



Report to the Chairwoman, Committee
on Agriculture, Nutrition and Forestry,
U.S. Senate

September 2014

USDA CONTRACTING

Further Actions Needed to Strengthen Oversight of Contracts for Professional Services

GAO Highlights

Highlights of [GAO-14-819](#), a report to the Chairwoman, Committee on Agriculture, Nutrition and Forestry, U.S. Senate

Why GAO Did This Study

USDA obligated nearly \$1.8 billion for professional service contracts in fiscal years 2009 through 2013. OMB has raised concerns about such contracts, reporting that agencies are twice as likely to use higher-risk contract types when buying such services as when buying other services or goods.

GAO was asked to review aspects of USDA's contracting for professional services. This report assesses the extent to which selected USDA agencies (1) used contract types preferred in federal regulations, agency policies and guidance, and OMB guidance when procuring professional services, and (2) followed federal regulations, agency policies and guidance, and OMB guidance in overseeing these contracts. GAO reviewed three USDA agencies that accounted for about 70 percent of USDA's obligations for professional service contracts in fiscal years 2009 through 2013. GAO analyzed federal contracting data from fiscal years 2009 through 2013; reviewed a nongeneralizable sample of 15 contracts, which were selected based on dollar value and contract type, among other criteria; and interviewed agency officials.

What GAO Recommends

GAO recommends that Departmental Management and the Forest Service establish mechanisms to help ensure inclusion of quality assurance surveillance plans in contracts as necessary, and that Departmental Management and the Food and Nutrition Service develop strategies for meeting OMB's targets for contractor assessments. The agencies generally agreed with GAO's recommendations.

View [GAO-14-819](#). For more information, contact Anne-Marie Fennell at (202) 512-3841 or fennella@gao.gov.

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What GAO Found

The U.S. Department of Agriculture's (USDA) Departmental Management, Food and Nutrition Service, and Forest Service did not select contract types preferred by federal regulations, agency policies, and Office of Management and Budget (OMB) guidance, for about two-thirds (about \$783 million) of the funds obligated to contracts for professional, administrative, and management support services (professional services) in fiscal years 2009 through 2013. The Federal Acquisition Regulation and OMB guidance direct federal agencies to use performance-based contracts to the maximum extent practicable when acquiring services—that is, contracts with measurable performance standards and a method of assessing contractor performance against those standards. In addition, the Federal Acquisition Regulation notes a preference for firm-fixed-price contracts that minimize risk rather than other payment arrangements such as contracts that reimburse contractors for expenses. Officials from each agency said that, starting in 2009, their agencies began placing greater emphasis on using performance-based, firm-fixed-price contracts, including, for example, requiring written justification for contracts that are not performance-based. The three agencies collectively increased their use of performance-based, firm-fixed-price contracts from about 16 percent of obligations for professional service contracts in fiscal year 2009 to about 53 percent in fiscal year 2013.

The three USDA agencies did not consistently follow regulations, policies, and guidance in overseeing the 15 professional service contracts GAO reviewed, and did not consistently assess contractor performance as required. For example, 12 of the 15 professional service contracts GAO reviewed did not include quality assurance surveillance plans to guide oversight of the contracts. The Federal Acquisition Regulation directs that such plans be prepared as necessary to ensure contract requirements are met. Food and Nutrition Service officials told GAO the agency is planning to make quality assurance surveillance plans a requirement for all contracts by fiscal year 2015, with compliance tracked in an internal system. As part of this effort, the agency has held training for staff on the use of such plans. Departmental Management and the Forest Service, however, do not have similar mechanisms planned or in place to help ensure that such plans are included in contracts as necessary, in part because this has not been a priority in the past. Without such mechanisms, the agencies may not be able to fully assess the quality and timeliness of the services they receive. In addition, the agencies did not consistently assess contractor performance as directed by federal regulation and guidance. OMB has established government-wide performance targets for completing these assessments, but the three agencies in GAO's review fell short of these targets in fiscal year 2013. Agency officials told GAO that contractor assessments had not been completed for all contracts in part because the agencies had not emphasized the importance of doing so. The Forest Service has developed a specific written strategy for meeting OMB's targets for contractor assessments, but neither Departmental Management nor the Food and Nutrition Service has done so. Without such strategies, it is unclear how, when, or whether Departmental Management and the Food and Nutrition Service will meet OMB's targets, and thus the government may continue to have limited contractor performance information when making future contracting decisions.

Contents

Letter		1
	Background	4
	Agencies Did Not Use Preferred Contract Types for the Majority of Contract Obligations When Procuring Professional Services	10
	Agencies' Oversight of Selected Professional Service Contracts Did Not Consistently Follow Regulations, Policies, and Guidance, and Agencies Did Not Consistently Assess Contractor Performance as Required	15
	Conclusions	22
	Recommendations for Executive Action	22
	Agency Comments and Our Evaluation	23
Appendix I	Objectives, Scope, and Methodology	24
Appendix II	GAO Contact and Staff Acknowledgments	28
Table		
	Table 1: Total Obligations by USDA's Departmental Management, Food and Nutrition Service, and Forest Service on Professional Service Contracts, Fiscal Years 2009—2013, by Contract Type and Method	11
Figures		
	Figure 1: Total Obligations by USDA's Departmental Management, Food and Nutrition Service, and Forest Service on Professional Service Contracts, Fiscal Years 2009—2013	5
	Figure 2: Percentage of Three USDA Agencies' Obligations for Professional Service Contracts That Were Identified as Performance Based and Firm-Fixed Price, Fiscal Years 2009—2013	13

Abbreviations

CPARS	Contractor Performance Assessment Reporting System
OMB	Office of Management and Budget
USDA	U.S. Department of Agriculture

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September 29, 2014

The Honorable Debbie Stabenow
Chairwoman
Committee on Agriculture, Nutrition and Forestry
United States Senate

Dear Madam Chairwoman:

The U.S. Department of Agriculture (USDA) obligated nearly \$1.8 billion to contracts for professional, administrative, and management support services (professional services) such as program evaluation, financial management system support, and technical assistance in fiscal years 2009 through 2013. The Office of Management and Budget (OMB) has raised concerns about contracts for such professional services, in part because, according to a review of buying trends, agencies are twice as likely to use higher-risk contract types when buying these services as they are when buying other types of services and goods.¹

The importance of selecting contract types and overseeing contracts to minimize financial risk to the government has been highlighted in OMB guidance, and the Federal Acquisition Regulation provides direction on preferred contract types for professional services and steps for contract oversight. For example, the Federal Acquisition Regulation notes a preference for using firm-fixed-price contracts, under which the government agrees in advance to the amount it will pay a contractor,² rather than higher-risk types of contracts, such as those that reimburse the contractor for expenses such as labor and materials. Similarly, OMB guidance emphasizes contract oversight activities such as meeting regularly with the contractor, requiring periodic progress reports, and regularly discussing contractor performance. The importance of minimizing financial risk to the government from contracts was also highlighted in a March 2009 presidential memorandum, which stated that the federal government must have sufficient capacity to manage and

¹OMB, *Memorandum for Chief Financial Officers, Chief Acquisition Officers, and Senior Procurement Executives; Subject: Reduced Contract Spending for Management Support Services* (Washington, D.C.: Nov. 7, 2011).

