

GAO

Report to the Chairman, Subcommittee
on Federal Services, Post Office, and
Civil Service, Committee on
Governmental Affairs, U.S. Senate

August 1991

ENERGY MANAGEMENT

Using DOE Employees Can Reduce Costs for Some Support Services



144814

RESTRICTED—Not to be released outside the
General Accounting Office unless specifically
approved by the Office of Congressional
Relations.

RELEASED

Resources, Community, and
Economic Development Division

B-244590

August 16, 1991

The Honorable David H. Pryor
Chairman, Subcommittee on Federal Services,
Post Office, and Civil Service
Committee on Governmental Affairs
United States Senate

Dear Mr. Chairman:

This letter responds to your request that we review the Department of Energy's (DOE) support service contracting practices. These contracts provide staff for a wide variety of services related to DOE's management, administrative, and technical activities. Specifically, you asked us to (1) discuss the overall cost and use of these contracts, (2) examine the adequacy of controls to ensure that DOE's support service contracts are cost-effective, and (3) evaluate whether work performed on selected support service contracts could be performed less expensively by federal personnel. To address these concerns, we, among other things, reviewed 75 DOE support service contracts and completed 12 cost comparisons at four DOE locations.

Results in Brief

In fiscal year 1990, DOE obligated \$522 million on support service contracts, a 56-percent increase from fiscal year 1986. Support service contracts are appropriate for, among other things, fulfilling specialized needs or needs of a short-term or intermittent nature. However, most of the contracts we reviewed at DOE were not justified on these bases. Instead, most were awarded because DOE lacked sufficient resources to perform the work.

According to the Office of Management and Budget (OMB), the government's policy is to conduct its operations in a cost-effective manner. Although cost comparisons are an essential control in deciding the most cost-effective way to meet the government's need for services, OMB's guidance on support service contracting does not uniformly require agencies to compare contract and in-house performance costs to determine which is cost-effective. For example, OMB guidance does not call for cost comparisons when contracting for services needed to fulfill new agency requirements or when federal performance is not considered feasible.

Few of the DOE contracts for support services we reviewed were awarded on the basis of comparisons between federal and contract costs. DOE officials said that they did not compare costs since they could not get additional staff to perform the work in-house because of personnel ceilings.

Some DOE support service contracts cost substantially more than would using additional federal employees for the same work. Eleven of the 12 support service activities for which we conducted cost comparisons were, on average, 25 percent more costly. Fiscal year 1990 contract costs for these activities totaled \$5 million more than the estimated cost of federal performance. Because we judgmentally selected activities for the cost comparisons, the findings cannot be projected to the universe of DOE's support service contracts.

OMB officials acknowledged that agencies had little opportunity to increase their staffing levels during the 1980s. However, recent actions indicate that OMB now may be willing to consider requests for additional staff if the requests adequately justify cost savings. OMB officials cite their approval to convert 13 DOE support service contracts to in-house performance as evidence of OMB's change in attitude.

OMB has also advised DOE that it will consider additional DOE staff positions in fiscal year 1993 if DOE can demonstrate that converting contracts would result in substantial cost savings. DOE plans to identify possible conversions as part of its fiscal year 1993 budget submission, but some DOE officials question whether OMB's position regarding ceilings has really changed. For example, DOE officials stated that OMB has not officially changed its policy or provided guidance on what type of cost comparison would be needed to justify contract conversions.

Background

To address a long-standing concern about the extent of government competition with private enterprise, the Bureau of the Budget, in 1955, promulgated a government policy that federal agencies should not carry on a commercial activity to provide services that could be obtained through ordinary business channels. Every administration since 1955 has endorsed the general policy of relying on the private sector to provide commercial services required to support the government's operation. Inherent governmental functions—those ultimately related to the public interest—are to be performed by federal employees.

In addition, recent administrations have used personnel ceilings to limit the number of federal employees as a means of reducing federal spending and of encouraging agencies to rely on the private sector to meet the government's need for goods and services. Between 1980 and 1990, for example, ceilings imposed by OMB, which replaced the Bureau of the Budget, reduced DOE's staffing levels from 21,208 to 17,000 full-time positions, with a low of 16,103 in fiscal year 1989.¹ For fiscal year 1991, OMB increased DOE's ceiling to 17,965. In requests for staff during the 1980-91 period, DOE asserted that its need for staff exceeded the ceiling levels established by OMB.

DOE Uses Support Service Contracts Extensively

To meet the need for additional staff, DOE contracts extensively with private firms and companies for support in planning, managing, and carrying out its work. Between fiscal years 1986 and 1990, DOE's support service contracting grew by 56 percent, from \$334 million to \$522 million. According to DOE's data system on procurement acquisitions, DOE had 498 active support service contracts during fiscal year 1990. Although DOE does not track the number of persons hired under these contracts, in 1989 DOE estimated that it had received the equivalent of about 8,600 staff from support service contractors during fiscal year 1988. During the same period, DOE employed 16,258 federal staff.

