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United States Government Accountability Office
Washington, DC 20548

January 29, 2013

Congressional Committees

Subject: Interagency Contracting: Agency Actions Address Key Management Challenges, but Additional Steps Needed to Ensure Consistent Implementation of Policy Changes

Federal agencies collectively spend more than half a trillion dollars annually through contracts to acquire goods and services in support of their missions. One method for realizing efficiency in the procurement process is through the use of interagency contracting, where one agency either places an order directly against another agency's contract or uses the contracting services of another agency to obtain supplies or services. Interagency contracting can provide a number of benefits to agencies, helping them to streamline the procurement process, take advantage of unique expertise in a particular type of procurement, and achieve savings by leveraging the government's collective buying power. But these acquisitions also pose a variety of risks. We designated the management of interagency contracting as a high risk area in 2005, in part because of the need for stronger internal controls and clear definitions of agency roles and responsibilities.¹ We subsequently reported on interagency contracting in 2010, and identified the need for governmentwide policies to govern the creation of interagency contract vehicles and better data to effectively oversee and manage them.² Since then, key policy changes have been made to both guide the creation of new interagency contracts and strengthen the use of existing contract vehicles. For example, federal acquisition regulations have been revised and guidance has been created to require, among other things, that agencies formally document the roles and responsibilities in an interagency agreement for certain interagency acquisitions.

We performed this review under the authority of the Comptroller General as part of our ongoing efforts to support congressional oversight of GAO's high-risk areas. We evaluated (1) progress made by the Office of Management and Budget's (OMB) Office of Federal Procurement Policy (OFPP) and the General Services Administration (GSA) in addressing issues identified in our 2010 report on interagency contracting, and (2) progress made by federal agencies in implementing policy changes related to the use of interagency contracts.

To address our objectives, we reviewed corrective action plans developed by OFPP and GSA to respond to issues identified in our 2010 report, along with policy memorandums, guidance, and studies on efforts to address these issues. We also met with OFPP and GSA

¹GAO, *High-Risk Series: An Update*, [GAO-05-207](#) (Washington, D.C.: January 2005).

²GAO, *Contracting Strategies: Data and Oversight Problems Hamper Opportunities to Leverage Value of Interagency and Enterprisewide Contracts*, [GAO-10-367](#) (Washington, D.C.: Apr. 29, 2010).

officials to discuss these actions. We examined agency progress in implementing recent policy changes related to the use of interagency contracts that require agencies to complete a best procurement approach determination and interagency agreements, at three levels. First, we reviewed OFPP's analysis of reports from the 24 Chief Financial Officer (CFO) Act agencies, which included a discussion of management controls related to these policy changes, to gain a governmentwide perspective.³ Next, we met with agency officials from the Department of Defense (DOD), GSA, and the Department of the Interior and reviewed agency policies, guidance, templates, ordering guidelines, and training materials implementing interagency contracting requirements, including regulations incorporated into subpart 17.5 of the Federal Acquisition Regulation (FAR) in December 2010. We selected DOD, GSA, and the Department of the Interior for further review because these agencies are the largest users and providers of interagency contracting services, as reported in the Federal Procurement Data System-Next Generation (FPDS-NG). Finally, to evaluate the implementation of recent policy changes for specific contract actions, we used FPDS-NG data on new awards in fiscal year 2011 to select 20 orders DOD placed using another agency's contract (direct acquisitions) and 20 contracts or orders that another agency awarded for DOD (assisted acquisitions). DOD is the largest user of interagency contracts. We selected contracts and orders with the highest total obligations in fiscal year 2011. For a full description of our scope and methodology, see enclosure I.

We conducted this performance audit from June 2012 to January 2013 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Results in Brief

Both OFPP and GSA have implemented corrective actions to address the key interagency contracting issues identified in our 2010 report regarding the creation, use, and oversight of interagency contracts. Specifically, OFPP has developed a policy framework for the establishment and oversight of interagency contract vehicles, which focuses on ensuring that new interagency contracts demonstrate value through a sound business case. In response to our concerns regarding the lack of data to leverage, manage, and oversee these contracts, OFPP has taken steps to enhance the functionality of a database that provides information on interagency contracts. These actions are intended to make it easier for agency buyers to perform market research and improve the information available to OFPP on the use of these contracts. GSA also has initiated several efforts to improve the availability and use of pricing data on its Multiple Award Schedules program, a key interagency contract vehicle, with the goal of improving the ability of GSA and its customers to get better prices.