²A firm-fixed-price contract's amount is not subject to adjustment on the basis of the contractor's experience performing the contract.

oversee the contracting process from start to finish to ensure that taxpayer funds are spent wisely and not subjected to excessive risk.³

You asked us to review aspects of USDA's contracting for professional services. We examined professional service contracts for three USDA agencies—Departmental Management,⁴ the Food and Nutrition Service, and the Forest Service—that accounted for about 70 percent of USDA's fiscal year 2009 through 2013 obligations for such contracts. This report assesses the extent to which USDA's Departmental Management, Food and Nutrition Service, and Forest Service (1) used contract types preferred in federal regulations, agency policies and guidance, and OMB guidance when procuring professional services, and (2) followed federal regulations, agency policies and guidance, and OMB guidance in overseeing these contracts.

To perform this work, we reviewed relevant regulations, policies, and guidance for selecting contract types and overseeing contracts. These regulations, policies, and guidance include the Federal Acquisition Regulation and the Agriculture Acquisition Regulation; agency policies, including procurement advisories, acquisition operating procedures, and handbooks; OMB guidance;⁵ and federal internal control standards.⁶ To obtain additional insight, we also reviewed our reports that discuss the application of preferred contracting practices by various agencies.⁷ We

³The White House, Office of the Press Secretary, *Memorandum for the Heads of Executive Departments and Agencies; Subject: Government Contracting* (Washington, D.C.: Mar. 4, 2009).

⁴"Departmental Management" refers to the management operations of USDA itself, rather than any of its component agencies.

⁵See, for example, OMB, Office of Federal Procurement Policy, *A Guide to Best Practices for Contract Administration* (Washington, D.C.: October 1994); Office of Federal Procurement Policy, *Memorandum for Chief Acquisition Officers and Senior Procurement Executives; Subject: Use of Performance-Based Acquisitions* (Washington, D.C.: July 21, 2006); and M-09-25, *Memorandum for the Heads of Departments and Agencies; Subject: Improving Government Acquisition* (Washington, D.C.: July 29, 2009).

⁶GAO, *Internal Control: Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.1.3](#) (Washington, D.C.: November 1999).

⁷See for example, GAO, *Federal Contracting: OMB's Acquisition Savings Initiative Had Results, but Improvements Needed*, [GAO-12-57](#) (Washington, D.C.: Nov. 15, 2011), and *Contract Management: Extent of Federal Spending under Cost-Reimbursement Contracts Unclear and Key Controls Not Always Used*, [GAO-09-921](#) (Washington, D.C.: Sept. 30, 2009).

also interviewed the head of contracting (or a designee) for each of the three agencies in our review to identify overall agency processes and procedures for selecting contract types and overseeing contracts.

To address our first objective, we obtained and analyzed data from the government's Federal Procurement Data System-Next Generation for the 5 most recent fiscal years—2009 through 2013. To assess the reliability of these data, we reviewed agency documents and interviewed officials, and while our report notes questions about the accuracy of some of the elements in the database, we found the data to be sufficiently reliable for the purposes of this report. We then compared these data, as well as the information obtained from our interviews of agency officials, to the regulations, policies, and guidance we reviewed on preferred practices for selecting contract types to assess the extent to which the agencies followed regulations, policies, and OMB guidance in selecting contract types.

To address our second objective, we selected from the data system a nonprobability sample of 15 contracts for further review—5 from each of the three agencies included in our review. Generally, we selected contracts that were among the highest in value (as measured by obligated dollars) and that represented a mix of contract types (e.g., firm-fixed price and labor hour) and covered a variety of professional services (e.g., marketing and human resource assistance).⁸ We selected contracts that were awarded between October 1, 2008, and September 30, 2012, to allow time for oversight activities to have taken place for each contract. Because we used a nonprobability sample, the results are not generalizable but provide examples of USDA's contract types and oversight activities. For these 15 contracts, we reviewed contract documents provided by agency officials and interviewed the agencies' cognizant contracting officers and contracting officer's representatives to obtain information on the agency's oversight practices. In addition, to determine the extent to which the agencies had completed contractor performance assessments, we reviewed data from the Past Performance Information Retrieval System. Because this system does not distinguish between professional service contracts and other contracts for goods or

⁸Obligated dollars are the funds that an agency legally commits to spending for goods or services. We analyzed the amount obligated instead of the amount awarded because obligated dollars represent a government commitment, whereas the awarded amount may or may not ultimately be obligated.

services, our analysis of the three agencies' completion of performance assessments encompasses all contracts, not just professional service contracts. To assess the reliability of these data, we reviewed agency documents and found the data to be sufficiently reliable for the purposes of this report. We then compared the information we obtained from our review of the 15 contracts in our sample and our interviews of agency officials, as well as data from the Past Performance Information Retrieval System, to the regulations, policies, and guidance we reviewed on preferred practices for overseeing contracts to assess the extent to which the agencies followed regulations, policies, and OMB guidance in overseeing contracts. (See app. I for further details on our objectives, scope, and methodology.)

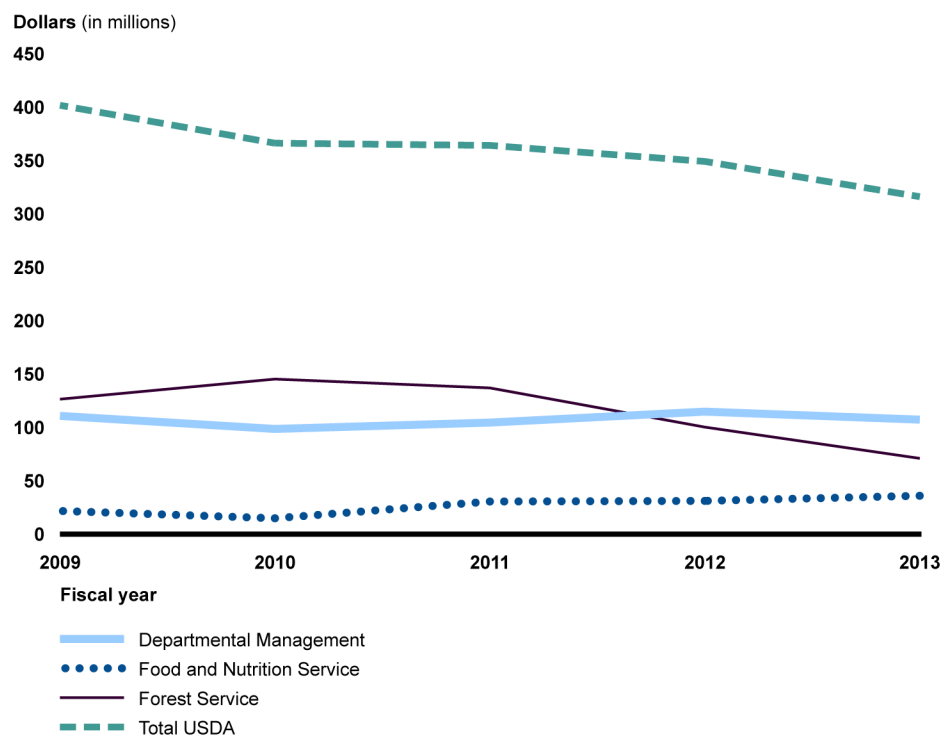
We conducted this performance audit from August 2013 to September 2014 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

USDA contracts for billions of dollars in goods and services every year, including hundreds of millions of dollars in professional services. Professional services constitute a wide range of functions needed by USDA, including human resources support, such as developing position descriptions or reviewing resumes; development of educational materials, such as those used to disseminate information on the Food and Nutrition Service's Supplemental Nutrition Assistance Program; technical expertise related to international forestry; various types of legal assistance; and others. Among USDA's 34 agencies and offices, 11 conduct contracting, with 3 of these agencies—Departmental Management, the Food and Nutrition Service, and the Forest Service—accounting for about 70 percent of USDA's total obligations for professional service contracts in

fiscal years 2009 through 2013.⁹ Figure 1 shows these three agencies' total obligations for such contracts over each of these fiscal years.

