

GAO

United States General Accounting Office

Fact Sheet for the Honorable
David Dreier, House of Representatives

April 1988

FEDERAL PRODUCTIVITY

DOD Functions With Savings Potential From Private Sector Cost Comparisons



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

General Government Division

B-223693

April 8, 1988

The Honorable David Dreier
House of Representatives

Dear Mr. Dreier:

This fact sheet responds to your October 29, 1986, request that we provide information on specific government functions that would have the greatest potential for savings from implementation of Office of Management and Budget (OMB) Circular A-76. OMB Circular A-76, "Performance of Commercial Activities," is the executive branch policy that requires federal agencies to generally procure commercial products and services from private sector sources when a comparison of costs shows that the private sector can provide the same quality job at less cost than a government operation. Inherently governmental functions, such as federal law enforcement, must be performed by federal employees.

Before comparing the in-house to private sector cost to perform an activity, Circular A-76 requires managers of the existing in-house operation to conduct a management efficiency study. In this study organizational structure, staffing, and operating procedures are reviewed to determine the most efficient and effective way of performing the activity with in-house staff. The resulting "most efficient organization" is used as the basis for the in-house cost used in the cost comparison.

As agreed with your office, we focused solely on functions carried out by the Department of Defense (DOD). DOD records show that 1,661 A-76 cost comparisons had been conducted from fiscal year 1979 through the first quarter of fiscal year 1987 (December 1986), which was the most current data at the time of our review. They covered 25 major types of commercial functions and indicated that estimated annual savings of \$613 million were achieved through contracting with the private sector and more efficient in-house operations. The part of the A-76 cost comparison where the efficiency of the in-house operation is reviewed identified 8,045 staff year reductions in the DOD activities.

did not attempt to trace the staff year reductions identified from applying A-76 at the activity level to see if the reductions actually were made and whether total DOD staff year authorizations were also reduced. These and other limitations are discussed more fully in appendix I.

Our past reports of individual activities contracted out under A-76 have shown that savings were usually realized, though not always as much as originally estimated. The estimated savings were generally due to contractors' plans to use fewer employees and pay lower wages than would the government. The reports found that after contracting with the private sector, contract costs often increased. The contract costs usually rose as a result of new work requirements and inflation-related wage increases that contractors are required to pay by the Service Contract Act of 1965, as amended (41 U.S.C. 351 et seq.). Costs for new work and wage increases also would have been incurred if the work had been done in-house. Selected GAO products on A-76 are listed in appendix IV.

AGENCY COMMENTS

We obtained comments on this fact sheet from DOD which generally agreed with its contents. DOD commented that we should clarify our discussion regarding our past reviews of A-76 contracts where cost increases occurred as a result of new work requirements and wage increases and that cost increases would have occurred had the activities remained in-house. We acknowledge that in general cost increases could occur as a result of new work requirements and wage increases regardless of whether the work is contracted for or done in-house.

DOD also suggested that this fact sheet include discussions of methodologies for use in reviewing the cost and savings-related aspects of A-76 implementation. Such discussions of methodologies and their use in past reviews done by us, or by other audit organizations, are outside the scope of this fact sheet. DOD's comments are shown in appendix V.

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ABBREVIATIONS

ADP	Automated Data Processing
DOD	Department of Defense
GAO	General Accounting Office
OMB	Office of Management and Budget

We did not attempt to trace the resulting staff year reductions identified from applying A-76 at the activity level to see if those reductions actually were made and whether total DOD staff year authorizations were also reduced. This fact sheet, therefore, identifies functions with A-76 savings potential, but it does not indicate the extent to which any savings may actually have been realized in the past or may be realized in the future.

Our analysis examined (1) functions that have been studied under A-76 in the past and are included in DOD's published 1986 inventory of commercial activities and (2) within those functions, staff years in individual activities that have not yet been studied under A-76. The analysis, therefore, also does not suggest other DOD functions that could be subjected to A-76.

We did not independently verify the accuracy of the DOD cost comparison data or the completeness of the staff year data. DOD helps to ensure the accuracy of the data by sending copies of the computer-generated information back to the component services and agencies that originally reported the data. They are supposed to check the computer data against paper copy records of the individual cost comparisons. In calculating savings from A-76 implementation, DOD excludes records that are incomplete or fail certain accuracy tests. DOD itself uses the commercial activities program data to prepare reports for (1) OMB on cost comparisons completed and budgetary impacts, (2) Congress on program implementation and savings, (3) individual congressmen on cost comparisons conducted in their districts, (4) private contractors on program information, and (5) internal DOD administration.

