

# GAO Highlights

Highlights of [GAO-17-398](#), a report to the Ranking Member, Committee on Homeland Security and Governmental Affairs, U.S. Senate

## Why GAO Did This Study

IGCEs are the government's best estimate of a contract's potential costs—an important tool for both program and contracting officials to provide information when planning for and awarding contracts. IGCEs are particularly critical for service contracts—accounting for more than \$270 billion in government contract spending in fiscal year 2015—to ensure the costs associated with labor are fully understood.

GAO was asked to review federal agencies' use of IGCEs. This report examines the extent to which (1) selected departments developed IGCEs for service contracts and (2) selected departments' IGCEs were useful in supporting the acquisition planning process.

To conduct this work, GAO selected six departments that in fiscal year 2015, the most current data available, were among the top spenders on services or had a high percentage of spending on services. GAO reviewed a random non-generalizable sample of 76 service contracts, and compared IGCEs and related documentation with GAO's cost estimating guide. GAO also conducted interviews with contracting and program officials.

## What GAO Recommends

To improve the usefulness of IGCEs, GAO is making five recommendations, including that departments revise or clarify guidance or provide more training to help ensure IGCEs are prepared when required and are well-documented with clearly-stated data sources and methodologies. All six departments agreed with GAO's recommendations.

View [GAO-17-398](#). For more information, contact Marie Mak at (202) 512-4841 or [makm@gao.gov](mailto:makm@gao.gov).

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## SERVICE CONTRACTS

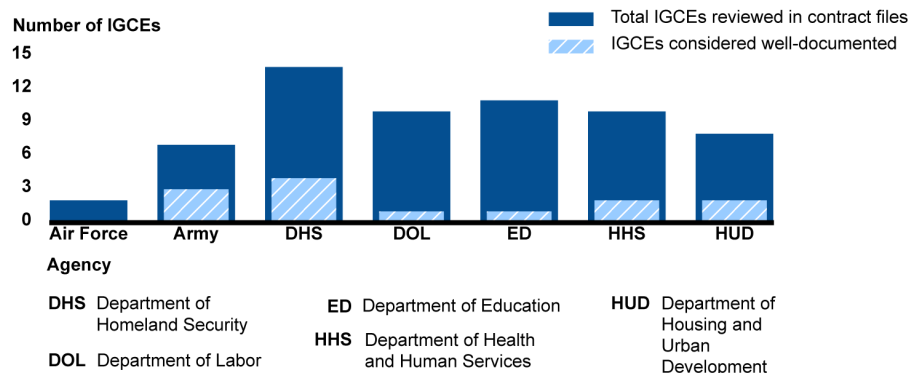
### Agencies Should Take Steps to More Effectively Use Independent Government Cost Estimates

## What GAO Found

Officials at the departments in GAO's review—Defense, Homeland Security, Health and Human Services, Education, Labor, and Housing and Urban Development—developed independent government cost estimates (IGCE) for 62 of the contracts GAO reviewed. All of the departments in GAO's review have some guidance on IGCEs available—ranging from regulation to handbooks to checklists—with different emphasis on whether an IGCE is required. GAO found some cases where guidance dictated that an IGCE should have been prepared, but was not. According to officials, one reason for not preparing an IGCE was that the procurement was a task order issued under an existing contract. Federal internal control standards state that agencies should communicate quality information to achieve their objectives, such as including clear guidance for acquisition planning.

In the 62 contracts GAO reviewed with IGCEs, the IGCEs' use in acquisition planning varied—from determining funding needs to determining price reasonableness. The usefulness of an IGCE to a contracting officer depends in part on its supporting documentation, but most IGCEs did not document data sources and methodologies used (see figure).

**Well-Documented Independent Government Cost Estimates (IGCE), per GAO's Cost Estimating Guide**



Source: GAO analysis of agency data and documents. | GAO-17-398

Lack of documented data sources and methodologies in an IGCE puts contracting officers at a disadvantage and could lead to additional, inefficient steps to validate IGCEs. Only two of the agencies in GAO's review had explicit guidance on what details to document in IGCEs, but officials were not always familiar with the available guidance. Instead, according to the officials GAO spoke with, they often follow program office practices and noted that training did not address how to develop and document an IGCE. GAO's cost estimating guidance and federal internal control standards emphasize the need for documentation, with GAO's guidance stating that well-documented cost estimates should describe the data sources used, underlying assumptions, and the estimating methodologies used to derive costs. Without clear guidance or more training on documentation of data sources and methodologies, departments may not be taking full advantage of this important acquisition tool.