Figure 1: Total Obligations by USDA's Departmental Management, Food and Nutrition Service, and Forest Service on Professional Service Contracts, Fiscal Years 2009—2013



Source: GAO analysis of data from the Federal Procurement Data System-Next Generation. | GAO-14-819

Note: Professional service contracts include contracts for professional, administrative, and management support services.

⁹The Federal Procurement Data System-Next Generation lists 11 USDA contracting agencies and offices that made payments in fiscal year 2013: the Agricultural Marketing Service, Agricultural Research Service, Animal and Plant Health Inspection Service, Farm Service Agency, Food and Nutrition Service, Food Safety and Inspection Service, Forest Service, Natural Resources Conservation Service, Office of the Chief Financial Officer, Office of Inspector General, and Rural Housing Service. Departmental Management officials told us that because the Office of the Chief Financial Officer is within Departmental Management, using Departmental Management as the contracting agency name more accurately captures the obligations spent at this agency. As a result, we use the contracting agency name Departmental Management throughout this report.

In contracting for services, USDA and its agencies are governed by various regulations, agency policies, and other guidance. Prominent among these is the Federal Acquisition Regulation, which is the primary regulation used by all federal executive agencies in their acquisition of supplies and services with appropriated funds. OMB has also issued guidance related to various aspects of government contracting. Both the Federal Acquisition Regulation and OMB guidance contain direction to agencies regarding the two aspects of contracting addressed in this report—contract type and contract oversight.

Contract Type

The Federal Acquisition Regulation and OMB guidance direct federal agencies to use *performance-based contracts*—that is, contracts with measurable performance standards and a method of assessing a contractor’s performance against those performance standards—to the maximum extent practicable when acquiring services.¹⁰ OMB guidance from 1998 notes that a performance-based contract emphasizes that all aspects of an acquisition should be structured around the purpose of the work to be performed as opposed to the manner in which the work is to be performed or broad, imprecise statements of work that preclude an objective assessment of contractor performance. Performance-based contracts are intended to (1) ensure that contractors are given freedom to determine how to meet the government’s performance objectives, (2) achieve appropriate performance quality levels, and (3) ensure that payment is made only for services that meet these levels.¹¹

In addition, the Federal Acquisition Regulation notes a preference for firm-fixed-price contracts rather than other payment arrangements such

¹⁰OMB, Office of Federal Procurement Policy, *Memorandum for Chief Acquisition Officers and Senior Procurement Executives; Subject: Use of Performance-Based Acquisitions* (Washington, D.C., July 21, 2006). The Federal Acquisition Regulation refers to performance-based contracting as a contract method; for ease of reporting and for purposes of this review, we include performance-based contracts in our discussion of contract types.

¹¹OMB, Office of Federal Procurement Policy, *Best Practices for Performance-Based Contracts* (Washington, D.C., October 1998). This document has been rescinded, but OMB continues to make it publicly available for informational purposes.

as contracts that reimburse contractors for expenses.¹² OMB has likewise encouraged the use of fixed-price contracts,¹³ in keeping with a 2009 presidential memorandum that stated: “[T]here shall be a preference for fixed-price type contracts. Cost-reimbursement contracts shall be used only when circumstances do not allow the agency to define its requirements sufficiently to allow for a fixed-price type contract.”¹⁴ Fixed-price contracts are generally seen as less risky to the government because the contractor, rather than the government, assumes the financial risk if there is a cost overrun. Overall, the Federal Acquisition Regulation gives the following order of preference for professional service contract types: (1) contracts that are both performance based and firm-fixed price; (2) contracts that are performance based but not firm-fixed price; and (3) contracts that are not performance based.¹⁵

The Federal Acquisition Regulation states that in general, each contract file shall include documentation to show why the particular contract type was selected. If the contract is not firm-fixed price, the document should include an analysis of why the use of another type is appropriate, rationale and reasoning essential to support the contract type selection, an assessment of the adequacy of government resources that are used for contracts that are not firm-fixed price, and a discussion of the actions planned to minimize the use of contracts that are not firm-fixed price in the future.¹⁶ Furthermore, if the contract is not performance based, the contract file must include the rationale.¹⁷

¹²As described in the Federal Acquisition Regulation, fixed-price contracts can provide for a firm price—in which case they are known as firm-fixed-price contracts—or, in appropriate cases, an adjustable price. Firm-fixed-price contracts provide for a price that is not subject to any adjustment on the basis of the contractor’s cost in performing the contract. Fixed-price contracts that provide for an adjustable price may include a ceiling price, a target price (including target cost), or both.

¹³OMB, M-09-25, *Memorandum for the Heads of Departments and Agencies; Subject: Improving Government Acquisition* (Washington, D.C.: July 29, 2009).

¹⁴The White House, Office of the Press Secretary, *Memorandum for the Heads of Executive Departments and Agencies; Subject: Government Contracting* (Washington, D.C.: Mar. 4, 2009).

¹⁵Federal Acquisition Regulation, 48 C.F.R. § 37.102(a)(2).

¹⁶Federal Acquisition Regulation, 48 C.F.R. § 16.103(d)(1).

¹⁷Federal Acquisition Regulation, 48 C.F.R. § 7.105.

Contract Oversight

Contract oversight is largely the responsibility of the contracting officer and contracting officer's representative assigned to a particular contract. The contracting officer has authority to enter into, administer, and terminate contracts and has the overall responsibility for ensuring the contractor complies with the terms of the contract. As part of his or her responsibilities, the contracting officer selects a contracting officer's representative, who assists in the technical monitoring and day-to-day administration of a contract.¹⁸ The Federal Acquisition Regulation states that for contracts that are not firm-fixed price, the contracting officer shall designate and authorize the contracting officer's representative in writing and specify the extent of the contracting officer's representative's authority; the designation documents are also to be furnished to the contractor.¹⁹ OMB guidance also emphasizes the importance of defining the contracting officer's representative's roles and responsibilities, noting that representatives should be notified of their role in a written letter that lists specific duties and tasks; this letter is to be signed by the contracting officer.²⁰

Contracting officer's representatives are often selected based on their knowledge of the program that is contracting for the service rather than their contracting expertise, and they are to receive training in their duties. For example, an information technology support contract may have an information technology specialist serving as the contracting officer's representative because of that person's knowledge of the subject matter. The Federal Acquisition Regulation requires contracting officer's representatives to be qualified by contracting training and experience commensurate with the responsibilities to be delegated,²¹ and OMB guidance establishes specific training and experience requirements for

¹⁸Federal Acquisition Regulation, 48 C.F.R. § 1.602-2(d).