Federal agencies have taken a variety of steps to implement recent policy changes related to the use of interagency contracts that require them to complete a best procurement

³The 24 CFO Act agencies are the Departments of Agriculture, Commerce, Defense, Education, Energy, Health and Human Services, Homeland Security, Housing and Urban Development, the Interior, Justice, Labor, State, Transportation, the Treasury, and Veterans Affairs; the Environmental Protection Agency; the National Aeronautics and Space Administration; the U.S. Agency for International Development; the General Services Administration; the National Science Foundation; the Nuclear Regulatory Commission; the Office of Personnel Management; the Small Business Administration; and the Social Security Administration.

approach determination and an interagency agreement. However, DOD's implementation of certain aspects of these policies was inconsistent on the orders we reviewed. At the governmentwide level, OFPP's analysis of reports from the 24 CFO Act agencies found that most had issued guidance, developed templates, and conducted internal reviews to reinforce these policy changes and strengthen the management of interagency acquisitions. Our review of efforts at DOD, GSA, and the Department of the Interior—the largest users and providers of interagency acquisition services—confirmed that these agencies have taken similar actions. At GSA and DOD, some actions are still in progress. GSA has not updated the ordering guides for all its interagency contract vehicles to include the requirement for its customers to make a best procurement approach determination despite internal direction to do so; DOD has not updated its acquisition regulation to reflect this requirement. We also assessed the implementation of these policy changes on recent contract actions at DOD. Most of the DOD orders we reviewed were supported by the required determinations. These determinations, which help ensure agencies make sound business decisions to support their use of an interagency contract, varied in the degree to which they addressed the factors cited in the FAR or OFPP guidance, although most determinations addressed most of the factors. These variations appear to be the result of differences between the FAR and OFPP guidance and DOD's acquisition regulation. In addition, for almost all of the DOD orders we reviewed, the department substantially complied with the requirement that agencies document roles and responsibilities in a written agreement. We are recommending that DOD and GSA take steps to update policies and guidance to ensure that recent interagency contracting policy changes are consistently implemented.

Background

An interagency acquisition takes place when an agency needing supplies or services (the requesting agency) either places an order using another agency's contract in a direct acquisition or obtains acquisition assistance from another agency (the servicing agency) in an assisted acquisition. Agencies spend tens of billions of dollars annually through interagency contract vehicles, such as GSA's Multiple Award Schedules (MAS) program, governmentwide acquisition contracts (GWAC), and multi-agency contracts (MAC).⁴ In recent years, for example, annual spending through governmentwide acquisition contracts and GSA's MAS program has totaled more than \$40 billion.

Citing risks in the use of interagency contracts as well as instances of agencies awarding out-of-scope work through interagency contracts and not complying with laws and regulations, GAO designated the management of interagency contracting as a governmentwide high risk area in 2005.⁵ Subsequent to the high risk designation, Congress⁶

⁴The MAS program, also known as the Federal Supply Schedules program, consists of contracts awarded by GSA or the Department of Veterans Affairs for similar or comparable goods or services, established with more than one supplier, at varying prices. Federal Acquisition Regulation (FAR) § 8.401 and § 8.402. The MAS program offers a large group of commercial products and services ranging from office supplies to information technology services. Multi-agency contracts are task-order or delivery-order contracts established by an agency that can be used governmentwide to obtain goods and services consistent with the Economy Act. FAR § 2.101. Governmentwide acquisition contracts are contracts for information technology established by one agency for governmentwide use. FAR § 2.101.

⁵[GAO-05-207](#).

⁶Pub. L. No. 110-417, § 865 (2008).

and GAO continued to highlight interagency contracting areas that needed attention,⁷ including the need for:

- a business case analysis and policy framework to support the creation of certain new interagency contract vehicles;
- a central source of information on existing interagency contract vehicles to help agencies effectively leverage these contracts;
- data on use of GSA's MAS program, the largest interagency contracting program, to help its customers maximize the program's value; and
- additional management controls and guidance for interagency acquisitions.

OFPP, which provides direction on governmentwide procurement policies, issued comprehensive guidance on interagency contracting in June 2008.⁸ The guidance required the requesting agency to ensure that the use of an interagency acquisition is a sound business decision and strengthened the management of assisted interagency acquisitions by requiring formal agreements between requesting and servicing agencies delineating their respective roles and responsibilities. Since 2005, DOD has had a similar policy to ensure that the use of a non-DOD contract is in the department's best interest.⁹ We previously have reported that OFPP's guidance should help address the deficiencies we have identified in the government's management of interagency contracting.¹⁰ Over the last 2 years, significant changes were also made regarding the creation and use of interagency contracts. Specifically, FAR subpart 17.5 was amended in 2010 to incorporate additional requirements related to the use of interagency contracts similar to those in OFPP's 2008 guidance, including the need to make a best procurement approach determination and put in place an interagency agreement that outlines roles and responsibilities for assisted acquisitions.¹¹ Additionally, OFPP issued guidance in September 2011 that established a process for the development, review, and approval of business cases for new interagency contracts.¹² The business case requirement is also included in the FAR.

OFPP and GSA Have Implemented Corrective Actions to Address Key Interagency Contracting Issues

Both OFPP and GSA have acted to improve the oversight of and data on interagency contracts. OFPP has developed a policy framework for the establishment of new interagency contract vehicles, which should lower the risk of duplication and increase

⁷See [GAO-10-367](#) and *High-Risk Series: An Update*, [GAO-11-278](#) (Washington, D.C.: February 2011).

