



Highlights of [GAO-08-360](#), a report to congressional committees

Why GAO Did This Study

In 2007, the Department of Defense (DOD) paid contractors \$158.3 billion for a range of services, including contract specialists. To better understand the use of contractors in this role, GAO initiated a case study, under the authority of the Comptroller General, at the Army Contracting Agency's (ACA) Contracting Center of Excellence (CCE). GAO determined (1) the extent to which and why CCE relies on contractor contract specialists, (2) how risks of contractor use are mitigated, (3) how the cost of the contractors compares to that for CCE's government employees, and (4) whether the contract vehicles were appropriate. GAO reviewed a random sample of contract files to understand the contractors' duties and responsibilities, compared compensation costs, and reviewed documents from the General Services Administration (GSA), under whose contracts CCE ordered the contract specialists.

What GAO Recommends

GAO recommends that the Secretary of Defense issue guidance regarding personal services contracts and that the Secretary of the Army direct ACA to work with CCE to develop a plan that addresses the appropriate mix of government and contractors, implement a training program, and ensure that contractors identify themselves as such. GAO also recommends that GSA implement controls to prevent contractors from improperly advertising their services. In written comments on a draft of this report, DOD and GSA agreed with the recommendations.

To view the full product, including the scope and methodology, click on [GAO-08-360](#). For more information, contact John Hutton at (202) 512-4841 or huttonj@gao.gov.

DEFENSE CONTRACTING

Army Case Study Delineates Concerns with Use of Contractors as Contract Specialists

What GAO Found

CCE has relied on contractor contract specialists since it began hiring them in 2003. In August 2007, contractors—who work side by side and perform the same functions as their government counterparts—comprised 42 percent of CCE's contract specialists. CCE officials cited difficulties hiring and retaining government personnel in light of the competition from government and the private sector for this competency. While CCE officials said that they prefer to use government employees, they have not considered the appropriate balance of contractor versus government contract specialists. Furthermore, CCE has not addressed the need for more training of its government employees to strengthen their skills in conducting CCE's increasingly more complex procurements.

Methods to mitigate the risks of using contractors have been mixed in effect. First, the line separating contractor from government employee is blurry, and contractors did not always clearly identify themselves as such when dealing with the public. Second, the potential for the work being done under a personal services contract, which the *Federal Acquisition Regulation* generally prohibits because of the government-contractor relationship it creates, was clearly present. While contractor managers retained control over matters such as approving leave requests, CCE took steps to further strengthen the management distinction between government and contractor employees based on GAO's findings. Finally, risks of organizational and personal conflicts of interest were mitigated to some extent, but in practice the government relies on individual contractor employees to identify potential conflicts. These types of risks must be mitigated to ensure that the government does not lose accountability over policy and program decisions.

CCE is paying up to almost 27 percent more for its contractor-provided contract specialists than for similarly graded government employees. This comparison took into account government salary, benefits, and overhead and the loaded hourly labor rates paid to contractors. Our review of available résumés showed that six contractor employees supporting CCE in fiscal year 2007 had on average more contracting experience than CCE's five recent government hires.

Despite CCE's legal counsel's concerns, CCE has been inappropriately ordering contract specialists under a GSA contract because the services were out of scope of those contracts. GAO found additional problems, such as a contractor advertising contract specialist services on GSA's Web site that it was not authorized to provide. Due to what it characterizes as the growing demand by federal agencies for contractor contract specialists, GSA recently posted a revised contract category, under which government agencies can procure contract specialists to provide acquisition management services, such as cost estimating and proposal evaluation support. In response to GAO's findings, GSA contacted each of the contractors involved in our review about their out-of-scope services and plans further follow-ups with them.