¹⁹Federal Acquisition Regulation, 48 C.F.R. § 1.602-2(d)(7). These letters are to (1) specify the extent of the contracting officer's representative's authority to act on behalf of the contracting officer; (2) identify the limitations on the contracting officer's representative's authority; (3) specify the period covered by the designation; (4) state that the authority is not redelegable; and (5) state that the contracting officer's representative may be personally liable for unauthorized acts.

²⁰OMB, Office of Federal Procurement Policy, *A Guide to Best Practices for Contract Administration* (Washington, D.C.: October 1994).

²¹Federal Acquisition Regulation, 48 C.F.R. § 1.602-2(d)(5).

contracting officer's representatives.²² Generally, the role of the contracting officer's representative can be either part-time or full-time, and it is often a collateral duty.

The Federal Acquisition Regulation and OMB guidance address other aspects of contract oversight as well. For example, both the Federal Acquisition Regulation and OMB guidance direct that contracts include a quality assurance surveillance plan as necessary to ensure that the contractor's service meets contract requirements. The Federal Acquisition Regulation states that the quality assurance surveillance plan should specify all work requiring surveillance and the surveillance method.²³ Similarly, OMB guidance states that quality assurance surveillance plans should provide a systematic, structured method for the contracting officer's representative to evaluate services and products contractors are required to furnish, focusing on the quality of the contractor's work. We have found in the past that such plans are critical to assessing the quality and timeliness of the products and services produced by contractors.²⁴

The Federal Acquisition Regulation and OMB guidance also direct agencies to complete assessments of contractor performance. Such assessments include, for example, the quality of the product or service provided, the contractor's adherence to the contract schedule and ability to control costs, business relations, small business utilization, and management of key personnel. The federal government can then use these assessments to assist it in selecting contractors for future work. The Federal Acquisition Regulation requires agencies to submit past performance assessments electronically into the Contractor Performance Assessment Reporting System (CPARS); assessments are automatically transmitted into the Past Performance Information Retrieval System, where they are available government-wide for 3 years after the contract

²²OMB, Office of Federal Procurement Policy, *Memorandum for Chief Acquisition Officers and Senior Procurement Executives; Subject: Revisions to the Federal Acquisition Certification for Contracting Officer's Representatives (FAC-COR)* (Washington, D.C.: Sept. 6, 2011).

²³Federal Acquisition Regulation, 48 C.F.R. § 46.401(a).

²⁴GAO, *National Flood Insurance Program: Progress Made on Contract Management but Monitoring and Reporting Could Be Improved*, [GAO-14-160](#) (Washington, D.C.: Jan. 15, 2014).

performance completion date.²⁵ For contracts or orders that exceed a certain threshold,²⁶ the Federal Acquisition Regulation generally requires agencies to evaluate the contractor's performance at least annually and at the time the work is completed.

In a March 2013 memorandum, OMB set government-wide performance targets for completing contractor performance assessments, with the aim of achieving 100 percent compliance by fiscal year 2015.²⁷ The memorandum assigned targets to federal agencies based on fiscal year 2012 compliance rates. Because USDA's compliance was below 30 percent at the end of fiscal year 2012, its interim targets were 65 percent compliance in fiscal year 2013, 80 percent compliance in fiscal year 2014, and 100 percent compliance in fiscal year 2015. However, we reported in August 2014 that USDA had a compliance rate of 27 percent as of April 2014—far short of its target.²⁸

Agencies Did Not Use Preferred Contract Types for the Majority of Contract Obligations When Procuring Professional Services

For the majority of funds obligated to professional service contracts in fiscal years 2009 through 2013, USDA's Departmental Management, Food and Nutrition Service, and Forest Service did not select contract types that are preferred by regulations, agency policies, and OMB guidance. As noted earlier, the Federal Acquisition Regulation and OMB guidance direct federal agencies to use performance-based contracts to the maximum extent practicable when acquiring services, and the Federal Acquisition Regulation states that performance-based, firm-fixed-price contracts are preferred. However, in fiscal years 2009 through 2013, according to agency data, about two-thirds of the dollars (\$783 million) obligated for professional service contracts awarded by the three

²⁵Construction and architect-engineer contracts are available for 6 years after the contract performance completion date. Federal Acquisition Regulation, 48 C.F.R. § 42.1503(g).

²⁶The threshold, referred to as the simplified acquisition threshold, is \$150,000, except for acquisitions of supplies or services that, as determined by the head of the agency, are to be used to support a contingency operation or to facilitate defense against or recovery from nuclear, biological, chemical, or radiological attack. Federal Acquisition Regulation, 48 C.F.R. § 2.101.

²⁷OMB, Office of Federal Procurement Policy, *Memorandum for Chief Acquisition Officers, Senior Procurement Executives; Subject: Improving the Collection and Use of Information about Contractor Performance and Integrity* (Washington, D.C.: Mar. 6, 2013).

²⁸GAO, *Contractor Performance: Actions Taken to Improve Reporting of Past Performance Information*, [GAO-14-707](#) (Washington, D.C.: Aug. 7, 2014).

agencies in our review were for contracts that were not performance-based, firm-fixed-price contracts. Specifically, according to the data,

- About 37 percent of the dollars obligated (nearly \$465 million) were for performance-based, firm-fixed-price contracts—the preferred contract type;
- About 8 percent (\$96 million) were for performance-based contracts that were not firm-fixed price;
- About 36 percent (nearly \$450 million) were for contracts that were firm-fixed price but not performance based; and
- About 19 percent (about \$237 million) were obligated for contracts that were neither performance based nor firm-fixed price. (See table 1.)

Table 1: Total Obligations by USDA’s Departmental Management, Food and Nutrition Service, and Forest Service on Professional Service Contracts, Fiscal Years 2009—2013, by Contract Type and Method

Agency	Obligations by contract type (in millions of dollars)				Total by agency ^a
	Performance based, firm-fixed price	Performance based, not firm-fixed price	Firm-fixed priced, not performance based	Neither performance based nor firm-fixed price	
Departmental Management	\$216.0	\$63.8	\$184.1	\$72.0	\$535.9
Food and Nutrition Service	95.9	13.4	10.6	14.5	134.4
Forest Service	152.6	18.8	255.2	150.6	577.2
Total by contract type	\$464.5	\$96.0	\$449.9	\$237.1	\$1,247.5
Percentage by contract type	37.2	7.7	36.1	19.0	—

Source: GAO analysis of data from the Federal Procurement Data System—Next Generation | GAO-14-819

Note: Professional service contracts include contracts for professional, administrative, and management support services.

^aThese totals do not include an additional \$3,200,995 in agency obligations that were identified as “not applicable” to be performance based and thus could not be assigned to any of these contract type categories.

As shown in table 1, about 45 percent of dollars obligated were for performance-based contracts (37.2 percent plus 7.7 percent) and about 73 percent of contracts were firm-fixed price (37.2 percent plus 36 percent).

