

DOCUMENT RESUME

03392 - [A2593738]

Development of a Uniform Reporting System for Employment of Consultants. September 15, 1977. 15 pp. + 3 enclosures (4 pp.).

Testimony before the Senate Committee on Governmental Affairs: Reports, Accounting and Management Subcommittee; by Elmer B. Staats, Comptroller General.

Issue Area: Federal Records Management (1400).

Contact: Office of the Comptroller General.

Budget Function: General Government: Other General Government (806).

Organization Concerned: Civil Service Commission; Office of Management and Budget.

Congressional Relevance: Senate Committee on Governmental Affairs: Reports, Accounting and Management Subcommittee.

Authority: Administrative Expenses Act of 1946 (5 U.S.C. 55a).
P.L. 92-463. 5 U.S.C. 3109.

Under proper authorization, the services of consultants may be procured by Federal agencies when to do so is more economical than hiring permanent workers. Concerns have been expressed about whether agencies properly and effectively employ and use consultants. Most agencies do not maintain reliable data on use of consultants and this lack of information available to the public has led to suspicions that consultants improperly influence decision making. A uniform, practical, effective information system and adequate reporting are needed. To establish such an information system, a standard definition must be adopted, the components of the system identified, and a single authority and operators of the system designated. The Civil Service Commission's definition of a consultant contained in FPM chapter 304 could be adopted, with some modifications, for Government-wide use. The computerized Federal Procurement Data System being developed by the Office of Federal Procurement Policy to provide information on individual contracts for services in excess of \$10,000 is not expected to be operational until late 1978. (Author/HTW)

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03392
United States General Accounting Office
Washington, D.C. 20548

FOR RELEASE ON DELIVERY
Expected at 10:00 a.m. EST
Thursday, September 15, 1977

Statement of

Elmer B. Staats
Comptroller General of the United States

Before the
Subcommittee on Reports, Accounting, and Management
Senate Committee on Governmental Affairs

on

Development of a Uniform Reporting System
for Employment of Consultants

Mr. Chairman and Members of the Subcommittee:

We are here today at the request of your Subcommittee to present our views on the development of a uniform reporting system for employment of consultants. We share your concern that the Federal Government does not have data readily available on how many consultants it uses, what they do, or how much their services cost. When we refer to contractors in this statement, we are referring to contractors for consultant services.

In recent years the President has proposed and the Congress has enacted many new programs to deal with changing social, economic, and technical needs. If the departments and agencies are

to administer these programs effectively they must have access to the best advice and expertise that can be obtained. Although the Government's programs and functions are carried on primarily by its permanent work force, in many instances it is not economical to hire permanent employees and the agencies must draw upon a great pool of talent that is not needed or available full time.

Title 5 of the United States Code, Section 3109, permits the head of an agency "when authorized by an appropriation or other statute" to "* * * procure by contract the temporary * * * or intermittent services of experts or consultants or an organization thereof * * *." Specific statutory authority is provided individual agencies in continuing legislation or appropriation acts.

We agree with the Civil Service Commission's views that the proper use of experts and consultants is a normal, legitimate, and economical way to improve Government services and operations. Agencies must be able to obtain highly qualified talent to cope with a great diversity of highly technical and complicated problems and programs. Use of experts and consultants may be the most efficient and economical way to

--Meet agency needs for a concentrated effort involving specialized skills not required, and in many cases not available, on a continuing basis.

--Provide objectivity in analyzing problems or evaluating program results to avoid institutional bias.

--Provide flexibility in acquiring the advice of persons with specialized training or experience without a long-term employment commitment.

The Congress and the President have long been concerned about whether agencies properly and effectively employ and use experts and consultants. To illustrate,

--In 1960 the Subcommittee on General Government Matters, House Committee on Appropriations, requested the Bureau of the Budget and the General Accounting Office to study the practices of the various agencies in hiring experts, consultants, and consulting firms and organizations for management advisory services. This study showed a need for a change in the Administrative Expenses Act of 1946 (5 U.S.C. 55a) to provide a single authority for the hiring of experts and consultants and an effective control over contracting with firms and individuals for management consultant and advisory services. This change was not made when the provisions of 5 U.S.C. 55a were incorporated into 5 U.S.C. 3109.

