

Why GAO Did This Study

Federal agencies spend over \$50 billion annually on goods and services using interagency contracts, which leverage the government's buying power, simplify procuring commonly used goods and services, and allow agencies to use the contracts and expertise of other agencies. Agencies that operate interagency contracts and provide assisted acquisition services for other agencies recover their costs by charging a fee to their customers.

In response to questions about fee rates and their composition, GAO assessed for selected interagency contracting programs (1) the current fee rates and trends in the fee rates, sales, costs, and revenues; (2) the extent to which programs subsidize, or are subsidized by, other programs; (3) the extent to which agencies identify, track, and forecast costs and revenues, manage reserves, and obtain approval for fee-rate changes; and (4) the extent to which agencies use contractor personnel to supplement program staffing.

GAO analyzed data on six interagency contract programs at four agencies—General Services Administration (GSA), Department of the Interior (DOI), National Aeronautics and Space Administration (NASA) and National Institutes of Health (NIH); reviewed agency policies; and interviewed officials from the agencies' program, policy, and financial offices.

What GAO Recommends

GAO recommends that GSA improve its tracking of costs and management of reserves and that DOI improve its assignment of overhead costs. GSA and DOI concurred with GAO's recommendations.

View [GAO-11-784](#) or key components. For more information, contact Bill Woods at (202) 512-4841 or WoodsW@gao.gov.

INTERAGENCY CONTRACTING

Improvements Needed in Setting Fee Rates for Selected Programs

What GAO Found

Fee rates for the selected interagency contract programs range from 0.25 percent to 12.0 percent of the value of the order for fiscal year 2011 and vary depending on the level of service and type of acquisition services provided. Some programs with lower fee rates provide only minimal support services while the customer agency places direct orders through an online system. Other programs provide more support services or function as the acquisition office for the customer agency. The fee rates have remained stable since fiscal year 2007 at four of the six programs reviewed—three at GSA and one at DOI. Two programs—one at NASA and one at NIH—lowered their rates. During this same period, sales have generally increased across programs, and most of the programs have generated revenue in excess of program costs. Excess revenue in a given year is permitted; however, GSA's Multiple Award Schedules (MAS) program has consistently accumulated excess revenue.

Fee Rates for Selected Interagency Contract Programs—Fiscal Year 2011

Agency: Interagency contract program	Fee rate
DOI: Assisted Acquisition Services Program	2.0% to 5.0%
GSA: Assisted Acquisition Services Program	1.0% to 12.0%
GSA: Multi-agency Contract—Network	7.0%
GSA: Multiple Award Schedules (MAS) Program	0.75%
NASA: Governmentwide Acquisition Contract —Solutions for Enterprise-Wide Procurement	0.45%
NIH: Governmentwide Acquisition Contracts —Chief Information Officer Solutions and Partners 2 Innovations	0.5% to 1.0%
—Image World2 New Dimensions	0.25% to 1.0%
—Electronic Commodities Store III	0.5%

Source: GAO analysis of agency information.

All but NASA's program allow for subsidization since they are managed along with other programs under revolving funds. Subsidization allows agencies to ensure that their revolving funds remain solvent, even if they must subsidize across programs if some programs cannot cover all their costs with revenue generated by their fee rates. NASA is managed as a stand-alone program.

Agencies follow key elements of the fee-setting process, but weaknesses exist in some programs. The weaknesses include inadequate cost identification, inadequate attention to growing reserve balances, and not following internal approval processes. For example, GSA does not track Network costs at the contract level, and does not monitor the growth of reserve balances at the program level. DOI does not assign its overhead costs proportionately between its offices. Therefore, these agencies cannot ensure that all their fee rates are set appropriately and may be missing opportunities to identify program inefficiencies.

Use of contractor personnel for support services in interagency contract programs varied widely, ranging from 5 percent of total staffing for the GSA MAS to 92 percent of staffing at NASA. In general, agencies use contractor personnel to provide acquisition support or management support. Agency officials said using contractor personnel allows them flexibility to adjust to changing workloads. NASA officials said that they will continue to review the extent to which functions should be performed by federal employees or by contractor personnel.