Although these data show that a minority of the contracts are performance based, the exact numbers may be imprecise. Our review of a nonprobability sample of 15 contracts raises questions about whether contracts coded as performance based meet the Federal Acquisition

Regulation’s description of performance-based contracts. Of the 15 contracts we reviewed, 7 were identified by the assigned contracting officer or contracting officer’s representative as performance based. However, in one of these contracts, the performance requirement related to work assignments was that contractor employees “perform their assignments professionally.” The contracting officer told us that this contract was classified as performance based because being professional was listed as a performance standard, which does not appear to meet the Federal Acquisition Regulation’s description of performance-based contracts—that is, contracts that have requirements based on results. We did not identify similar issues with the other six contracts in our sample that were identified as performance-based.

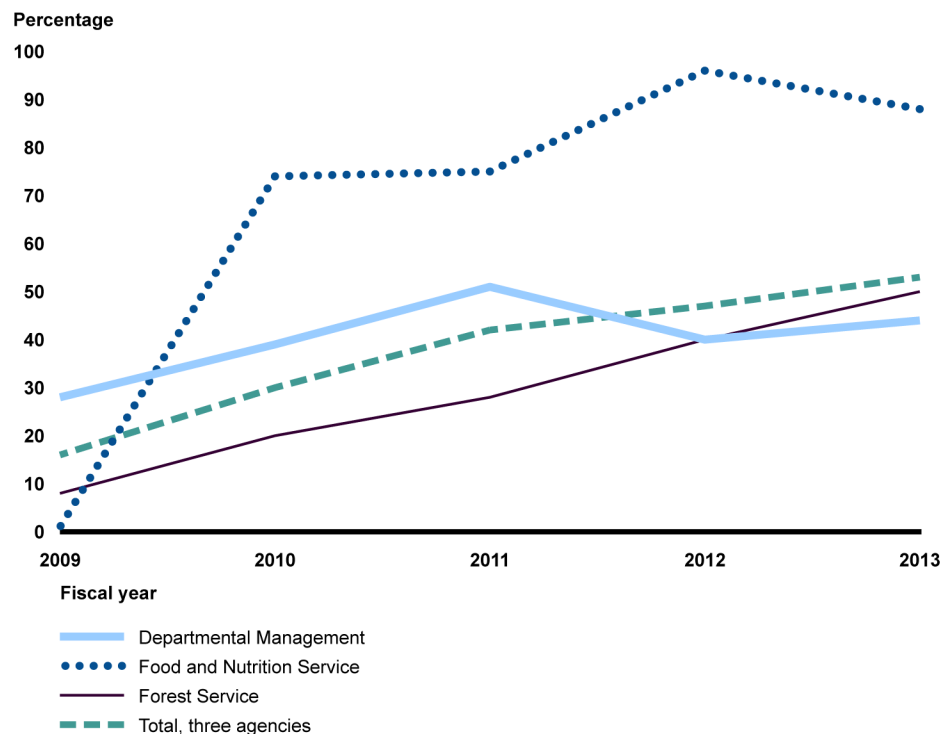
There may be circumstances in which contract types other than performance based and firm-fixed price are appropriate, according to some agency officials we interviewed, particularly in cases where it is not possible to know the extent to which contractor support is needed or the cost of the service. For example, officials told us that a contract based on specific tasks rather than results, such as a contract for human resource support services that includes hiring and administrative assistance, should not be performance based. Likewise, when the Forest Service changed its financial software system, the agency used a labor-hour contract rather than a firm-fixed-price contract because it did not know how much time implementation of the new system would take and thus could not determine a reasonable firm-fixed price in advance.

Officials from the three agencies we reviewed told us that, starting in fiscal year 2009, their agencies had placed greater emphasis on using performance-based, firm-fixed-price contracts. For example, headquarters officials from both the Forest Service and Departmental Management told us that a fiscal year 2009 OMB memo that directed federal agencies to improve the effectiveness of acquisition practices by, among other things, reducing the use of high-risk contracting and migrating to fixed-price contracts resulted in their agencies making greater efforts to do so.²⁹ Also that year, the Food and Nutrition Service hired a new head of contracting, who told us that he made using performance-based, firm-fixed-price contracts a priority, in accordance with the Federal Acquisition Regulation’s preference for this contract type

²⁹OMB, *Memorandum for the Heads of Departments and Agencies; Subject: Improving Government Acquisition* (Washington, D.C.: July 29, 2009).

when using professional service contracts. The three agencies collectively increased the percentage of obligated dollars for performance-based, firm-fixed-price contracts from about 16 percent to about 53 percent from fiscal years 2009 through 2013, with the Food and Nutrition Service making the most significant gains. (See fig. 2.)

Figure 2: Percentage of Three USDA Agencies' Obligations for Professional Service Contracts That Were Identified as Performance Based and Firm-Fixed Price, Fiscal Years 2009—2013



Source: GAO analysis of data from the Federal Procurement Data System-Next Generation. | GAO-14-819

Notes: Professional service contracts include contracts for professional, administrative, and management support services.

This figure shows the trends over the past 5 fiscal years (fiscal year 2009 through 2013) for the percentage of obligations to professional service contracts that were performance based and firm-fixed price. In contrast, table 1 shows the cumulative dollar value of the three agencies' obligations to professional service contracts from fiscal year 2009 through 2013 for the contract types listed.

As part of their emphasis on performance-based and firm-fixed-price contracts, Departmental Management, the Food and Nutrition Service, and the Forest Service are taking steps to encourage use of such contracts. As of fiscal year 2013, Departmental Management directs its contracting officers to provide written justification in the contract file if the

contracts are not performance based, according to agency acquisition operating procedures. In addition, according to agency officials, a team lead or contracting chief must review and sign off on a checklist from the contracting officer that states whether an explanation for contracts that are not performance based or are not firm-fixed price was included in the contract file. Similarly, at the Food and Nutrition Service, the head of contracting activity designee signs off on any contracts that are not firm-fixed price, and agency data indicate the vast majority of obligations for professional service contracts are now for performance-based and firm-fixed-price contracts—nearly 90 percent in fiscal year 2013.

The Forest Service likewise is encouraging performance-based and firm-fixed-price contracting through training and other efforts, including moving its service contracts with larger obligated dollar amounts to lower-risk contracting types, according to a headquarters official. In its contracting procedures, the Forest Service requires that a rationale be provided if a contract is not performance based or firm-fixed price. Forest Service officials told us that using firm-fixed-price contracts instead of contracts that reimburse contractors for labor hours has saved the agency millions of dollars since fiscal year 2011. For example, one headquarters official estimated that changing a contract with a travel help desk from labor hours to firm-fixed price has resulted in a savings of \$1 million per year. This official also said that the Forest Service created an Acquisition Savings Advisory Team in July 2010 to assist contracting officers and others who were interested in using performance-based or firm-fixed-price contracts, by, among other things, conducting training.

Agencies' Oversight of Selected Professional Service Contracts Did Not Consistently Follow Regulations, Policies, and Guidance, and Agencies Did Not Consistently Assess Contractor Performance as Required

USDA's Departmental Management, Food and Nutrition Service, and Forest Service did not consistently follow federal regulations, agency policies and guidance, and OMB guidance in overseeing selected professional service contracts. In addition, these agencies did not consistently complete required contractor performance assessments.