--In October 1976 your subcommittee sent a questionnaire to the departments, agencies, and bureaus of the executive branch to obtain their assistance in compiling a report on Federal contractors and consultants. Your report, released August 7, 1977, noted that it is " * * * the

single source of information gathered on the use of contractors and consultants for professional services in the public sector." The report also noted that certain chapters "* * * show the present disarray among Federal agencies in their own internal record-keeping regarding consultants and contractors, and the lack of and need for a uniform system."

--In his May 12, 1977, memorandum to the heads of executive departments and agencies, President Carter said:

"In a continuing search for ways to improve the efficiency and effectiveness of the executive branch, I have become aware of a need for improved management of the excessively large volume of consulting and expert services used by the Federal Government. A recent survey by a Senate subcommittee of the use of personal and non-personal consultant and expert services identified more than 30,000 contract arrangements and 10,777 individual appointments. Additionally, there are such services provided by grant arrangements and through advisory committee memberships."

Expressing concern about the way consultants are used, the President requested the departments and agencies to review all data available or that could readily be assembled on their use of, and controls over, consulting services, and to report the results to the Director, Office of Management and Budget, by June 30, 1977. The Office's spokesman may comment on this matter in his statement to this Subcommittee.

Recently we undertook a research effort to identify and describe all existing centralized sources of information, centralized in the sense that information has been assembled on more than one agency's use of consultants. We expect to release shortly a report on this study which describes the data available from five sources.

We have already mentioned two of these sources of information--the recent efforts of this Subcommittee and of the President. The Senate Committee on Appropriations has required certain agencies, including the Department of Health, Education and Welfare, to report regularly to the Congress on their use of consultants. The Civil Service Commission has gathered certain data on appointed consultants in its Central Personnel Data File. Information on Federal Advisory Committees and their members is reported pursuant to Public Law 92-463.

Our review of the data available from these five sources showed that most agencies do not maintain reliable data on their use of consultants. Earlier, in 1975, at the request of this Subcommittee we reviewed data available at 12 executive agencies and 8 regulatory commissions and reported that these agencies did not record data on that portion of their budgets spent for consultant services.

Unsuccessful efforts of the Congress, the President, and concerned citizens to obtain reliable information on how many

consultants are used, who they are, and what they do have bred suspicions that they improperly influence decision making within the Government. We do not agree with this view. We believe, however, that essential to improving controls over the use of consultants is a uniform, practical, effective information system that will provide visibility through reporting as needed on how extensively the agencies are using this important resource of talent and expertise.

To establish such an information system, a standard definition must be adopted, the components of the system identified, and a single authority and operators of the system designated.

NEED FOR A STANDARD DEFINITION

Efforts to assemble information on use of consultants by agencies of the Government have been frustrated by lack of agreement on a common definition of consultants. In analyzing agency responses to your Subcommittee's questionnaire, the Congressional Research Service noted that:

"Aside from the definition found in the Federal Personnel Manual (FPM), there appears to be no standard, government-wide definition of a party to a nonpermanent arrangement for providing professional services to the Federal Government."

In our research effort we noted more than 20 different definitions used by agencies. Often one definition would include a specific service that was excluded from another definition. Until a standard definition is adopted and applied uniformly it

will not be possible to determine how many consultants are used by the Federal Government and at what cost.

Consider the Civil Service Commission's definition contained in FPM chapter 304:

"Consultant means a person who serves as an adviser to an officer or instrumentality of the Government, as distinguished from an officer or employee who carries out the agency's duties and responsibilities. He gives his views or opinions on problems or questions presented him by the agency, but he neither performs nor supervises performance of operating functions. Ordinarily, he is expert in the field in which he advises, but he need not be a specialist. His expertness may consist of a high order of broad administrative, professional, or technical experience indicating that his ability and knowledge make his advice distinctively valuable to the agency.

