

Interagency Acquisitions: What is the Problem?

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Interagency transactions offer a key means of leveraging agency expertise and cutting costs.

Since the 1930s with the passage of the Economy Act (31 U.S.C. 1535) federal agencies have been permitted to rely on one another to help meet pressing needs as long as it is determined to be “in the best interests of the government.” The General Services Administration (GSA) has as one of its prime missions “helping other agencies better serve the public by meeting – at best value – their needs for products and services.” Over the last 15 years GSA and a number of other agencies with governmentwide acquisition contracts (GWACs) have been doing just that. As of 2004 the dollar value of interagency transactions totaled a whopping \$142 billion according to the January 2007 Report of the congressionally-chartered Acquisition Advisory Panel. This total includes funding under GSA’s Multiple Award Schedules program and GWACs as well as other interagency contracting vehicles offered under various types of contracting authorities. It represents some 40 percent of the total dollar value of all contracting transactions for that year. Agencies frequently use these vehicles to acquire a variety of services to help them carry out their missions, with information technology support being a major element of what is being bought.

Much of the growth in these vehicles occurred as a result of program managers seeing advantages in obtaining contracting expertise from outside their own agencies. This approach offered them the possibility of getting their needs met “faster, better and cheaper” than might otherwise be the case. Moreover, here was an opportunity to break the stranglehold of agency acquisition offices. The injection of real competition among various contracting offices offered the potential for a significant boost in responsiveness by what are essentially customer service operations. When one’s livelihood depends on repeat and satisfied customers, meeting customer needs effectively and efficiently and keeping them happy are not minor considerations.

Today these vehicles find themselves in a somewhat precarious position and usage, at least according to some, is falling off. What happened?

There is a tension between the anticipated benefits of leveraging agency expertise and buying power and the practical considerations of how these contracts are developed, structured and implemented. Agencies should not reinvent the wheel when there is already a skilled staff elsewhere that is trained and able to meet that need. Taking advantage of such opportunities would seem a no-brainer. However, we have no good estimates of the true administrative costs of using most contracting vehicles, whether interagency or agency specific. We don’t have good estimates of the cost savings from governmentwide contracts versus multiple smaller contracts. Finally, accountability can be less clear in an interagency contract than with traditional, agency-specific contracts.

There are also broad questions for governmentwide acquisition management. How many such vehicles should there be and who decides on that number? A few years ago there were six to eight multi-agency contracts. Today there are 51 plus several similar contracts limited to individual Departments. What is the right balance between these interagency-specific contracts and their Department-specific cousins? There is a significant cost to industry (and indirectly to the government) of bidding on a wide collection of contracts

merely to keep open the possibility of some future award. Moreover, what is the leveraging power of vehicles if they merely duplicate one another in terms of the services offered?

In addition to these strategic concerns, however, there is another whole set of issues that revolves around how these contracts actually work and the appropriate roles and responsibilities of parties in both the requesting agency and the servicing agency. Concerns about transaction level abuses have perhaps more than anything been the cause of the cautions now being expressed. Revenues generated through GWACs have declined by 15 percent per year from fiscal year 2005 to 2007 according to FedSources as agencies have shifted toward using their own multiple-award contracts.

In 2005 the Government Accountability Office (GAO) placed Interagency Contracting on its "High Risk List" because of concerns about inappropriate usage.

Programs make the "High Risk List" according to the GAO due to "their greater vulnerabilities to fraud, waste, abuse and mismanagement." They are also included on the list when they are perceived as facing "major economy, efficiency, or effectiveness challenges." Both the GAO and agency Inspectors General (IGs) over the last few years have raised serious questions about how effectively these vehicles have been managed. The GAO and the IGs in their various reports have also highlighted more specific problems. As a result, the General Services Administration and the Department of Defense as well as other agencies have taken a number of actions to increase staff awareness of these issues and to put in place new policies and procedures that make it less likely for these types of abuses to occur. In addition, the Office of Management and Budget (OMB) is instituting new guidelines to help agencies address the problems noted above. These guidelines will be consistent with the recommendations of the Acquisition Advisory Panel to bring more regularity, consistency and accountability into the overall GWAC process. What more should be done?

Key Recommendations

- Interagency contracts should continue to be offered by organizations that have the market, program management, and contracting expertise to deliver good acquisition results. Ideally, agencies should be able to choose among a few (but not too many) providers.
- The Chief Acquisition Officers (CAOs) of agencies managing interagency contracts and the CAOs of user agencies should take steps to ensure that interagency contracting is not used as a means to evade good acquisition practices. There needs to be a clear understanding of the roles and responsibilities of the requesting agency and the servicing agency in using these vehicles as well as a well thought out and documented plan for collaboration. Contracting Officer Technical Representatives are critical to the success of this effort.
- CAOs should take steps to assess the costs of contract management in their agencies so their internal administrative costs can be compared to the administrative costs of using another agency. Chief Financial Officers need to be part of this effort.
- Greater transparency and a broader knowledge of the distinct benefits afforded by the various GWACs are required to address the issue of whether new vehicles are needed. OMB and agency CAOs need to jointly carry out this review and make these determinations.

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