Agencies Did Not Always Designate Contracting Officer's Representatives to Oversee Selected Professional Service Contracts

USDA's Departmental Management, Food and Nutrition Service, and Forest Service did not always formally designate contracting officer's representatives to oversee professional service contracts. As noted, the Federal Acquisition Regulation states that the contracting officer shall designate and authorize the contracting officer's representative in writing for contracts that are not firm-fixed price and shall specify the extent of the contracting officer's representative's authority.³⁰ OMB guidance recommends that when contracting officer's representatives are designated, they be notified of their roles and responsibilities in a letter that identifies specific duties and tasks. For 13 of the 15 contracts we reviewed, agency officials told us that contracting officer's representatives had been designated, and officials were able to provide designation letters for 9 of these contracts, but could not provide these letters for the remaining 4 contracts. For the remaining two contracts we reviewed, agency officials told us that they did not believe a contracting officer's representative was formally designated in writing, and in neither case did

³⁰Federal Acquisition Regulation, 48 C.F.R. § 1.602-2(d).

we find a designation letter in the contracting documentation.³¹ In one of these two cases, the person who was serving as contracting officer's representative was deemed qualified in terms of subject-matter expertise but had not received training and was not eligible to be formally designated as a contracting officer's representative. In the other instance, the contracting officer said that he did not believe he had made a formal designation, but acknowledged that he should have done so. Because serving as a contracting officer's representative is often a collateral duty, officials serving in this role may not be fully informed about their responsibilities as well as the extent of and any limitations on their authority if they do not receive a designation letter specifying their authority.

The three agencies are standardizing processes for documenting contracting officers' and contracting officer's representatives' duties and qualifications to clarify their authorities and responsibilities related to developing contract requirements and performing oversight activities. For example, because contracting officers were not always providing written designation letters to contracting officer's representatives in the past, in 2012, Departmental Management provided guidance for issuing written designation of contracting officer's representatives, including a template for a designation letter. Further, in 2013, Departmental Management established a process for contract file reviews that includes checking for a written designation letter. In addition, because of inexperience in contracting among many contracting officer's representatives at the Food and Nutrition Service, the agency has made a number of changes to strengthen its contracting officer's representative program. For example, the agency developed a template for designation letters that clearly outlines the roles and responsibilities of contracting officer's representatives and, beginning in 2014, requires contracting officers to issue designation letters to contracting officer's representatives within 5 days of awarding a contract, with compliance tracked in an internal system. In addition, the Food and Nutrition Service issued internal guidance outlining responsibilities for contracting officers and contracting officer's representatives. The Forest Service is currently updating its *Contract Administration Handbook*, including its guidance on designation

³¹Both of these contracts were identified as firm-fixed price in the Federal Procurement Data System-Next Generation and thus were not required by the Federal Acquisition Regulation to have a contracting officer's representative assigned.

letters for contracting officer’s representatives and the roles and responsibilities of agency officials.³²

Most Professional Service Contracts We Reviewed Did Not Include Quality Assurance Surveillance Plans

Most of the professional service contracts we reviewed did not include quality assurance surveillance plans to guide oversight of professional service contracts—specifically, 12 of 15 contracts we reviewed did not include such plans. The Federal Acquisition Regulation directs that contracts include a quality assurance surveillance plan as necessary to ensure that the contractors’ service meets contract requirements and that such plans should be prepared in conjunction with a contract’s statement of work. OMB guidance on best contracting practices indicates that developing a quality assurance surveillance plan is important because it provides a method for contracting officers to evaluate services and products the contractors are required to furnish. We have found in the past that such plans are critical to assessing the quality and timeliness of the products and services produced by contractors.³³

Officials from the three agencies in our review held varying views on the need for such plans. One agency official told us that having a quality assurance surveillance plan was not necessary because the information that would be included in such a plan could be included in the statement of work. Similarly, for one contract in our review, the contracting officer told us the contract itself listed terms and conditions that covered information that would have otherwise been included in a quality assurance surveillance plan. Moreover, a Departmental Management headquarters official noted that the agency does not require quality assurance surveillance plans for every contract and that determining when one is needed is left up to the discretion—or “business sense”—of the contacting officer and contracting officer’s representative. In contrast, several contracting officers and contracting officer’s representatives from the agencies in our review identified having a separate quality assurance

³²Forest Service, *Forest Service Handbook 6309.11, Contract Administration Handbook, Zero Code*, (Jan. 31, 1991). The Forest Service’s *Contract Administration Handbook* outlines roles and responsibilities of contracting officers and contracting officer’s representatives and also includes an example of a contracting officer’s representative designation letter. The update to this handbook is expected to be completed by the end of calendar year 2014, according to a headquarters official.

³³[GAO-14-160](#).

surveillance plan with clear monitoring requirements as a best practice in oversight of service contracts.

As part of various efforts to improve contract documentation, as of fiscal year 2013, all three agencies had developed templates for contracting officers and contracting officer's representatives to use in developing quality assurance surveillance plans for inclusion in contracts. In addition, according to Food and Nutrition Service headquarters officials, the agency is planning to make quality assurance surveillance plans a requirement for all contracts by fiscal year 2015. As part of this effort, according to these officials, the agency is developing guidance and has held training for staff on the use of quality assurance surveillance plans. In addition, the agency plans to track compliance in an internal system. Departmental Management and the Forest Service, however, do not have similar mechanisms planned or in place to help ensure that a quality assurance surveillance plan is included in contracts as necessary to ensure the integrity of the service provided. A Departmental Management headquarters official told us that oversight requirements should be included in every contract, but the agency does not have a mandated format or policy related to quality assurance surveillance plans because this has not been an agency priority in the past. According to a Forest Service official, while the agency has provided some training and assistance related to development of quality assurance surveillance plans, the template for these plans has not been widely disseminated across the agency and the agency has mainly focused on the use of such plans for its higher-dollar, higher-risk contracts. Moreover, as with Departmental Management, the Forest Service does not have a mechanism in place to help ensure that a quality assurance surveillance plan is included in contracts as necessary to ensure the integrity of the service provided. Without such mechanisms, the agencies may not be able to fully assess the quality and timeliness of the services they receive.

Agencies Conducted a Variety of Oversight Activities While Selected Contracts Were Ongoing

For the contracts we reviewed, contracting officers and contracting officer's representatives generally told us that they conducted a variety of oversight activities while the contracts were ongoing, including the following practices, all of which are consistent with OMB guidance:

- meeting with the contractor on a regular basis throughout the contract's performance period, as well as participating in additional informal communications with the contractor through e-mails, phone calls, and visits;
- reviewing progress reports submitted by the contractor; and

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- reviewing invoices before the contractor was paid.

Many officials we interviewed told us that having close communication among the contracting officer, contracting officer's representative, and contractor by holding regular meetings and requiring periodic reports was key to successful contract administration, and many reported doing so in overseeing the contracts we reviewed. Several officials noted that doing so can, for example, help to identify and address any problems early. Some agency officials told us that they also conducted other oversight activities, such as using spreadsheets or data systems to track contractor activities and deliverables.