To test that our method of estimating past A-76 savings provided reliable results, we checked to see if our estimates were consistent with DOD's savings estimates. We compared the total savings from our analysis to that of DOD for the same time period and the results were similar. Our analysis showed total savings of \$613 million, while DOD showed \$605 million, a difference of 1.3 percent.

Our methodology for determining functions with savings potential is adapted from analyses done by other organizations to estimate the potential cost savings from A-76 implementation. Those estimates were generally based on the number of full-time federal employee staff years in commercial-type activities multiplied by the average federal salary, which is then multiplied by the expected savings rate to obtain the savings estimate. Our analysis simply developed savings rates that were applied to the DOD staff years in commercial functions to obtain a ranking of the DOD functions from most to least in savings

DOD EXPERIENCE WITH A-76

OMB Circular A-76 provides that (1) executive branch agencies generally rely on the private sector for commercial products and services unless it is more economical to provide them in-house and (2) all inherently governmental functions, such as federal law enforcement, must be performed by federal employees. The circular's implementation guidelines require agencies to (1) identify in-house commercial activities, (2) determine each activity's standards of performance in terms of the products and services required and their quality, (3) review the efficiency of the in-house operation's organization, (4) compare the cost of the most efficient in-house organization to private sector bids to perform the activity in accordance with the performance standards, and (5) select the lower cost alternative to perform the activity. The objective of these A-76 cost comparison studies is to reduce government costs through competition and more efficient government operations, regardless of who ultimately provides the necessary products and services.

REPORTED A-76 SAVINGS FOR DOD FUNCTIONS

As a result of 1,661 A-76 cost comparison studies conducted since 1979, DOD data indicate estimated annual savings of about \$613 million. The savings are expressed in current dollars for the years during which the individual cost comparisons were completed. The dollar amounts of reported savings from past A-76 implementation for the 25 major categories of commercial functions performed in DOD are shown in table II.1. The functions having the largest dollar amounts of estimated savings are multifunction/base maintenance; maintenance of installation facilities, grounds, and utilities; motorpool/vehicle maintenance; and equipment maintenance.

Table II.1 also shows the rates of savings for the functions. The rates were calculated by taking the estimated dollar savings as a percent of the estimated original cost of performing the functions in-house with federal employees. Focusing on the savings rates, the top ranked functions were: commissary and clothing store, transport, administrative telephone and communications, and education and training. The rate of savings for all DOD functions for the October 1978 to December 1986 period was 27 percent. The top 11 functions listed in table II.1 each had a savings rate higher than the rate for all of the functions.

FUNCTIONS WITH POTENTIAL FOR FUTURE SAVINGS

Table II.2 in which the DOD functions are ranked from highest to lowest according to their savings potential shows that supply, warehousing, and distribution; facilities, grounds, and utilities maintenance; and equipment maintenance on DOD installations have the greatest potential for savings from future A-76 implementation. Most of the listed categories of functions indicate some savings potential. Certain of the listed commercial functions, however, are restricted from contracting out by law.

The ranking of the functions represents the results of our applying the estimated past savings rates of table II.1 to the number of staff years still to be studied under A-76 in the DOD functions shown in table II.2. Using the past savings rates to indicate potential for savings, however, assumes that the conditions that underlay the past estimated savings are maintained into the future. We did not attempt a more in-depth analysis to identify factors that caused the estimated savings to differ among the different functions.

The staff year data shown in table II.2 include civilian and military positions listed in DOD's commercial activities inventory. The staff years pertain to positions either identified by DOD to undergo a pending A-76 cost comparison study or which have never been reviewed for a potential study.

SAVINGS FROM MANAGEMENT EFFICIENCY STUDIES

As part of the cost comparison study process, Circular A-76 requires that a management efficiency study be conducted before making a cost comparison. The management study should identify essential functions to be performed and determine performance factors, organization structure, staffing, and operating procedures for the most efficient and effective in-house performance of an activity. According to OMB's A-76 program guidance, the management study can identify problem areas and generate staffing and dollar savings. The new organization resulting from the study becomes the basis for the in-house government cost estimate used in the cost comparison with the contractors' bids.

