

GAO Highlights

Highlights of [GAO-17-610](#), a report to the Ranking Member, Committee on Homeland Security and Governmental Affairs, U.S. Senate

Why GAO Did This Study

A personal services contract is one that makes contractor personnel appear to be government employees. These contracts must be authorized by federal law. According to FPDS-NG, the government reported obligating about \$1.5 billion on personal services contracts in fiscal years 2011 through 2015.

GAO was asked to examine the federal government's use of personal services contracts. This report discusses (1) the extent to which selected federal agencies award personal services contracts, and (2) how those agencies use them.

GAO identified the four agencies spending the most on personal services contracts—the Air Force, Army, Navy, and USAID—as reported in FPDS-NG. These agencies account for about 60 percent of total spending on these contracts. GAO also reviewed the service contract inventories these agencies prepared for fiscal year 2014, the latest year available at the time of this review. GAO reviewed the files for a nongeneralizable sample of 60 personal (15 at each agency) and 40 nonpersonal services contracts (10 at each agency) and interviewed agency officials. GAO did not review the administration of the contracts.

What GAO Recommends

GAO recommends that the Secretary of Defense direct the Air Force and Army to take steps to ensure the accurate recording of personal services contracts in FPDS-NG; and that USAID ensure the correct authority is cited for personal services contracts performed in the United States. DOD and USAID concurred with our recommendations.

View [GAO-17-610](#). For more information, contact William T. Woods at (202) 512-4841 or WoodsW@gao.gov.

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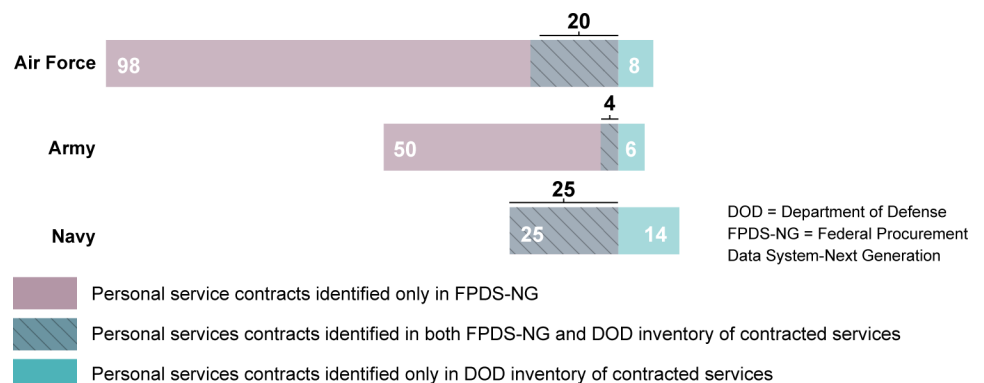
FEDERAL CONTRACTING

Improvements Needed in How Some Agencies Report Personal Services Contracts

What GAO Found

The United States Agency for International Development (USAID) spent more than \$123 million on personal services contracts in fiscal year 2015, according to the Federal Procurement Data System-Next Generation (FPDS-NG). But GAO cannot confirm the extent that personal services contracts are awarded by the Department of Defense (DOD) because GAO identified significant reporting errors at two DOD agencies—the Air Force and the Army. Specifically, 4 of the 15 Air Force contracts and 13 of the 15 Army contracts GAO reviewed were incorrectly recorded in FPDS-NG as personal services contracts. Defense officials agreed with this assessment. Further, the fiscal year 2014 inventories of contracted services at Air Force, Army, and Navy contained personal services contracts not captured in FPDS-NG, as shown in the figure below. Apart from the inaccuracies of the reported data, GAO observed and agency officials agreed that additional undercounting could exist since some contracts for nonpersonal services could become personal services contracts, depending on whether the contract involves direct supervision by government employees. In the absence of accurate data, proper management of personal services and other contracts becomes more difficult.

DOD Personal Service Contracts as Reported in FPDS-NG and Inventories, Fiscal Year 2014



Source: GAO analysis of Department of Defense data. | GAO-17-610

Military departments and USAID use personal services contracts differently. DOD personal services contracts GAO reviewed were mostly for health care services. As permitted under its regulations, USAID uses personal services contracts for a broader range of functions such as program management, security analysis, and logistics, some of which are considered tasks that only government employees should perform—inherently governmental activities. Federal regulations that prohibit contractors from performing such activities do not apply to authorized personal services contracts. DOD's practice is not to use personal services contracts for inherently governmental tasks. DOD and USAID have multiple authorities for awarding personal services contracts, but none of the files GAO reviewed at USAID cited the correct authority for personal services contracts performed in the United States. USAID has taken steps to address this issue but has not yet determined whether these steps will be effective.