

Why GAO Did This Study

GAO reported in 2012 that the government is not fully leveraging its buying power for high-spending areas such as IT services, which accounted for more than \$30 billion in fiscal year 2013. Leading commercial companies use strategic sourcing—a process that moves them away from numerous individual purchases to an aggregate approach—to better manage the services they acquire and achieve savings of 4 to 15 percent annually.

GAO was asked to review strategic sourcing of IT services. This report addresses the extent to which selected agencies (1) manage IT services through strategic sourcing approaches, and (2) have insight into labor rates for similar IT services.

GAO reviewed DOD (including the three military departments), DHS, and NASA, which collectively accounted for 53 percent of reported federal fiscal year 2013 IT services obligations. GAO analyzed agency policies, procurement and contracting data, and interviewed agency and contractor officials. GAO identified a high-spend IT service category and obtained labor rate information from a nongeneralizable sample of 30 contract actions awarded to two of the largest contractors common to these agencies.

What GAO Recommends

To improve efforts to strategically source IT services, GAO recommends that each agency conduct spend analysis, monitor spending, develop savings goals and metrics, and consider the use of standardized labor categories, as appropriate for their agency. The agencies concurred with these recommendations.

View [GAO-15-549](#). For more information, contact Timothy J. DiNapoli at (202) 512-4841 or dinapolit@gao.gov.

STRATEGIC SOURCING

Opportunities Exist to Better Manage Information Technology Services Spending

What GAO Found

Efforts by the Departments of Defense (DOD), Homeland Security (DHS), and the National Aeronautics and Space Administration (NASA) to strategically manage spending for information technology (IT) services, such as software design and development, have improved in recent years. Each of the agencies GAO reviewed has designated officials responsible for strategic sourcing and created offices to identify and implement strategic sourcing opportunities, including those specific to IT services. Most of these agencies' IT services spending, however, continues to be obligated through hundreds of potentially duplicative contracts that diminish the government's buying power. These agencies managed between 10 and 44 percent of their IT services spending through preferred strategic sourcing contracts in fiscal year 2013. In contrast, GAO previously reported that leading companies generally strategically managed about 90 percent of their procurement spending, including services.

Fiscal Year 2013 IT Services Obligations through Strategic Sourcing Contracts

Agency	Army	Navy	Air Force	DHS	NASA
Total IT services obligations (\$ in millions)	\$3,454	3,251	1,394	2,219	855
Percentage obligated through preferred IT strategic sourcing contract vehicles	27%	10	17	44	35

Source: GAO analysis of FPDS-NG data | GAO-15-549

Further, most of these agencies' efforts to strategically source IT services have not followed leading commercial practices, such as clearly defining the roles and responsibilities of the offices responsible for strategic sourcing; conducting an enterprise-wide spend analysis; monitoring the spending going through the agencies' strategic sourcing contract vehicles; or establishing savings goals and metrics. As a result, the agencies are missing opportunities to leverage their buying power and more effectively acquire IT services.

Contracting officials from the agencies GAO reviewed generally had limited insights into the labor rates paid for similar IT services. GAO's analysis of 30 contract actions for similar IT services in fiscal year 2013 found that the agencies paid widely varying labor rates for similar services with the same contractors. The average difference between the lowest and highest labor rate for the categories GAO reviewed was 62 percent, in part due to geographic or work location, unique security, education or skill requirements, and the contractor unit performing the work. Further, for the 30 contract actions for IT services that GAO reviewed, the two contractors proposed more than 117 discrete labor categories—some with multiple variations—which complicated efforts to compare labor rates. Prior GAO reports on leading commercial practices have noted that companies use standardized labor categories for IT services to enable comparison of labor rates and ultimately realize cost savings. Several government-wide and agency-specific efforts to address aspects of these challenges, including providing tools to assess labor rate variations or streamlining labor categories, are under development or in their early implementation stages.