Table II.3 shows the extent to which staff year reductions in the DOD functions were identified as a result of conducting the management efficiency studies. These reviews of in-house efficiency identified 8,045 staff year reductions in the activities studied under A-76 between October 1978 and December 1986. Education and training, audiovisual, transport, and supply, warehousing, and distribution functions each showed relatively high rates of efficiency improvement in terms of staff year reductions as a result of the management studies. Assuming that the activities studied in the past within the listed functions were not necessarily the least efficient in those categories in DOD, then the analysis presented in Table II.3 suggests the extent to which similar in-house streamlining is possible in the DOD functions which have not yet been studied under A-76.

Because management efficiency studies of DOD commercial functions are done as part of the full A-76 cost comparison study rather than separately, we did not separately rank the DOD functions in terms of savings potential. Since these efficiency studies are part of the overall A-76 cost comparison process, the staff year reductions shown in table II.3 are included in the estimated savings from past cost comparisons shown in table II.1. Independent efficiency studies, nevertheless, can and should be made for functions and individual activities that for national security and other reasons must be performed by government employees.¹

¹In our 1981 report, Expanding the Efficiency Review Program for Commercial Activities Can Save Millions (GAO/FPCD-81-77, Sept. 30, 1981), we recommended that the Secretary of Defense require the military services to conduct such efficiency reviews of activities that cannot be subject to A-76 contracting for

PRIMARY DOD FUNCTIONS INCLUDED
IN 25 CATEGORIES OF FUNCTIONS

Administrative telephone and communications. Administrative telephone services, telecommunication centers, communications systems installation, and intermediate repair of communications equipment.

Architecture and engineering. Architecture, engineering, and technical services.

Audiovisual. Visual information support, audiovisual production, technical documentation, electronic media, and audiovisual design services.

Automated data processing (ADP). Data processing, operation of ADP equipment, ADP production control and customer service, data transmission, maintenance of ADP equipment, systems design development and programming, and applications systems development and maintenance.

Commissary/clothing Store. Commissary store operation, including shelf stocking, check out, meat processing, produce processing, storage, and issue. Clothing store operation.

Custodial. Janitor, pest management, and refuse collection.

Data entry. Data transcription/data entry and punch card processing.

Education and training. Operation of training devices and simulators, recruit training, officer training, specialized skills training, flight training, professional development, civilian education and training, dependent education, and other training.

Equipment maintenance. Intermediate and depot level maintenance of various equipment including aircraft, missiles, vessels, combat vehicles, and armaments, as well as railway, industrial, dining facility, medical, dental, and other equipment.

Facilities/grounds/utilities maintenance. Maintenance and repair of buildings and structures, including roofing, glazing, tiling, painting, flooring, electrical, plumbing, heating, and air conditioning. Maintenance of grounds and railway, waterway, and waterfront facilities. Operation and maintenance of electrical plants and systems, heating plants and systems,

Supply/warehousing/distribution. Base supply operations, ocean terminal operation, cargo handling, lumber operations, material handling equipment operation, crane operation, storage, receipt, packing and crating, shipping, preservation and packaging, and acceptance testing.

Transport. Transportation management and administration, materiel movement, personnel movement, personal property activities, unit movements and air, water, rail transportation, and fueling services.

Other. Undertaker and funeral services; management of research, development, testing, and evaluation; furniture, office equipment, military clothing, scrap metal and excess property management; and mapping and charting.

Multifunction/base maintenance. Any combination of activities in two or more of the above-listed categories of functions.

COMMENTS FROM THE DEPARTMENT OF DEFENSE

PRODUCTION AND
LOGISTICS

ASSISTANT SECRETARY OF DEFENSE
WASHINGTON DC 20301 8000

24 FEB 1988

Mr. Frank C. Conahan
Assistant Comptroller General, National
Security and International Affairs Division
JS General Accounting Office
Washington, DC 20548-0000

Dear Mr. Conahan:

This is the Department of Defense (DoD) response to the General Accounting Office (GAO) draft report "FEDERAL PRODUCTIVITY: DoD Functions With Savings Potential From Private Sector Cost Comparison," Dated December 29, 1987 (GAO Code 41527/OSD Case 7501). The DoD concurs with the draft report. Some clarification is, however, needed for a complete picture.

Included on p. 8.

The discussion on page 8 gives the impression that previous GAO reviews have identified contractor cost increases offsetting the initial contracting-out savings projections. In GAO report NSIAD-85-49 (April 15, 1985), however, the GAO stated that "Pay increases to government employees would have occurred had the functions remained in-house; therefore, government costs would also have increased..." and "Accordingly, our calculations assume that costs for additional work and wage increases would be approximately equal whether performed in-house or by contracting...". The previous GAO assumptions appear proper for general purposes, even though specific cases might warrant a departure. The present GAO draft would benefit from a discussion as to when and why it would be appropriate to depart from the general assumptions, and to clarify that the GAO did so in prior reports, identifying subsequent saving-offsetting contractor cost increases.