In some cases, however, contracts we reviewed did not include all of these practices. For example, one contract we reviewed did not include a requirement in the contract for the contractor to submit progress reports because the contracting officer forgot to include this provision in the contract. On another contract, the contractor had not submitted monthly progress reports despite the contract's requirement to do so; agency officials told us they were already maintaining information on the contractor's progress and therefore such reports would be duplicative. Nevertheless, for most of the contracts we reviewed, contracting officers and contracting officer's representatives reported conducting a variety of oversight activities while the contracts were ongoing, as noted.

Agencies Did Not Consistently Assess Contractor Performance

USDA's Departmental Management, Food and Nutrition Service, and Forest Service did not consistently assess contractor performance as directed by the Federal Acquisition Regulation, agency policies and guidance, and OMB guidance. Agencies' completion of contractor performance assessments varied, according to information we obtained from the Past Performance Information Retrieval System. As of August 2014, for all contracts requiring assessments, Departmental Management completed about 38 percent of assessments required by the Federal Acquisition Regulation, the Food and Nutrition Service about 15 percent, and the Forest Service about 66 percent—falling short of the targets OMB established, which aim for 100 percent completion of required

assessments by 2015.³⁴ Similarly, the majority of contracts we reviewed did not have required assessments. Of the 15 contracts we reviewed, 11 were required to have at least one completed assessment in the Past Performance Information Retrieval System, and assessments had been completed for 5 of the 11 contracts. Some officials told us they had provided informal feedback to the contractor, and others told us they planned to enter contractor assessment information when the contract was closed out.

Officials from Departmental Management and the Forest Service told us that contractor performance assessments had not been consistently completed because the agencies had not emphasized the importance of doing so, and that agency officials may have chosen not to do so because of competing priorities for their time. A Departmental Management headquarters official, for example, told us that some contractor assessments had been overlooked and had not been emphasized in the past. In addition, a Forest Service headquarters official said that the agency could focus only on certain contracting requirements given its limited resources, and these assessments did not receive priority in the past when balanced against available resources and other priorities. Further, a Food and Nutrition Service headquarters official said that because the contracting officer and contracting officer's representative are both involved in assessing contractor performance, either of them could delay the assessment, a factor that may explain why some contractor assessments were not completed in a timely manner. He also explained that the contracting office can require the contracting officer to complete this process but is generally not in a supervisory position to require the contracting officer's representative to do so. However, as we have previously found, not completing such assessments is disadvantageous to contractors and the government because the data may not be readily available to use in selecting contractors for future contract awards.³⁵

³⁴Compliance is based on contracts that should have a completed assessment in the database—that is, contracts that (a) have a period of performance that falls within the prior 3 years (6 years for construction and architect-engineer contracts), (b) meet the reporting dollar threshold, and (c) have an assessment due. As noted, our assessment of compliance includes all contracts, not just professional service contracts, because the database does not distinguish between professional service and other contracts in its compliance reports.

³⁵[GAO-14-160](#).

Departmental Management, the Food and Nutrition Service, and the Forest Service have placed additional emphasis on the need to complete contractor performance assessments in recent years, according to headquarters officials and agency documents. Since January 2014, Departmental Management has been tracking the status of contractor assessments in CPARS every 2 weeks and has also emphasized to contracting officials that reports are required for all active contracts. The Food and Nutrition Service trained employees on use of CPARS in fiscal year 2012 and has placed greater emphasis on the requirement for contracting officers to complete contractor assessments since 2010, according to a headquarters official. In addition, the Forest Service has increased its emphasis on contractor assessments since fiscal year 2013, raising the completion rate for required assessments from about 24 percent in April 2013, when the agency first started tracking compliance, to about 36 percent at the end of September 2013, according to agency data; as noted, the agency's compliance rate was about 66 percent as of August 2014. Forest Service officials told us that the agency has recently been able to focus on improving completion of contractor assessments because the agency has finished a contracting initiative in another area, freeing up resources that can be devoted to this effort.

In addition, the Forest Service has developed a specific written strategy for meeting OMB's compliance targets for contractor assessments. The Forest Service's strategy was prepared in response to USDA's 2013 request that each agency within the department develop a plan detailing steps to improve reporting. Some of the steps included in the Forest Service plan were to appoint and train regional staff tasked with responsibilities related to contractor assessments and create a tracking spreadsheet to provide weekly updates on CPARS activity. Moreover, the Forest Service included compliance with contractor assessments among its goals in a recently updated strategic plan. However, unlike the Forest Service, neither Departmental Management nor the Food and Nutrition Service has a strategy for meeting OMB's targets. According to *Standards for Internal Control in the Federal Government*, strategies for meeting agency performance goals are an important part of sound program management.³⁶ Without such a strategy, it is unclear how, when,

³⁶ [GAO/AIMD-00-21.3.1](#). See also GAO, *The Results Act: An Evaluator's Guide to Assessing Agency Annual Performance Plans*, [GAO/GGD-10.1.20](#) (Washington, D.C.: April 1998).

or whether Departmental Management and the Food and Nutrition Service will increase their contractor assessment compliance to the extent laid out in those targets.

Conclusions

USDA's Departmental Management, Food and Nutrition Service, and Forest Service have all shown improvement in recent years in selecting lower-risk types of contracts for professional services and overseeing those contracts. For example, the three agencies have made it a priority to increase their use of performance-based, firm-fixed-price contracts and have increased the percentage of obligated dollars used for these types of contracts. The agencies have also taken steps to improve contract oversight, as evidenced by all three agencies developing templates for quality assurance surveillance plans. Nevertheless, additional improvements in contract oversight could better position the agencies to ensure that the government gets what it is paying for under these contracts. For example, while several agency officials we spoke with recognized that including a quality assurance surveillance plan in the contract was a best practice for overseeing contracts, and we have previously reported on the importance of these plans, neither the Forest Service nor Departmental Management has a mechanism in place to ensure that these plans are included in contracts as necessary. The absence of quality assurance surveillance plans can limit the agencies' oversight over the quality and timeliness of the services provided. In addition, while OMB has cited the importance of completing contractor performance assessments and has established targets for doing so, neither Departmental Management nor the Food and Nutrition Service has developed strategies to meet OMB targets. Without such strategies, these agencies may continue to fall short of OMB's goals, and the government may continue to have limited contractor performance information when making future contracting decisions.

Recommendations for Executive Action

To improve the oversight of contracts for professional services and help ensure that federal contracting officials have complete and timely information about the performance of contractors, we recommend that the Secretary of Agriculture take the following two actions:

- Direct the Head of Contracting Activity for Departmental Management and the Chief of the Forest Service to put mechanisms in place to help ensure that quality assurance surveillance plans are included in contracts as necessary.


-
- Direct the Head of Contracting Activity for Departmental Management and the Administrator for the Food and Nutrition Service to develop strategies for meeting the targets OMB has established regarding the percentage of contracts for which contractor performance assessments are completed.

Agency Comments and Our Evaluation

We provided a draft of this report to USDA for review and comment. In e-mails received on September 9 and 10, 2014, officials from Departmental Management, the Food and Nutrition Service, and the Forest Service stated that the agencies generally agreed with the findings and recommendations in the report. In response to the recommendations, Departmental Management also indicated it planned to take corrective actions, including establishing goals, workflows, and reporting and monitoring processes for contractor performance assessments to help achieve OMB's targets. The Forest Service provided technical comments, which we incorporated into our report as appropriate.