⁸OMB, Office of Federal Procurement Policy, *Improving the Management and Use of Interagency Acquisitions* (Washington, D.C.: June 6, 2008).

⁹DOD, Office of the Secretary of Defense, *Proper Use of Non-DOD Contracts* (Oct. 29, 2004); DOD Federal Acquisition Regulation Supplement (DFARS) subpart 217.78. This policy went into effect on January 1, 2005.

¹⁰GAO, *High-Risk Series: An Update*, [GAO-09-271](#) (Washington, D.C.: January 2009); and [GAO-11-278](#).

¹¹An interim rule was issued and became effective on December 13, 2010 and the final rule was issued on January 3, 2012 and became effective on February 2, 2012. 75 Fed. Reg. 77733; 77 Fed. Reg. 183. More recently, an interim rule was issued and became effective on November 20, 2012, that requires agencies that perform interagency acquisitions on behalf of DOD to certify that the agency will comply with defense procurement requirements. 77 Fed. Reg. 69720.

¹²OMB, Office of Federal Procurement Policy, *Development, Review, and Approval of Business Cases for Certain Interagency and Agency-Specific Acquisitions* (Washington, D.C.: Sept. 29, 2011).

awareness of proposed vehicles before they are created. In addition, OFPP has improved the functionality of its interagency contract directory, with the goal of making it easier for agency buyers to identify existing contracts and perform market research and for OFPP to gather data on their use. GSA has initiated several efforts to improve the availability and use of pricing data on the Multiple Award Schedules program to improve the ability of the agency and its customers to obtain the best value from these contracts.

OFPP Has Developed a Policy Framework for Establishing New Interagency Contracts

In response to congressional direction and our prior recommendation, OFPP issued guidance in September 2011 that requires agencies to develop business cases for creating new governmentwide acquisition contracts and multi-agency contracts. The business cases must address three key elements: (1) the scope of the contract vehicle and potential duplication with existing contracts; (2) the value of the new contract vehicle, including expected benefits and costs of establishing a new contract; and (3) the administration and expected interagency use of the contract vehicle.¹³ The guidance also requires senior agency officials to approve the business cases and post them on an OMB website to provide interested federal stakeholders an opportunity to review and provide feedback. Feedback is addressed through various channels, including posting written comments through the website and sending letters or memos to stakeholders. According to OFPP, it also conducts follow-up with sponsoring agencies when significant questions are raised during the interagency vetting process, including questions related to potential value or duplication.

OFPP has continued to monitor the business case process to ensure it is functioning effectively. For example, OFPP completed an analysis of the seven business cases that were submitted during fiscal year 2012. The submissions reviewed included business cases for new interagency contract vehicles as well as agency-specific contract vehicles that could create a significant overlap with certain other interagency vehicles, both of which are subject to OFPP's business case guidance. The analysis focused on how well agencies complied with the business case guidance, demonstrated the value of the proposed contract vehicles, and addressed potential duplication with other contract vehicles. OFPP officials we met with noted that, overall, the business cases analyzed complied with the guidance. They plan to use the results of their analysis to identify best practices to further refine the business case process.

OFPP and GSA Have Begun to Address the Need for Better Data

In response to our prior recommendations, OFPP and GSA have taken a number of steps to address the need for better data on interagency contract vehicles. We previously have reported that a lack of reliable information on interagency contracts hampers agencies' ability to do market research as well as efforts to manage and leverage them effectively.¹⁴ To promote better and easier access to data on existing interagency contracts, OFPP has worked to improve the Interagency Contract Directory, a searchable online database of indefinite delivery vehicles for interagency use created in 2003. OFPP officials advised us that they conducted focus groups in March 2012 with members of the acquisition community to discuss potential uses of the database as well as desired content, features, and

¹³OFPP's guidance also applies the business case requirements to certain agency-specific contract vehicles and blanket purchase agreements. The third element of the business case is not required for multi-agency vehicles where interagency use is not expected to be significant.

¹⁴[GAO-10-367](#) and [GAO-11-278](#).

capabilities. OFPP officials we met with explained that they have used the feedback to implement short-term improvements and plan long-term enhancements to the database. Short-term improvements include enhancing the search function and simplifying the presentation of search results, which should aid market research. Potential long-term enhancements include the ability to access vendor past performance information and upload contract documents, such as statements of work, to the system. OFPP officials also noted that this information will be helpful in providing data on the use of interagency contract vehicles, as the database provides information on the amount of obligations against the contracts, and eventually may provide other information such as a notification when contracts not designated for interagency use are being used in that manner. The updated version of the database went live in October 2012.

OFPP also has posted on an OMB website information on governmentwide acquisition contracts and other agreements available for use under the Federal Strategic Sourcing Initiative.¹⁵ The website is only accessible by federal agencies. The site includes information on the vehicle's servicing agency and scope, as well as a link to additional information. This information will also be posted for new interagency contract vehicles established under OFPP's business case guidance. Finally, a new strategic sourcing governance council, established in December 2012, is expected to address the effective use of existing interagency contract vehicles to support governmentwide strategic sourcing efforts, providing another means to use information on existing vehicles to maximize their value.