See p. 13.

In addition, in the draft report, the GAO found that savings are realized when Government activities are streamlined prior to contracting-out competitions. This type savings has not been included in previous GAO cost comparison reviews. The draft report, therefore, would benefit from the GAO recognizing this fact and discussing when it would be appropriate to consider such savings in contracting-out cost comparisons.

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The Department appreciates the opportunity to comment on the report in draft form.

Sincerely,

A handwritten signature in black ink, appearing to read "Jack Katzen", with a long horizontal stroke extending to the right.

Jack Katzen
Deputy Assistant Secretary of Defense
(System)

RELATED GAO PRODUCTS

Contracting Out for Commercial Activities and Services Under OMB Circular A-76 (GAO/T-GGD-88-7, Jan. 7, 1988).

Federal Workforce: Provisions for Comparing Government and Contractor Retirement Costs Should Be Changed (GAO/GGD-88-25, Dec. 17, 1987).

Federal Productivity: Potential Savings from Private Sector Cost Comparisons (GAO/GGD-87-30, Dec. 31, 1986).

Information from Previous Reports on Various Aspects of Contracting Out Under OMB Circular A-76 (GAO/NSIAD-85-107, July 5, 1985).

DOD Functions Contracted Out Under OMB Circular A-76: Costs and Status of Certain Displaced Employees (GAO/NSIAD-85-90, July 12, 1985).

DOD Functions Contracted Out Under OMB Circular A-76: Contract Cost Increases and the Effects on Federal Employees (GAO/NSIAD-85-49, April 15, 1985).

Synopsis of GAO Reports Involving Contracting Out Under OMB Circular A-76 (GAO/PLRD-83-74, May 24, 1983).

Expanding the Efficiency Review Program for Commercial Activities Can Save Millions (GAO/FPCD-81-77, Sept. 30, 1981).

Increased Agency Use of Efficiency Guidelines for Commercial Activities Can Save Millions (GAO/FPCD-81-78, Sept. 30, 1981).

GSA's Cleaning Costs Are Needlessly Higher than in the Private Sector (GAO/AFMD-81-78, Aug. 24, 1981).

Review of DOD Contracts Awarded Under OMB Circular A-76 (GAO/PLRD-81-58, Aug. 26, 1981).

Civil Service and Contract Employees: Who Should Do What for the Federal Government? (GAO/FPCD-81-43, June 19, 1981).

Factors Influencing DOD Decisions to Convert Activities from In-House to Contractor Performance (GAO/PLRD-81-19, April 22, 1981).

Development of a National Make-Or-Buy Strategy--Progress and Problems (GAO/PSAD-78-118, Sept. 25, 1978).

water plants and systems, sewage and waste plants, air conditioning and refrigeration plants, and other utilities.

Fire protection and guard. Fire prevention, protection, and guard services.

Food service. Food preparation and administration, nutritional care, and food and bakery products.

Health services. Various medical, dental, pharmacy, and related services.

Laundry and drycleaning. Laundry and drycleaning services.

Library. Reference, technical, audiovisual, automated data processing media, and recreational libraries.

Mail and file. Internal mail and messenger, publication distribution, and visual information depositories.

Management/administrative support. Advertising and public relations, finance and payroll, debt collection, word processing, translation, auditing, court reporting, cost-benefit analysis, statistical analysis, scientific studies, management studies, and other special studies.

Manufacturing. Products fabricated in-house including ordnance equipment, containers, chemicals, lumber, construction, rubber and plastic goods, optical products, sheet metal, foundry, and other products.

Motorpool/vehicle maintenance. Maintenance of noncombat vehicles, installation bus services, ambulance service, and other motor vehicle operation. Upholstery, glass, body, mechanical, and other vehicle maintenance services.

Printing. Printing and reproduction.

Social/community services. Various recreational, individual, and family services.