"Consultant position means a position requiring the performance of purely advisory or consultant services, not including performance of operating functions."

This definition defines a consultant as one who serves in an advisory capacity only, who may not be used to participate in an agency's operations in any way, and applies to individual consultants employed by agencies subject to the Civil Service laws and regulations.

We believe the Commission's definition of consultant is a clear statement that could be adopted for Government-wide use. This definition could be modified to apply to individuals under appointments as well as to contracts with individuals, profit or nonprofit firms, institutions, associations, or foundations who provide consultant services.

Immediately after defining consultant and consultant position in FPM chapter 304, the Commission defines expert and expert position.

"Expert means a person with excellent qualifications and a high degree of attainment in a professional, scientific, technical, or other field. His knowledge and mastery of the principles, practices, problems, methods, and techniques of his field of activity, or of a specialized area in the field, are clearly superior to those usually possessed by ordinarily competent persons in that activity. His attainment is such that he usually is regarded as an authority or as a practitioner of unusual competence and skill by other persons in the profession, occupation, or activity.

"Expert position means a position that, for satisfactory performance, requires the services of an expert in the particular field * * * and with duties that cannot be performed satisfactorily by someone not an expert in that field."

Confusion has resulted from indiscriminate use of the terms consultant and expert. Except for its definition, even the Commission links the two terms in its FPM chapter 304 on "Employment of Experts and Consultants." While a consultant ordinarily should be an expert, an expert may serve other than in a consulting capacity.

Agencies strongly disagree on what types of services should be included or excluded from the definition of consultant services. This problem is complicated by the overlapping and complex relationships between professional and nonprofessional services. We are using the term professional services to encompass the services of a wide range of occupations which require

specialized knowledge or experience, and often long and intensive academic preparation. The Department of Commerce has identified 64 categories of professional services shown on attachment 1. Probably there are many others. We consider non-professional services as those associated with commercial, mechanical, agricultural, and similar activities.

Agreement on what should be considered consultant services is further complicated by the use of the terms "personal services" and "nonpersonal services." In fact, these two terms inartfully describe two types of relationships that can exist between the Government and a consultant and do not in any way define what constitutes consulting services.

If an individual consultant or group or firm of consultants provides advisory services under a contract without supervision by a Government official, there is an independent contract relationship. Services obtained on this basis are frequently referred to as "nonpersonal services." Such services are also referred to as "independent contractor" services.

If, on the other hand, an individual consultant or group or firm of consultants provides advisory services under a contract with close supervision by a Federal official, the relationship created is tantamount to that of employer and employee. The contract is improper because the services should have been obtained by appointment of the individual or the firm's members

in the Federal service, giving them the benefits properly due Federal employees.

Consultant services improperly obtained by contract are frequently referred to as "personal services" obtained by "personal services contract." We frequently find that the term "personal services" is used to refer generally to all expert and consultant services. In this broader context the term may be confusing and is decidedly unhelpful in attempting to describe what constitutes "consultant services."

We feel that the term "employee consultant" most accurately describes the relationship created when an individual consultant's services are obtained by appointment. The term "independent contract" better describes the relationship created by a proper contract between the Government and an individual consultant or group or firm of consultants, and that the term "nonindependent contract" better defines the relationship created by an improper contract where the consultant or group or firm of consultants in fact functions as a Government employee or employees.

NEED FOR A UNIFORM INFORMATION SYSTEM

We believe there is a need for an information system, rather than a reporting system, to be consistently applied to all agencies, that will identify the consultants and experts used, arrangements under which their services are acquired, at what cost, and

for what type of service. Such information will assist the agencies in maintaining effective control over these resources. Also, it will enable reports to be prepared as needed to assist the President and the Congress in discharging their oversight responsibilities.