As agreed with your office, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the report date. At that time, we will send copies to the appropriate congressional committees; the Secretary of Agriculture, the Administrator for the Food and Nutrition Service, and the Chief of the Forest Service; and other interested parties. In addition, the report will be available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff members have any questions about this report, please contact me at (202) 512-3841 or fennella@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Key contributors to this report are listed in appendix II.



Anne-Marie Fennell
Director, Natural Resources and Environment

Appendix I: Objectives, Scope, and Methodology

Our objectives were to assess the extent to which the U.S. Department of Agriculture's (USDA) Departmental Management, Food and Nutrition Service, and Forest Service (1) used contract types preferred in federal regulations, agency policies and guidance, and Office of Management and Budget (OMB) guidance when procuring professional services, and (2) followed federal regulations, agency policies and guidance, and OMB guidance in overseeing these contracts.

To perform this work, we identified preferred contract types and oversight practices by reviewing relevant regulations, including the Federal Acquisition Regulation and the Agriculture Acquisition Regulation; agency policies, including procurement advisories, acquisition operating procedures, handbooks, and other relevant guidance; and OMB guidance.¹ To obtain additional insight into selection of preferred contract types and other preferred contracting practices, we also reviewed our reports that discuss the application of these practices by various agencies,² as well as relevant federal internal control standards.³ We also interviewed the head of contracting (or a designee) for each of the three agencies to identify agency processes and procedures for selecting contract types and overseeing contracts.

To assess the extent to which USDA's Departmental Management, Food and Nutrition Service, and Forest Service used preferred contract types, we obtained and analyzed data from the government's Federal Procurement Data System-Next Generation for the 5 most recent fiscal years—2009 through 2013. We included those contracts coded in the system as “professional, administrative, and management support services” (referred to in the system as product service code “R”). In some

¹See, for example, OMB, Office of Federal Procurement Policy, *A Guide to Best Practices for Contract Administration* (Washington, D.C.: October 1994); Office of Federal Procurement Policy, *Memorandum for Chief Acquisition Officers and Senior Procurement Executives; Subject: Use of Performance-Based Acquisitions* (Washington, D.C.: July 21, 2006); and *Memorandum for the Heads of Departments and Agencies; Subject: Improving Government Acquisition* (Washington, D.C.: July 29, 2009).

²See, for example, GAO, *Federal Contracting: OMB's Acquisition Savings Initiative Had Results, but Improvements Needed*, [GAO-12-57](#) (Washington, D.C.: Nov. 15, 2011) and *Contract Management: Extent of Federal Spending under Cost-Reimbursement Contracts Unclear and Key Controls Not Always Used*, [GAO-09-921](#) (Washington, D.C.: Sept. 30, 2009).

³GAO, *Internal Control: Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.1.3](#) (Washington, D.C.: November 1999).

cases, there may be overlap across various product service codes because individual contracts may encompass activities covered by multiple service codes. Because of possible subjectivity in agency officials' selection of product service codes for contracts, obligated amounts for professional service contracts in this report are approximate. To assess the reliability of these data, we reviewed agency documents and interviewed officials, and while our report notes questions about the accuracy of some of the elements in the database, we found the data to be sufficiently reliable for the purposes of this report. We then compared the information we obtained from the Federal Procurement Data System-Next Generation, as well as our interviews of agency officials, to the regulations, policies, and guidance we reviewed on preferred practices for selecting contract types to assess the extent to which the agencies followed regulations, policies, and OMB guidance in selecting contract types.

To assess the extent to which the three agencies followed federal regulations, agency policies and guidance, and OMB guidance in overseeing contracts, we selected from the Federal Procurement Data System-Next Generation a nonprobability sample of 15 professional service contracts for further review—5 from each of the three agencies included in our review. Generally, we selected contracts that were among the highest in value (as measured by obligated dollars) and that represented a mix of contract types (e.g., firm-fixed price and labor hour) and types of services contracted (e.g., marketing and human resource assistance).⁴ We selected contracts that were awarded between October 1, 2008, and September 30, 2012, to allow time for oversight activities to have taken place for each contract. Because this was a nonprobability sample, the results are not generalizable but provide examples of USDA's contract types and oversight activities. For these 15 contracts, we reviewed contract documents provided by agency officials and interviewed the agencies' cognizant contracting officers and contracting officer's representatives to obtain information on selection of contract type. In two cases, the contracting officers and contracting officer's representatives assigned to the contracts were no longer with USDA; in

⁴Obligated dollars are the funds that an agency legally commits to spending for goods or services. We analyzed the amount obligated instead of the amount awarded because obligated dollars represent a government commitment, whereas the awarded amount may or may not ultimately be obligated.

those cases, we met with other officials identified by the agency as knowledgeable about these contracts.

We also identified preferred contract oversight practices by reviewing the relevant regulations, policies, and guidance indicated above, and by reviewing our past reports discussing the use of these practices.⁵ We then reviewed contract documents from the 15 contracts in our nonprobability sample and interviewed cognizant contracting officers, contracting officer's representatives, and other officials to obtain information on the use of contract oversight practices. In addition, to determine the extent to which the agencies had completed contractor performance assessments, we obtained and analyzed data from the Past Performance Information Retrieval System as of August 1, 2014. Assessments are available in this system for 3 years after the contract performance completion date, except for construction and architect-engineer contracts, for which data are available for 6 years after the contract performance completion date. Because this system does not distinguish between professional service contracts (that is, contracts coded under product service code "R") and other contracts for goods or services, our analysis of the three agencies' completion of performance assessments encompasses all contracts in the database, not just professional service contracts. To assess the reliability of these data, we reviewed agency documents and found the data to be sufficiently reliable for the purposes of this report.⁶ We then compared the information we obtained from our review of the 15 contracts in our sample, our interviews of agency officials, and our analysis of data from the Past Performance Information Retrieval System, to the regulations, policies, and guidance we reviewed on preferred practices for overseeing contracts to assess the extent to which the agencies followed regulations, policies, and OMB guidance in overseeing contracts.

We conducted this performance audit from August 2013 to September 2014 in accordance with generally accepted government auditing

⁵See, for example, GAO, *National Flood Insurance Program: Progress Made on Contract Management but Monitoring and Reporting Could Be Improved*, [GAO-14-160](#) (Washington, D.C.: Jan. 15, 2014), and *Contractor Performance: Actions Taken to Improve Reporting of Past Performance Information*, [GAO-14-707](#) (Washington, D.C.: Aug. 7, 2014).

⁶For more information on the steps taken to assess the reliability of data from the Past Performance Information Retrieval System, see [GAO-14-707](#).

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 that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix II: GAO Contact and Staff Acknowledgments

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Staff Acknowledgments

In addition to the individual named above, Steve Gaty (Assistant Director), Kevin Bray, Mark Braza, Allen Chan, Karen Jones, Julia Kennon, Cynthia Norris, Lesley Rinner, Bradley Terry, Tatiana Winger, and William T. Woods made key contributions to this report.

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