In addition, GSA has undertaken efforts to collect and provide its customers more data on individual transactions involving certain MAS program contracts, including prices paid. Our prior work found that GSA's ability to strategically manage the MAS program, and its customers' ability to get the best prices, was hindered by a lack of transactional data on the goods and services purchased through MAS contracts.¹⁶ To address these concerns and move toward more data-driven pricing, GSA's Federal Acquisition Service, which manages the MAS and other contract programs, established a team in 2011 to focus on improving access to comprehensive and reliable data across its programs. GSA officials told us the team is currently working to identify commonly collected core data fields and is considering options for how to share the data with internal and external users. The team also plans to identify additional data elements not currently collected that would be beneficial to the Federal Acquisition Service, its customers, and its stakeholders. Further, the team plans to make recommendations on how to provide access to that information and develop a strategy for analyzing, using, and distributing it.

Improving the availability of data is also a key facet of GSA's Schedules Modernization initiative, launched in June 2012. As part of this initiative, GSA has several projects under way designed to improve its ability to collect and share MAS program data, with the goal of improving pricing:

- The Point of Sale/Transactional Data pilot program requires vendors on three product Schedules to automatically provide the Schedules price on all purchases

¹⁵The Federal Strategic Sourcing Initiative was established in 2005 to address governmentwide opportunities to strategically source commonly purchased products and services. For additional information on this initiative, see GAO, *Strategic Sourcing: Improved and Expanded Use Could Save Billions in Annual Procurement Costs*, [GAO-12-919](#) (Washington, D.C.: Sept. 20, 2012).

¹⁶[GAO-10-367](#).

made using a GSA SmartPay card, which could provide cost savings for customer agencies. Customers also receive transactional data on their purchases.

- The Enterprise Acquisition Solution Formatted Price List pilot supports the electronic submission, evaluation, negotiation, award, and publishing of pricing information for vendors on selected services Schedules. Among other benefits, GSA anticipates that this effort will eventually enable better price analysis for Schedules contracts and provide customers easier access to pricing information on Schedules orders. GSA officials said that they have begun the process to revise the GSA Acquisition Regulation to allow the agency to implement this functionality more broadly for the MAS program. GSA anticipates issuing a final rule in fiscal year 2013.
- GSA's price comparison tool pilot assists MAS contract negotiators by providing them pricing data from government and commercial databases for certain products.
- The Market Driven Modification effort provides MAS vendors information on how their prices compare to other vendors and encourages pricing modifications, to reduce price variability for top selling items.

GSA is committed to collecting and providing more transactional data on its contracting programs for both itself and its customers, but GSA officials have acknowledged potential challenges in their efforts to collect more transactional data on the MAS program. These challenges include securing adequate funding to complete the work, identifying viable data sources, and ensuring the data they provide are timely, meaningful, and reflect the circumstances of the acquisition, as well as developing tools to process this information.

Agencies Have Taken Steps to Implement Interagency Contracting Policy Changes, but DOD's Implementation Could Be Improved

Federal agencies have taken a variety of steps to implement policy changes related to the use of interagency contracts that require agencies to complete a best procurement approach determination and an interagency agreement. For example, according to OFPP, most of the 24 Chief Financial Officer Act agencies reported that they have issued guidance and conducted internal reviews to reinforce the new policies and strengthen the management of interagency acquisitions. Our review confirmed that DOD, GSA, and the Department of the Interior—the largest users and providers of interagency acquisition services—have taken similar actions. At GSA and DOD, some actions, such as updating ordering guides and incorporating policy requirements into acquisition regulation supplements, are still in progress. We also assessed the implementation of these policy changes on DOD contract actions. The best procurement approach determinations we reviewed varied in the degree to which they addressed the factors cited in the FAR or OFPP guidance, although most determinations addressed most factors. These variations appear to be the result of differences between the FAR and OFPP guidance and DOD's acquisition regulation. The interagency agreements we reviewed substantially complied with requirements for documenting agencies' roles and responsibilities.

Agencies Have Implemented Policy Changes on the Use of Interagency Contracts

Agencies have taken steps to implement and reinforce interagency contracting policies to help ensure that the acquisitions are properly justified and that roles and responsibilities are clear for all parties involved. Federal acquisition regulations were revised in December 2010 to include two new requirements related to the use of interagency contracts: (1) the requesting agency must determine that a direct or assisted interagency acquisition is the

best procurement approach, and (2) the servicing agency and requesting agency must sign a written interagency agreement for assisted acquisitions, which establishes the general terms and conditions governing the relationship. In July 2012, OFPP requested information from the 24 Chief Financial Officer Act agencies, which account for almost all contract spending governmentwide, about their efforts to implement the new FAR requirements and strengthen the management of interagency acquisitions. Most of the agencies reported that they had implemented management controls, such as guidance, templates, internal reviews, or other methods to reinforce these requirements and strengthen their management of interagency acquisitions. For example, 20 of the 24 agencies reported using guidance to reinforce the requirement that the requesting agency make a best procurement approach determination for a direct acquisition. All 24 agencies also reported having oversight mechanisms to ensure their internal controls are operating properly. Thirteen of these agencies reported conducting internal compliance reviews that included assessments of interagency acquisitions.

