own initiative, GAO evaluated State’s 1) insight into its use of interagency contracts, 2) policies on deciding when to use assisted interagency contracts, and 3) ability to ensure oversight. GAO’s work included reviewing regulations, analyzing interagency contracting data, and conducting 10 case studies of direct and assisted interagency contracts that represented a range of State bureaus and servicing agencies.

What GAO Recommends

GAO recommends the Secretary of State take action to improve State’s tracking of interagency contracting, clarify its State First policy, and enhance contract oversight. In written comments on a draft of this report, State agreed with the recommendations.

To view the full product, including the scope and methodology, click on [GAO-08-578](#). For more information, contact John Hutton at (202) 512-4841 or huttonj@gao.gov.

INTERAGENCY CONTRACTING

Need for Improved Information and Policy Implementation at the Department of State

What GAO Found

State officials have limited insight into the extent to which the department has used both methods of interagency contracting—*direct* by placing their own orders on another agency’s contract and *assisted* by obtaining contract support services from another agency. State officials cannot rely on the federal government’s primary data system for tracking procurements to readily identify instances when State has used interagency contracts. Further, State’s central procurement and accounting systems do not reliably and comprehensively identify when interagency contracts have been used. While State officials told GAO the most reliable way to identify interagency contract actions would be to request data on these actions from bureaus and overseas posts, several bureaus and posts had difficulty responding to such a request. State reported to GAO over \$800 million in interagency contract actions in fiscal year 2006, but these data were incomplete. For example, State did not report \$144 million in assisted contracting performed on its behalf by the Department of Defense. GAO has previously reported that the lack of reliable information on interagency contracts inhibits agencies from making sound contracting decisions and engaging in good management practices.

Due to the way the State First policy has been implemented, State cannot ensure that decisions to use assisted interagency contracting are made by the appropriate acquisition officials. These officials often lack awareness of or involvement in decisions to use assisted interagency contracts. First, State acquisition officials have created exemptions limiting the assisted contract actions subject to their review under the policy. For example, State’s guidance exempts funds transfers under the Foreign Assistance Act, under which bureaus conducting large amounts of interagency contracting operate. Second, bureaus have varying interpretations of when approvals are needed under the policy. Some bureaus seek approvals for individual contract actions related to specific requirements. Another bureau interprets the policy as only requiring approval for a new overarching interagency acquisition agreement, which can encompass multiple contract actions and fiscal years. Third, State acquisition officials do not monitor State First compliance, so they are not positioned to know whether the five approval requests received in fiscal year 2006 fully reflected the extent of that year’s assisted interagency contracting.

State’s policies do not ensure that responsibilities for overseeing contractor performance on assisted interagency contracts are assigned to appropriately trained individuals. State acquisition regulations do not require trained oversight personnel to be assigned when using assisted interagency contracting. As a result, effective oversight depends on factors outside of State’s control, such as the rigor of servicing agencies’ oversight requirements, which vary. GAO identified cases where State personnel were given responsibility for overseeing contractor performance but had not received related training. GAO and others have reported that agencies’ interests are put at risk when the individuals responsible for overseeing contractor performance are not clearly designated and have not been properly trained.