

Why GAO Did This Study

In 2009, President Obama directed the Office of Management and Budget (OMB) to provide guidance to the 24 largest agencies to save \$40 billion annually in contracting by fiscal year 2011 and reduce the share of dollars obligated under new high-risk contracts by 10 percent in fiscal year 2010.

Agencies were to submit plans for meeting these goals to OMB's Office of Federal Procurement Policy (OFPP), which implemented the initiative. GAO was asked to assess (1) the extent to which the OMB initiative yielded the intended savings from contracting, (2) how effectively agencies reduced obligations on new high-risk contracts, and (3) the savings and risk reduction strategies to identify those that have the potential to yield long-term savings or improve acquisition outcomes. GAO reviewed agencies' savings and risk reduction plans and agency-reported data, and met with OFPP and senior procurement officials at each agency.

What GAO Recommends

GAO recommends that OMB continue to focus on the savings initiative and clarify how it aligns with other new initiatives, clarify guidance on how agencies' initiatives are defined and reported, and expand the initiative to include all high-risk actions. GAO also recommends that OMB report on the results of the initiative through fiscal year 2011. OFPP expressed concern that the report presents an incomplete picture of savings, especially at DOD. GAO disagrees and believes the report accurately portrays the scope and results of agencies' efforts under the initiative. OFPP agreed to adopt, where appropriate, GAO's recommendations regarding recording and methodological concerns.

View [GAO-12-57](#). For more information, contact John P. Hutton at (202) 512-4841 or huttonj@gao.gov.

FEDERAL CONTRACTING

OMB's Acquisition Savings Initiative Had Results, but Improvements Needed

What GAO Found

While agencies reported substantial savings, GAO found problems with the reported data and identified missed opportunities to further reduce high-risk contracts. Nevertheless, the initiative has prompted agencies to take actions to identify potential contract savings and reduce contracting risks.

The extent of savings resulting from OMB's initiative is unclear. While OMB reported that agencies reduced contract spending by \$15 billion from fiscal year 2009 to fiscal year 2010, this analysis was based on governmentwide spending trends and not solely due to the savings initiative. GAO found billions of dollars in overstated and questionable savings, reported by civilian agencies in early fiscal year 2011. For example, one agency reported about \$1.9 billion in savings that represented total contract obligations rather than savings, while the National Aeronautics and Space Administration reported \$660 million in savings resulting from a 2004 decision to retire the Space Shuttle. Further, the Defense Department's 2010 savings, reported in August 2011, stemmed from a broader, ongoing effort to reduce the department's budget—and were not necessarily tied to contract savings. GAO also found that agency officials were confused about what constitutes a savings due to OMB's broad and changing guidance, and whether the savings initiative would continue in future years. In July 2011, OMB introduced an initiative to reduce spending on professional and management services contracts, but it is unclear how this effort will affect the savings initiative.

Although OMB has not reported on the overall results of efforts to reduce the use of new high-risk contracts, GAO found that in fiscal year 2010, agencies decreased use of those contracts, as a share of base spending, by less than 1 percent—well short of the 10 percent goal. OMB did report on results of individual categories of newly awarded high-risk contracts—noncompetitive, competitive solicitations receiving only one offer, cost-reimbursement, and time-and-materials contracts—but GAO's analysis yielded different results. Variations in results were primarily due to differences in the methodologies used by GAO and OFPP on how certain contracts were allocated to the individual high-risk categories, and an adjustment GAO made for one large contract that an agency incorrectly coded as being high-risk. Further, OFPP's focus on only new high-risk contracts limited the potential for greater risk reduction. When all high-risk obligations are taken into account, such as for orders under noncompeted blanket purchase agreements and certain task orders, there was nearly a 2 percent increase in the share of high-risk spending from fiscal year 2009 to 2010.

Agencies did use OMB's initiative to garner support from agency leadership to review contracts for cost and risk reduction opportunities. GAO identified many acquisition savings and risk reduction strategies that agencies used—such as improved planning, strengthening the workforce, and streamlining processes—that show promise in yielding long-term savings or improved acquisition outcomes. For example, one agency reported saving nearly \$350 million by leveraging its buying power when purchasing office supplies, software licenses, and other items. Others reported savings by hiring experienced cost and price analysts or training existing personnel in these skills, seeking discounts under blanket purchase agreements, and using online tools to promote competition.