We did not independently verify the information that OFPP collected from the 24 Chief Financial Officer Act agencies, but our own review of efforts at DOD, GSA, and the Department of the Interior confirmed that these agencies had taken steps to implement interagency contracting policy changes, as shown below in table 1.

Table 1: Agency Efforts to Implement Requirements on the Use of Interagency Contracts

Agency	Issued internal policies and guidance on best procurement approach determination	Issued internal policies and guidance on interagency agreements	Incorporated compliance with requirements in internal reviews
DOD	⊙	●	●
GSA	⊙	●	●
Interior	●	●	●

Legend: ● Yes
 ⊙ In progress

Source: GAO analysis of agency responses and documentation.

GSA and Interior have issued internal guidance on the requirement to complete a best procurement approach determination for interagency acquisitions. DOD, GSA, and Interior have also issued internal policies and guidance on the requirement to complete an interagency agreement for assisted acquisitions, and have developed templates or directed staff to use OFPP’s interagency agreement template. Additionally, key components of GSA and Interior involved in interagency acquisitions as well as the military services and defense agencies within DOD have incorporated these or similar requirements into internal compliance reviews for their acquisition functions.

Some policy and guidance updates at DOD and GSA are still in progress. For example, DOD has not yet issued internal guidance on the best procurement approach determination requirement, although it has convened a working group to review its interagency contracting policies and update and supplement DOD’s federal acquisition regulation supplement (DFARS) as needed to reflect the new FAR requirements. Additionally, GSA has updated ordering information for the MAS program and Alliant GWAC to include the best procurement approach determination requirement, but it has not updated the ordering

information for some of its other interagency contract vehicles despite an internal directive to do so. In an April 2011 instructional letter, GSA directed its offices to update ordering guides for its interagency contract vehicles to reflect the FAR requirements, including the need for a best procurement approach determination, but the offices responsible for GSA's Alliant Small Business, VETS, and 8(a) STARS II GWACs had not yet done so more than a year later.¹⁷ GSA is not responsible for ensuring that users of its interagency contracts complete the best procurement approach determination; however, updating ordering guidance in accordance with its own instructions would help ensure its customers implement the requirement.

DOD's Interagency Acquisitions Generally Had Required Documentation, but Some Lacked Specified Elements

DOD prepared best procurement approach determinations and interagency agreements, when applicable, for nearly all of the direct and assisted acquisitions we reviewed. However, we found inconsistencies in how well DOD addressed the factors related to best procurement approach determinations. These appear to be the result of differences between the DFARS and the FAR and OFPP guidance.

Best Procurement Approach Determinations for Direct Acquisitions

Defense organizations completed best procurement approach or comparable determinations for 17 of 20 direct acquisitions we reviewed.¹⁸ These determinations varied in the degree to which they addressed the applicable elements in the FAR or OFPP guidance:

- Five of the 17 determinations addressed all of the applicable elements in the FAR or OFPP guidance.
- Twelve of the 17 addressed two of the elements cited in the FAR and OFPP's prior guidance—the suitability of the contract vehicle and the value of using it—but did not address the third factor—the expertise of the requesting agency to place and administer orders. This may be because the preparer of the determinations followed the DFARS, which currently does not require the consideration of the requesting agency's expertise in placing an order under an interagency contract vehicle. DOD plans to update its policies, but at the time of our review had not yet issued internal guidance or updated the DFARS to incorporate the best procurement approach determination requirement in the FAR, including the factor dealing with agency expertise.
- The three remaining acquisitions did not prepare a determination.

¹⁷GSA's Alliant Small Business, VETS, and 8(a) STARS II GWACs are governmentwide acquisition contracts for information technology established by GSA with small businesses; service-disabled, veteran-owned small businesses; and small, disadvantaged businesses, respectively.

¹⁸A recent DOD Inspector General review of purchases made through the Department of Veterans Affairs found that DOD organizations did not complete best procurement approach determinations for 4 of 5 direct acquisitions reviewed for which the requirement applied. For additional information, see Inspector General, Department of Defense, *Contracting Improvements Still Needed in DOD's FY 2011 Purchases Made Through the Department of Veterans Affairs*, DODIG-2013-028 (Alexandria, Va.: Dec. 7, 2012).