Table II.3:
DOD Functions Ranked from Highest to Lowest in
Percent Staff Year Reduction Identified
By Management Efficiency Studies

<u>Function</u>	<u>Staff years studied</u>	<u>Identified staff year reduction</u>	<u>Percent reduced</u>
Education and training	465	113	24
Audiovisual	1,635	381	23
Transport	1,004	213	21
Supply/warehousing/distribution	3,454	691	20
Management/administrative support	1,248	226	18
Facilities/grounds/utilities maintenance	6,195	1,114	18
Motorpool/vehicle maintenance	5,417	920	17
Equipment maintenance	3,763	638	17
Printing	97	15	15
Administrative telephone and communications	2,275	351	15
Architecture/engineering	13	2	15
Data entry	427	63	15
Other	2,022	282	14
Multifunction/base maintenance	15,085	1,992	13
Library	70	7	10
Food service	2,618	255	10
Fire protection/guard	1,967	189	10
Commissary	2,062	189	9
Mail and file	142	13	9
Laundry/drycleaning	1,953	142	7
Automated data processing	969	68	7
Health services	102	6	6
Custodial	3,099	175	6
Manufacturing	53	0	0
Social/community services	0	0	0
All functions	<u>56,135</u>	<u>8,045</u>	14

national security reasons. DOD has established an Efficiency Review Program covering functions which must be performed in-house and therefore are not subject to A-76.

Table II.2:
DOD Functions Ranked from Highest to Lowest
According to Savings Potential from A-76 Cost Comparisons

<u>Function^a</u>	<u>Staff years still to be studied</u>
Supply/warehousing/distribution	32,145
Facilities/grounds/utilities maintenance	27,366
Equipment maintenance	23,923 ^b
Education and training	11,401
Other	10,244
Motorpool/vehicle maintenance	10,278
Administrative telephone and communications	7,062
Automated data processing	14,127
Commissary/clothing store	4,569
Food service	6,649
Management/administrative support	5,526
Transport	4,382
Audiovisual	3,516
Manufacturing	4,718
Architecture/engineering	3,329
Custodial	1,714
Health services	3,304
Library	1,144
Printing	883
Data entry	422
Mail and file	590
Laundry/drycleaning	223
Multifunction/base maintenance	196
Social/community services	7,772
Fire protection/guard	<u>0^c</u>
All functions	<u>185,483</u>

^aSavings potential, determined by multiplying the staff years still to be studied under A-76 by the estimated past savings rates shown in table I.1, was the basis for ranking the functions.

^bExcludes 22,607 staff years in depot maintenance activities that DOD is prohibited from contracting out by Public Law 98-525.

^cExcludes 8,906 staff years in fire protection and guard services on military installations and facilities that DOD is prohibited from further contracting out by 10 U.S.C. 2693 as amended by Public Law 100-180.

Table II.1:
DOD Functions and Estimated Savings from Past A-76
Cost Comparison Studies Ranked from Highest to Lowest
According to Estimated Savings Rate

<u>Function</u>	<u>Number of studies completed</u>	<u>Estimated dollar savings (in thousands)</u>	<u>Estimated savings rate (percent) ^a</u>
Commissary/clothing store	145	\$ 20,170	41
Transport	29	25,993	36
Administrative telephone and communications	96	20,924	35
Education and training	14	11,402	34
Other	59	42,383	33
Supply/warehousing/distribution	109	31,783	32
Audiovisual	65	18,645	31
Equipment maintenance	82	49,475	31
Facilities/grounds/utilities maintenance	251	89,073	29
Management/administrative support	81	8,968	29
Data entry	12	2,234	28
Food service	35	27,196	26
Custodial	201	26,196	26
Motorpool/vehicle maintenance	124	56,283	25
Laundry/drycleaning	50	12,554	24
Multifunction/base maintenance	120	155,515	23
Mail and file	18	462	19
Printing	16	781	16
Manufacturing	1	209	16
Architecture/engineering	2	56	15
Library	24	277	15
Automated data processing	66	3,677	14
Fire protection/guard	54	7,870	14
Health services	7	431	10
Social/community services	0	0	0
All functions	<u>1,661</u>	<u>\$612,557</u>	27

^aDollar savings as a percent of the estimated original cost of performing the function in-house.

potential. We did not attempt a more in-depth study to determine factors that caused estimated savings to differ among the 25 categories of functions, nor did we attempt to expand our methodology to estimate the potential cost savings from future A-76 implementation because these were outside the scope of the requested work. The Congressional Budget Office in June 1987, reported updated estimates of potential cost reductions from implementing the A-76 policy.¹ In a past report we summarized other organizations' estimates of potential A-76 savings.²

In the past we have reported on various aspects of the A-76 policy, including savings. Reviews of individual activities contracted out under A-76 have shown that savings were usually realized but not always as much as originally estimated by the cost comparisons.³ Estimated savings were generally based on contractors' plans to use fewer employees and pay lower wages than the government. However, after conversion to contractor performance, contract costs often increased as a result of new work requirements and inflation-related wage increases that contractors are required to pay by the Service Contract Act of 1965, as amended (41 U.S.C. 351 et seq.). Costs for new work and wage increases also would have been incurred if the work had been done in-house. Selected past reports on the A-76 policy are listed in appendix IV.

