



United States
General Accounting Office
Washington, D.C. 20548

152721

Resources, Community, and
Economic Development Division

B-258625

September 30, 1994

The Honorable John D. Dingell
Chairman, Subcommittee on
Oversight and Investigations
Committee on Energy and Commerce
House of Representatives

Dear Mr. Chairman:

On September 26, 1994, we met with members of your staff to discuss the cost of recreational activities for contractor employees at the Department of Energy's (DOE) Oak Ridge facilities in Tennessee. We initially reported on the cost of these activities in January 1993 as part of our report entitled Energy Management: Types of Allowable and Unallowable Costs Incurred Under Two DOE Contracts (GAO/RCED-93-76FS, Jan. 29, 1993). Your office requested that we update our earlier information by providing you with the cost of recreational activities for Martin Marietta Energy Systems employees at DOE's Oak Ridge facilities for fiscal years 1992-94. Martin Marietta is the principal management and operating contractor at DOE's Oak Ridge facilities.

In summary, we found that Martin Marietta has continued to charge the cost of a variety of recreational activities to the government. In fiscal years 1992 and 1993, over \$513,000 was spent on these activities, and in fiscal year 1994 over \$181,000 had been spent as of July 24, 1994.¹ As we stated in our January 1993 report, under Martin Marietta's contract with DOE, expenses for recreational activities are allowable costs as part of the cost of

¹In our 1993 report, information on the cost of recreational activities included costs for contractor employees at DOE's Portsmouth, Ohio, and Paducah, Kentucky, facilities. These facilities were turned over to private industry as of July 1, 1993; therefore, we have not included in this correspondence any information on such costs for these facilities in fiscal years 1992 and 1993.

conducting a comprehensive program of activities for employees. According to Martin Marietta recreational officials, they are attempting to reduce the expenses associated with recreational activities.

The costs of Martin Marietta's recreational activities are identified in three different accounts for its Oak Ridge operation. These accounts cover (1) normal recreation, including such things as providing prizes for participating in various recreational activities; (2) Clark Center Park, a recreational park for Martin Marietta employees, their families, and the general public; and (3) an annual Christmas party for the children of Martin Marietta employees. Table 1 shows the costs for these accounts over the past three fiscal years.

Table 1: Martin Marietta's Recreational Costs at DOE's Oak Ridge Facilities for Fiscal Years 1992-94

Account	Costs, by fiscal year		
	1992	1993	1994 ^a
Normal recreation	\$ 93,055	\$ 86,106	\$ 71,401
Clark Center Park	164,231	150,823	102,575
Christmas party	3,182	15,931	7,589
Total	\$260,468	\$252,860	\$181,565

^aThe costs for recreational activities for fiscal year 1994 are through July 24, 1994.

The maximum annual budget for Martin Marietta's employee activities program, as specified in its contract with DOE, is \$10 for each regular employee each year. The cost to operate, maintain, and repair Clark Center Park is separately accounted for and does not come out of this budget. Martin Marietta employees and members of their immediate families may participate in the recreational programs.

Expenses for recreational activities included costs for such things as golf balls, officiation of ballgames, the rental of facilities to play volleyball, and prizes and awards for

those participating in the recreational activities. The following are some examples of the costs charged to the government for employees' recreational activities:

- Martin Marietta charged about \$7,300 for golf balls purchased as prizes for company-sponsored golf activities in fiscal year 1991. Since then, Martin Marietta has charged a total of \$20,194 for golf balls in fiscal years 1992 (\$7,415), 1993 (\$8,011), and 1994 (\$4,768). According to Martin Marietta's Recreational Coordinator, as part of the Martin Marietta cost reduction effort, one of the five company-sponsored tournaments was eliminated in 1994, along with the number of golf balls provided as prizes.
- In fiscal year 1994, Martin Marietta charged \$7,589 to the Christmas party account. This included \$200 for a performer to play Santa Claus at the annual Christmas party for the children of Martin Marietta employees. Additionally, Martin Marietta charged the cost of three other characters and a master of ceremonies--at \$100 each. Martin Marietta also charged the government \$394.75 for the cost of renting an auditorium to have the Christmas party.
- Martin Marietta charged \$4,032 to the government for volleyball officials to officiate its 1993-94 volleyball season. Because of the need to reduce expenses, Martin Marietta's Recreational Coordinator and team representatives decided that beginning in fiscal year 1995, teams participating in volleyball would pay for the cost of officials. Martin Marietta would continue to pay for the cost of equipment and the rental of the gym.
- Martin Marietta charged \$8,964 to the government for softball officials to officiate its 1993 softball season, in addition to \$4,482 for scorekeepers. The Recreational Coordinator explained that he is working on a letter to the representatives of softball teams that will essentially require the teams to pay for softball officials beginning in the 1995 season.

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We examined Martin Marietta's reports and data on the cost of recreational activities for its employees at the Oak Ridge facilities for fiscal years 1992 through 1994. The 1994 information was as of July 24, 1994. We interviewed the Martin Marietta officials responsible for recreational activities and for tracking their cost to discuss any

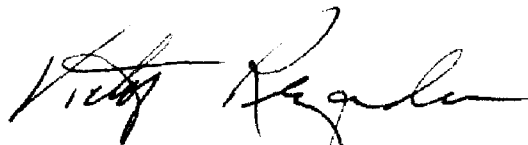
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changes in the activities since fiscal year 1991 and the reasons for them.

We discussed the information in this correspondence with DOE and Martin Marietta officials at Oak Ridge, including DOE's Chief Financial Officer. They agreed with the accuracy of the facts presented. As you requested, we did not obtain written agency comments on this correspondence. We conducted our review between August 1994 and September 1994 in accordance with generally accepted government auditing standards.

As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this correspondence for 30 days. At that time, we will send copies of this correspondence to the appropriate congressional committees; the Secretary of Energy; the Director, Office of Management and Budget; and other interested parties. If you or your staff have any questions about this correspondence, please call me at (202) 512-3841. Major contributors to this work were John Hunt, Gene Barnes, and Sherrill Caldwell.

Sincerely yours,



Victor S. Rezendes
Director, Energy and
Science Issues

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