Best Procurement Approach Determinations for Assisted Acquisitions

Defense organizations completed best procurement approach or comparable determinations for 19 of 20 assisted acquisitions reviewed. These determinations varied in the degree to which they addressed the required elements in the FAR or OFPP guidance:

- Nine orders had determinations that addressed all three of the required elements specified in the FAR—ability to satisfy the requesting agency’s requirements, cost-effectiveness of using the services of another agency, and ability to comply with appropriation limitations and the requesting agency’s laws and policies.
- Five orders that were issued prior to or shortly after the FAR was updated had determinations that addressed some, but not all, of the four elements cited in OFPP’s guidance. Again, this may be because the preparer of the determinations followed the DFARS, which includes factors that are similar to the factors listed in OFPP’s guidance but not identical. These differences should not be an issue in the future because the DFARS includes comparable factors to the FAR for assisted acquisitions.
- Five orders were supported by determinations that were not in effect on the date the order was placed or did not reflect the agency that actually assisted in the acquisition.
- The remaining acquisition did not prepare a determination.

Interagency Agreements for Assisted Acquisitions

The need to clearly define roles and responsibilities in an assisted interagency acquisition, via an interagency agreement, is a key control for mitigating interagency contracting risks. The FAR provides that in preparing the agreement agencies should review OFPP’s 2008 guidance on interagency acquisitions, which identifies 14 elements for a model agreement.¹⁹ These elements include the scope and period of the agreement, roles and responsibilities, and the legal authority used to conduct the acquisition. DOD organizations prepared interagency agreements for each of the 20 assisted acquisitions we reviewed. Most of these agreements adequately documented the elements required by the FAR and OFPP guidance:

- Fourteen interagency agreements addressed all of the required agreement elements.
- Four interagency agreements we reviewed were missing 1 or 2 of the 14 total required elements. These agreements did not address the scope of organizations covered by the agreement, the period of the agreement, or both.
- The remaining two agreements did not reflect the correct requesting and servicing agency for the order.

For all 20 assisted orders, DOD was the requesting agency. We also recently reported on assisted acquisitions between the Department of State and DOD, where DOD served as the servicing agency. We found that State and DOD did not fully meet requirements for interagency agreements supporting State’s missions in Iraq and Afghanistan.²⁰ We identified the need for both agencies to improve compliance with interagency acquisition requirements

¹⁹FAR § 17.502-1(b).

²⁰GAO, *Iraq and Afghanistan: State and DOD Should Ensure Interagency Acquisitions Are Effectively Managed and Comply with Fiscal Law*, [GAO-12-750](#) (Washington, D.C.: Aug. 2, 2012).

and made a number of specific recommendations toward that end. The agencies concurred with these recommendations.

Conclusions

A federal policy framework is now in place that addresses the key risks associated with interagency contracting. OFPP and GSA have taken a number of steps to improve practices regarding the creation and use of interagency contract vehicles. The policy framework, as well as making more data available, should help agencies more fully realize the benefits of interagency contracting. Agencies have also begun to update internal policies and disseminate information on new policy requirements, although GSA has yet to make such information readily available to customers using certain contract vehicles to ensure they implement all applicable requirements, and DOD must complete its policy review. This is particularly important for DOD, where the inconsistency we found in how its organizations addressed the best procurement approach determination appears to be due to the lack of updated policies and guidance. Now that a new framework for managing the use of interagency contracts is in place, implementation of these requirements is important in order for agencies to demonstrate whether the new policies established to address interagency contracting deficiencies produce the desired results.

Recommendations for Executive Action

To ensure that DOD organizations fully comply with interagency acquisition regulations, we recommend that the Secretary of Defense direct the Office of Defense Procurement and Acquisition Policy, as part of its ongoing interagency acquisition policy review, to ensure that its acquisition regulations, policies, and guidance on interagency contracting are updated to reflect new FAR rules, including those related to a best procurement approach determination.

To ensure that users of interagency contracts are aware of interagency acquisition requirements, we recommend that the Administrator of General Services direct the Federal Acquisition Service to fully implement the actions called for in its April 2011 instructional letter to update ordering guides for its governmentwide and multi-agency contracts as needed to reflect new FAR rules for interagency acquisitions.

Agency Comments and Our Evaluation

We provided a draft of this report to DOD, GSA, Interior, and OMB for their review and comment. DOD concurred with our recommendation and confirmed the creation of its Interagency Acquisition Policy Review working group, which is tasked with ensuring that DOD has a sound interagency acquisition policy that is consistent with statutory and regulatory requirements. GSA also concurred with our recommendation. Written comments provided by DOD and GSA appear in enclosures II and III, respectively. OMB's Office of Federal Procurement Policy provided comments via e-mail, in which it noted the actions taken to improve the management and use of interagency contracts, including strengthened regulations and internal agency controls. OFPP stated that these actions have helped to create a more strategic environment that facilitates smarter buying and increased administrative efficiencies, and that they will continue to work closely with agencies to ensure that policies and procedures are operating effectively. Interior had no comments on the draft report.

We are sending copies of this report to the appropriate congressional committees; the Secretary of Defense; the Secretary of the Interior; the Administrator of General Services, and the Director of the Office of Management and Budget. In addition, this report will be available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-4841 or woodsw@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report were Ron Schwenn, Assistant Director; Alexandra Dew Silva; Kristine Hassinger; Lauren Heft; Katheryn Hubbell; Julia Kennon; Janet McKelvey; Kenneth Patton; and Robert Swierczek.