The services of individuals and firms may be obtained by contract. Individual services may also be secured by appointment and selection to serve on Federal Advisory Committees. A uniform information system should include all three groups.

Three centralized data systems, currently in operation or planned to meet other Government information needs, could provide a large part of the statistical data needed to disclose the extent of the Government's use of consultants and experts:

- The Civil Service Commission's computerized Central Personnel Data File (CPDF) now contains incomplete statistical data on consultants and experts who serve under civil service appointments. The Commission is developing specifications for a Federal Personnel Management Information System (FPMIS) which will replace the CPDF and include more data on Federal employees.
- The Office of Management and Budget, Committee Management Secretariat's partially computerized system now provides information required by the Federal Advisory Committee Act of 1972 for management of advisory committees.

--The Office of Management and Budget, Office of Federal Procurement Policy's proposed computerized Federal Procurements Data System (FPDS) is planned to provide information on consultant and service contracts or modifications in excess of \$10,000.

If the centralized systems are to assemble and produce the kind of statistical data needed for disclosure of the extent to which consultants and experts are used, all agencies should be required to provide the same kind of data. It should be recognized that these centralized systems will not contain such vital information as whether they were properly engaged and used, how effectively they performed, and the use made of the advice or services for which they were paid.

To supplement the data in the centralized systems and make available information essential for effective control, each agency also should be required to maintain prescribed files and information on all individuals and contractors used to provide advisory and expert services regardless of the amount paid them. This should be feasible since agencies now must process records on the employment, use, and payment of each individual and contractor consultant and expert.

A single authority should exercise responsibility for prescribing the standard definition to be applied, data and files to be maintained, and reports to be prepared. We suggest this

single authority responsibility be in the Office of Management and Budget which continues to be the focal point of the Federal Government for policy leadership.

Also needed are uniform data elements to be used, to the extent they are applicable, for all types of consultants and experts by the agencies and incorporated in the centralized data systems. These will enable retrieval and assembly of comparable Government-wide information identifying in total and by agency the consultants and experts used, types of services performed, and costs incurred. Agency systems must be capable of providing compatible summary information on consultants and experts that is not accumulated in or reported by the centralized systems.

We suggest that uniform data elements such as those listed in attachment 3 be used to gather summary information necessary to adequately monitor the Government's use of consultants and experts. The data should be recorded in the Central Personnel Data File for each individual serving under a civil service appointment, and in the Federal Procurement Data System for each individual, firm, or other entity serving under a contractual arrangement. Data on members of advisory committees should be recorded by committee and by individual. Most of the data elements already are available in existing systems or are planned for systems being developed.

OPERATION OF THE CENTRALIZED SYSTEMS

Even though a single authority should have overall responsibility for the uniform data collection and reporting system, other agencies would operate the centralized systems. Each centralized system, designed to meet other Government information needs, would be modified to the extent necessary to record and have available for retrieval relevant data on the use of consultants.

The Civil Service Commission now operates the computerized Central Personnel Data File and will operate the expanded Federal Personnel Management Information System it is developing for implementation in the 1990s. The purpose of these systems is to accumulate data on individuals who serve as Federal employees under all types of appointments.

The Office of Management and Budget, Committee Management Secretariat will continue to operate its partially computerized system to accumulate data on advisory committees.

At present there is no centralized body of information on services purchased under contractual arrangements. The computerized Federal Procurement Data System, now being developed for this purpose by the Office of Management and Budget's Office of Federal Procurement Policy to provide information on individual contracts in excess of \$10,000, is not expected to be operational until late 1978. We believe agency systems should be capable of

providing summary information on the total number and cost of consultant contracts less than \$10,000.

We understand that the Office of Federal Procurement Policy has explored the possibilities of having either the Department of Defense or the General Services Administration operate the Federal Procurement Data Systems Center, but apparently this matter has not been resolved. We are not aware of any studies that may have been made by these or other agencies on the cost and feasibility of operating this system.

