



Highlights of [GAO-09-14](#), a report to congressional committees

Why GAO Did This Study

Competition between federal and private organizations to provide services—referred to as “competitive sourcing”—can be one way to help achieve greater efficiency in government. Under guidance from the Office of Management and Budget (OMB), competitive sourcing has been implemented at various executive branch agencies over the years. As required under the Consolidated Appropriations Act, 2008 and directed by House Report 110-231, this report examines the use of competitive sourcing at the Department of Labor (DOL). Specifically, GAO examined the comprehensiveness and reliability of DOL’s performance and cost assessments in accordance with OMB and DOL guidance as well as the impact of competitive sourcing on certain DOL workers. To address these issues, GAO reviewed relevant statutes, guidance, reports and personnel actions; and interviewed OMB and DOL officials and 60 DOL staff, grouped by role, in four locations.

What GAO Recommends

GAO recommends that OMB direct federal agencies to report all costs associated with competitive sourcing and that DOL track all such costs. OMB said it would work with the next administration as it considers GAO’s recommendation. DOL said it would wait for guidance from OMB before tracking all costs. GAO also recommends that DOL implement systems to track performance and review the accuracy of its savings reports. DOL agreed to implement these systems.

To view the full product, including the scope and methodology, click on [GAO-09-14](#). For more information, contact George Scott at (202) 512-7215 or scottg@gao.gov.

DEPARTMENT OF LABOR

Better Cost Assessments and Departmentwide Performance Tracking Are Needed to Effectively Manage Competitive Sourcing Program

What GAO Found

DOL first began conducting public-private competitions as part of its competitive sourcing program in fiscal year 2004, and since that time, it has set up performance and cost reporting systems to monitor progress in meeting the goals of competitive sourcing—that is, to obtain high-quality services at a reasonable cost and to achieve outcomes that represent the best deal for the taxpayer. For the most part, we found that DOL’s policies and procedures were followed in conducting competitive sourcing activities; however, a number of weaknesses inhibit DOL’s ability to reliably and comprehensively assess whether competitive sourcing achieves the outcomes promised.

- DOL lacks a departmentwide process for tracking and addressing deficiencies and recommendations for improvements that are identified in postcompetition accountability reviews.
- Though consistent with OMB guidance, DOL excluded a number of substantial costs in its reports to Congress—such as the costs for precompetition planning, certain transition costs and staff time, and postcompetition review activities—thereby understating the full costs of this contracting approach.
- DOL’s savings reports are not reliable: a sample of three reports contained inaccuracies, and others used projections when actual numbers were available, which sometimes resulted in overstated savings.

Because of these and other weaknesses, DOL is hindered in its ability to determine if services are being provided more efficiently as a result of competitive sourcing. Moreover, though not a representative sample of DOL personnel, in GAO’s interviews with 60 employees involved with five competitions (including employees who assisted with competition activities, as well as employees whose positions were affected by the competitions), most said that they were dissatisfied with how the competitive sourcing process was implemented and that it had a negative impact on morale. Overall, DOL’s competitions have resulted in few job losses or salary reductions. Among the 314 workers who experienced a personnel action, 263 were reassigned to new positions with the same title and pay or were promoted. In addition, of the 16 workers who were demoted, 14 were able to retain their same grade or pay. At the same time, certain groups have been impacted more than others. For example, though small in numbers, all 22 of those who were either demoted or laid off were African-American, while 10 of the 15 workers who were promoted were Caucasian.

OMB recently issued new guidance that directs agencies to use a variety of tools to manage their commercial activities, including—but not limited to—competitive sourcing. However, unless agencies are required to comprehensively track all the costs associated with competitive sourcing, it will be difficult to assess which tool may provide the best outcome in terms of efficiency in the management of commercial activities.