A handwritten signature in black ink that reads "William T. Woods". The signature is written in a cursive, flowing style.

William T. Woods
Director, Acquisition and Sourcing Management

Enclosures—3

List of Committees

The Honorable Thomas R. Carper
Chairman
The Honorable Tom Coburn
Ranking Member
Committee on Homeland Security and Governmental Affairs
United States Senate

The Honorable Carl Levin
Chairman
The Honorable James M. Inhofe
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The Honorable Elijah E. Cummings
Ranking Member
Committee on Oversight and Government Reform
House of Representatives

The Honorable Howard P. "Buck" McKeon
Chairman
The Honorable Adam Smith
Ranking Member
Committee on Armed Services
House of Representatives

Enclosure I: Objectives, Scope, and Methodology

Our objectives were to assess: (1) progress made by the Office of Management and Budget's (OMB) Office of Federal Procurement Policy (OFPP) and the General Services Administration (GSA) in addressing interagency contracting issues identified in our 2010 report on interagency contracting, and (2) progress made by agencies in implementing policy changes related to the use of interagency contracts.

To address our objectives, we reviewed corrective action plans developed by OFPP and GSA to respond to issues identified in our 2010 report, along with policy memorandums, guidance, and studies on efforts to address interagency contracting issues. We also met with OFPP and GSA officials to discuss their progress in implementing these actions. To examine agencies' progress in implementing recent interagency contracting policy changes on a governmentwide basis, we reviewed OFPP's analysis of reports from the 24 Chief Financial Officer (CFO) Act agencies on management controls for interagency acquisitions. We did not independently verify the information that OFPP collected from the 24 Chief Financial Officer Act agencies. However, we reviewed OFPP's data collection instrument, discussed the findings with OFPP officials, and reviewed OFPP's analysis for completeness and obvious errors. We found the data sufficiently reliable for the purposes of this report. We also met with agency officials from the Department of Defense (DOD), GSA, and the Department of the Interior and reviewed agency policies, guidance, templates, ordering guidelines, and training materials implementing new interagency contracting regulations incorporated into subpart 17.5 of the Federal Acquisition Regulation (FAR) in December 2010.²¹ We selected DOD, GSA, and the Department of the Interior for further review based on the amount of obligations or support provided by these agencies through interagency acquisitions, as reported in the Federal Procurement Data System-Next Generation (FPDS-NG).

To further assess the implementation of recent interagency contracting policy changes, we used FPDS-NG data on new awards made during fiscal year 2011 to select 20 direct interagency orders and 20 assisted interagency contracts and orders from DOD, the largest user of interagency contracts, with the highest total obligations in fiscal year 2011.²² For the direct acquisitions, we selected DOD orders in which the contract instrument used was associated with another agency, such as GSA. For assisted acquisitions, we selected contracts and orders in which DOD was the funding agency, while another agency (such as GSA or Interior) was the contracting agency. To assess DOD's implementation of OFPP guidance and FAR rules related to the use of interagency contracts, we reviewed the award document and best procurement approach determination for each direct order. For assisted orders, we reviewed documentation of the solicitation date, the award document, best procurement approach determination, and interagency agreement between the requesting and servicing agency. For a select number of orders in which the award date was prior to or shortly after the December 2010 issuance of interim FAR rules that required agencies to complete a best procurement approach determination, we assessed the determination provided against prior OFPP guidance that required agencies to make a "best interest" determination before using an interagency contract and the DOD federal acquisition

²¹An interim rule was issued and became effective on December 13, 2010 and the final rule was issued on January 3, 2012, and became effective on February 2, 2012. 75 Fed. Reg. 77733; 77 Fed. Reg. 183.

²²Our prior work has found problems with FPDS-NG data reliability; however, for the purposes of this review we found the data to be sufficiently reliable for selecting orders to review. For an overview of prior findings on FPDS-NG, see GAO, *Federal Contracting: Observations on the Government's Contracting Data Systems*, [GAO-09-1032T](#) (Washington, D.C.: Sept. 29, 2009).

regulation supplement (DFARS) that also requires DOD organizations to determine whether use of a non-DOD contract is in the best interest of DOD.

We conducted this performance audit from June 2012 to January 2013 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Enclosure II: Comments from the Department of Defense



ACQUISITION,
TECHNOLOGY
AND LOGISTICS

OFFICE OF THE UNDER SECRETARY OF DEFENSE
3000 DEFENSE PENTAGON
WASHINGTON, DC 20301-3000

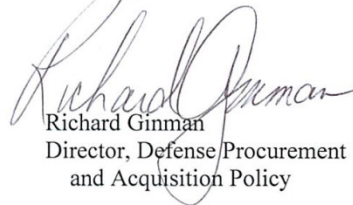
JAN -9 2013

Mr. William T. Woods
Director, Acquisition and Sourcing Management
U.S. Government Accountability Office
441 G Street, N.W.
Washington, DC 20548

Dear Mr. Woods:

This is the Department of Defense (DoD) response to the GAO Draft Report, GAO-13-133R, "Interagency Contracting: Agency Actions Address Key Management Challenges, but Additional Steps Needed to Ensure Consistent Implementation of Policy Changes," dated December 3, 2012 (GAO Code 121081). Detailed comments on the report recommendations are enclosed.