In summary, we believe that a uniform information system is needed to provide visibility on how extensively Federal agencies are using consultants and a tool for improving management of their use. We further feel that the backbone for such an information system is already in existence.

This completes our formal statement, Mr. Chairman. I will be glad to respond to any questions regarding our comments.

DEPARTMENT OF COMMERCE
CATEGORIES OF PROFESSIONAL EMPLOYEES

Motion Picture Producer	Professional Artist
Economist	Metalurgist
Accountant	Technical Writer
Certified Public Accountant	Transportation Specialist
Marine Engineer	Contract Specialist
Electrical Engineer	Professional Actor
Civil Engineer	Composer
Chemical Engineer	Molecular Chemist
Radio Engineer	Physicist
Mechanical Engineer	Chemist
Fire Safety Engineer	Biochemist
Aeronautical Engineer	Biologist
Avionics Engineer	Teacher
Computer Programmer	Educator
Computer System Analyst	Physician
Meteorologist	Nurse
Geologist	Pathologist
Oil Geologist	Radiologist
Marine Geologist	Architect
Geographer	Naval Architect
Oceanographer	Attorney
Hydrologist	Patent Attorney
Geophysicist	Sociologist
Professional Photographer	Astronomer
Fashion Designer	Forester
Professional Writer	Mathematician
Psychologist	Linguist
Astrophysicist	Dentist
Interior Designer	Librarian
Geodesist	Ecometrician
Cinematographer	Microbiologist
Seismologist	Cardiologist

TOTAL = 64 Categories

EXAMPLES OF

CONSULTANT SERVICES AND OTHER SERVICES

CONSULTANT SERVICES (ADVISORY TO GOVERNMENT AGENCIES ONLY)

Studies or evaluations of agency operations or programs to produce oral or written reports expressing opinions and/or advice.

Architect or engineering services to produce opinions or advice on alternative designs or processes.

Medical services to evaluate and comment on proposed programs.

Evaluation of effectiveness of programs of assistance to the public or foreign governments to produce opinions and recommendations for action.

Studies designed to propose installation of revised management improvement systems or employee training courses.

Evaluation of vocational guidance services provided veterans.

Studies of agency equipment needs to produce advice on purchase or rental.

OTHER SERVICES (RELEVANT TO CARRYING ON
AGENCIES' OPERATIONS OR PROGRAMS)

Any service that contributes to execution of any agency's operations or carrying on its programs.

Implementing action recommended by consultants and approved by agency officials.

Architect or engineering services supervising construction.

Medical diagnostic or therapeutic services provided patients.

Advisory services provided directly to the public or foreign governments as part of an agency's programs of assistance.

Installing management improvement techniques or programs.

Designing, administering, or conducting employee training courses.

Audits made by Certified Public Accountants.

Vocational guidance services provided veterans.

Operating Government-owned facilities.

Installing or testing equipment or training employees in its operation.

Translation or stenographic services.

EXAMPLES OF DATA ELEMENTS FOR A UNIFORM INFORMATION SYSTEM ON CONSULTANT SERVICES

Uniform data elements	System	
	FPDS (contracts)	CPDF (appointments)
Agency and agency sub-element	Agency	Agency
Name or identification number	Contractor identification code	Name and social security number
Type of consultant service	Service code	Occupational code <u>1/</u>
Cost	Total dollars obligated	Daily rate of compensation and total amount paid <u>2/</u> Total annual costs
Effective date	Effective date of award	Effective date of appointment
Authority used	Contracting authority	Contracting authority <u>2/</u> advisory group
Where work is performed	Principal place of performance	Geographical location code
Where records are maintained	Purchasing or contracting office	Personnel office
		Committee management office
		Federal Advisory Committees
		Agency Names of committee members and outside affiliation
		Statement of committee function

Most of these elements represent data that is reported into the CPDF and Federal Advisory Committee systems, and is planned to be reported into the FPDS when it is implemented.

1/CPDF could be modified to distinguish between experts, consultants, and advisory committee members.

2/This data element is not currently available but could be provided.