¹Contracting Out: Potential for Reducing Federal Costs (Congressional Budget Office, June 1987).

²Federal Productivity: Potential Savings from Private Sector Cost Comparisons (GAO/GGD-87-30, Dec. 31, 1986).

³DOD Functions Contracted Out Under OMB Circular A-76: Contract Cost Increases And The Effects On Federal Employees (GAO/NSIAD-85-49, Apr. 15, 1985) and Review Of DOD Contracts Awarded Under OMB Circular A-76 (GAO/PLRD-81-58, Aug. 26, 1981).

OBJECTIVE, SCOPE, AND METHODOLOGY

Our objective was to provide information that would identify government functions with the greatest potential for savings from implementation of cost comparisons and efficiency reviews conducted by the Department of Defense (DOD) under the Office of Management and Budget (OMB) Circular A-76. To develop this information, we

- obtained from DOD Commercial Activities program officials a computer file of records containing information on each A-76 cost comparison study conducted in DOD from fiscal year 1979 through the first quarter of fiscal year 1987 (December 1986), the most current cost comparison data at the time of our review, and DOD's current inventory of commercial activities that remain to be studied under the A-76 procedures.
- grouped approximately 350 detailed types of activities identified from DOD's records into 25 categories of functions. The primary DOD functions included in our 25 categories are shown in appendix III.
- determined savings rates for the DOD functions by calculating the dollar amounts of estimated savings compared to the estimated original in-house cost of performing the functions at the time the A-76 study was started.
- determined the numbers of staff years within the 25 categories that have not yet been studied under A-76.
- applied the rates of savings from past cost comparisons to the staff years to determine the functions with potential for savings.
- calculated savings rates for management efficiency studies conducted on the DOD functions as part of the A-76 study process.

Our estimates of past A-76 savings used DOD's method of computing the differences between the estimated original cost of performing the activities in-house by government employees and either contractor bids to perform the activities or lower cost bids made by the in-house government organizations. The results represent estimated savings at the time the cost comparisons were made, but they do not indicate the extent to which those estimated savings may actually have been realized.

B-223693

As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this fact sheet until 30 days from its issue date. At that time we will send copies to the Office of Management and Budget, the Secretary of Defense, and to other interested parties. If you have any questions, please call me on 275-8387.

Sincerely yours,

A handwritten signature in cursive script that reads "Gene L. Dodaro".

Gene L. Dodaro
Associate Director

We analyzed the DOD cost comparisons to determine the amounts and rates of savings from past applications of A-76 in the commercial functions done by DOD. We then determined the full-time staff years still to be studied under A-76 within those same types of functions and applied the estimated past savings rates to the staff years to determine those functions having the greatest potential for savings from the applications of A-76. Using the past savings rates to indicate functions having savings potential, however, assumes that the estimated past savings would carry into the future. The scope and methodology of our review are discussed in detail in appendix I.

RESULTS IN BRIEF

Our analysis of the DOD data on completed cost comparisons and staff years still to be studied in commercial activities previously identified by DOD showed that the following functions could have the greatest potential for savings from future applications of the A-76 cost comparisons:

- supply, warehousing, and distribution;
- facilities, grounds, and utilities maintenance;
and
- equipment maintenance.

Our analysis of the in-house management efficiency study part of the A-76 cost comparisons showed that studies of functions involving education and training, audiovisual, transport, and supply, warehousing, and distribution services identified the potential for high rates of staff year reduction.

The estimated savings from past applications of A-76 and DOD functions with potential for savings from future applications of A-76 are discussed in greater detail in appendix II.

IMPORTANT LIMITATIONS

We emphasize that the information in this fact sheet has important limitations. It is based on DOD data from completed A-76 cost comparisons which were not verified by us and may not represent actual savings. The savings estimates represent the sum of the differences between estimates of the original cost of performing the activities in-house by government employees at the time the A-76 study was started, and either contractor bids to perform the activities or lower cost bids made by the in-house government organizations. We