Sincerely,



Richard Ginman
Director, Defense Procurement
and Acquisition Policy

Enclosure:
As stated

**GAO DRAFT REPORT DATED DECEMBER 3, 2012
GAO-13-133R (GAO CODE 121081)**

**Interagency Contracting: Agency Actions Address Key Management
Challenges, but Additional Steps Needed to Ensure Consistent
Implementation of Policy Changes**

**DEPARTMENT OF DEFENSE COMMENTS
TO THE GAO RECOMMENDATIONS**

RECOMMENDATION 1: To ensure that DOD Organizations fully comply with interagency acquisition regulations, we recommend that the Secretary of Defense direct the Office of Defense Procurement and Acquisition Policy, as part of its ongoing interagency acquisition policy review, to ensure that its acquisition regulations, policies, and guidance on interagency contracting are updated to reflect new FAR rules, including those related to a best procurement approach determination.

DoD RESPONSE: Concur: In order to properly assess the Department's compliance with recent regulatory changes and to review DoD policy in this area, I established an Interagency Acquisition Policy Review working group. See attached letter for their tasking.



ACQUISITION,
TECHNOLOGY
AND LOGISTICS

OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON
WASHINGTON, DC 20301-3000

JAN -2 2013


MEMORANDUM FOR DEPUTY ASSISTANT SECRETARY OF THE ARMY
(PROCUREMENT)
DEPUTY ASSISTANT SECRETARY OF THE NAVY
(ACQUISITION AND PROCUREMENT)
DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE
(CONTRACTING)
DIRECTOR OF CONTRACTS MANAGEMENT OFFICE (DARPA)

SUBJECT: Interagency Acquisition Policy Review

Recent changes to the FAR, including those at FAR 17.5 and OMB initiatives related to Interagency Acquisition make this the perfect opportunity for the Department to reassess its policies, goals and objectives for Economy Act and non-Economy Act Interagency Acquisitions. As part of this assessment I am establishing a formal working group and am asking for your organization's expert participation.

Specifically, I have tasked my Contract Policy and International Contracting (CPIC) organization to lead a small team comprised of a representative from each of the Military Departments and an additional member representing the Other Defense Agencies. Their task will be to review the FAR, DFARS, and PGI, as well as DoD acquisition policy related to Economy Act and non-Economy Act interagency acquisitions to ensure the Department has a sound, consistent and easy to understand Interagency Acquisition policy. The policy must be consistent with all statutory and regulatory requirements, and ensure that good business decisions are made and sufficiently documented. The group will commence its efforts in early calendar year 2013. I expect the group will meet regularly for a nine month period. I've asked Mr. Michael Canales from the CPIC staff to lead the group and to provide me a quarterly report on the progress of the group with a final report with specific recommendations due by September 30, 2013.

Mr. Canales can be reached at 703-695-8571 michael.canales@osd.mil.


Richard Ginman
Director, Defense Procurement
and Acquisition Policy

Enclosure III: Comments from the General Services Administration



GSA Deputy Administrator

January 14, 2013

The Honorable Gene L. Dodaro
Comptroller General of the United States
U.S. Government Accountability Office
Washington, DC 20548

Dear Mr. Dodaro:

The U.S. General Services Administration (GSA) appreciates the opportunity to review and comment on the draft report, "Interagency Contracting: Agency Actions Address Key Management Challenges, but Additional Steps Needed to Ensure Consistent Implementation of Policy Changes (GAO-13-133R)."

The U.S. Government Accountability Office (GAO) recommends that "the Administrator of General Services direct the Federal Acquisition Service to fully implement the actions called for in its April 2011 instructional letter to update ordering guides for its Government-wide and multi-agency contracts as needed to reflect new FAR rules for interagency acquisitions."

GSA concurs that expedient action is necessary to remedy the current situation, and the agency will make the appropriate updates. GSA's Federal Acquisition Service will coordinate with stakeholders and expects that the updates will be completed by March 31, 2013.

If you have any additional questions or concerns, please do not hesitate to contact me, or Ms. Lisa A. Austin, Acting Associate Administrator, Office of Congressional and Intergovernmental Affairs, at (202) 501-0563.

Sincerely,

A handwritten signature in black ink, appearing to read "Dan Tangherlini".

Dan Tangherlini
Acting Administrator

cc: William T. Woods – Director, Acquisition and Sourcing Management, GAO

U.S. General Services Administration
1275 First Street, NE
Washington, DC 20417
Telephone: (202) 501-0800
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