According to DOE officials, support service contractors are an integral part of DOE's day-to-day operations and are needed for, among other things, fulfilling specialized needs or needs of a short-term or intermittent nature. However, most of the contracts we reviewed were not justified on these bases. Instead, we found that most of the contracts were awarded because DOE lacked sufficient resources to perform the work.

Support service contractors and DOE employees frequently perform similar activities. In fact, many of the contracts we reviewed added staff to activities already being performed by DOE employees. For example, during fiscal year 1990, DOE contracted for

- engineers to review the quality of DOE's operations at one field location;
- auditors to supplement DOE's Inspector General staff;
- a clerk for data entry at a DOE support office;
- staff to support personnel surveys and assessments of staffing needs for DOE headquarters; and

¹ According to OMB, the ceiling decrease resulted, in large part, from reductions in the Economic Regulatory Agency following the abolition of petroleum allocation and price controls.

-
- personnel for project planning, scientific and technical support, operation of a computer center, and acquisition and financial services at one of DOE's energy technology centers.

Many of the activities we reviewed had been performed by contractors over prolonged periods of time. Although DOE's guidelines for managing support service contracts limit the duration of each contract to 5 years, the guidelines do not limit how long an activity can be performed under successive support service contracts. Consequently, we identified certain activities that had been performed by contractors since 1977, the year DOE was created. Furthermore, according to DOE personnel, some of these activities had been previously performed under contract for DOE's predecessor agencies. On average, the activities covered by the 75 contracts we reviewed had been contracted out for about 7 years, and almost all of the activities were expected to continue under contract in the future. For example:

- One DOE operations office hired contractors in 1985 to help monitor the transportation of nuclear materials, such as nuclear weapons. Cognizant DOE personnel told us they expected that contractors would continue performing this activity for as long as DOE had materials to move.
- DOE hired a contractor to operate a new facility for training guards employed at DOE facilities. Begun in 1984, this activity is expected to continue under contract indefinitely.
- DOE headquarters began using contractors to estimate the cost of construction projects before 1980 and, according to agency officials, will continue to do so as long as DOE has construction projects.
- DOE contracted for automated data processing services to support its headquarters operations at least 15 years ago and expects to continue this activity under contract indefinitely.

The size of DOE's support services also varies considerably. For example, one contract provides a part-time weatherization grant inspector at \$22,600 a year, while another supplies approximately 620 people for automated data processing and telecommunications at an annual cost of \$32 million.

Cost Comparison Requirements

According to OMB policy, government activities are to be conducted in a cost-effective manner. With respect to support services, the policy is principally embodied in OMB Circular A-76, which emphasizes cost comparison procedures for determining when it is more economical to contract for services currently performed by federal employees.

Circular A-76 states that one of the overall objectives of government is to achieve economy and enhance productivity in its operations. To help achieve this objective, the circular specifies cost comparison procedures for determining whether commercial activities, such as engineering and janitorial services, can be more economically performed by contractors or federal employees.

The supplement to the circular requires cost comparisons in three instances. First, agencies must periodically compare the cost of activities currently performed by federal employees with the cost of performing the work under contracts. If private sector costs are found to be lower by at least 10 percent for personnel-related costs, the agency should switch to private contractors. Second, if an agency expects the expansion of an existing federal activity will increase the cost of performing the activity by 30 percent or more, it must conduct a cost comparison. Third, an agency must compare costs when, as a result of having monitored the contracts for continued cost-effectiveness, it determines that contract costs have become unreasonable or that performance has become unsatisfactory. In this situation, an agency must also determine that (1) in-house performance is feasible and (2) recompetition with other commercial sources would not result in reasonable prices.

Despite its emphasis on cost-effectiveness, the circular does not uniformly require cost comparisons in deciding whether to contract out. For example, cost comparisons are not required in contracting for services needed to fulfill new agency requirements. Unless contract prices are viewed as unreasonable, OMB's circular states that services normally will be obtained through contracts—without any assessment regarding the comparable cost of performing the work in-house. Further, an agency need not consider the cost of in-house performance when a federal work force is not considered "feasible." The circular neither defines the term nor specifies circumstances that make federal performance infeasible. However, an OMB official said this would include peak and valley work loads and cases where the government cannot pay enough to recruit federal employees.

In addition, OMB Circular A-120 provides guidance on contracting for advisory and assistance support services that support or improve agency policy development, decision-making, management, administration, and the operation of management systems. The circular does not require agencies to conduct cost comparisons.

Finally, DOE Order 4200.3B establishes DOE's policy and procedures for awarding and managing the agency's support service contracts. Like Circular A-76, DOE's order stresses the need for cost-effectiveness in DOE's operations. For example, the order states that DOE shall not enter into or maintain a support service contract when the service (1) is more economically available at DOE or (2) may be provided through other means at a substantial savings in cost to the government. Except by reference to Circular A-76, the order does not require cost comparisons or establish other controls that could be used in assessing whether DOE's support service contracts are cost-effective. For example, the order does not define what is meant by unreasonable in Circular A-76 or require DOE managers to conduct comparisons when in-house performance is thought to be less expensive. Further, although the order requires requesting offices to specifically address in-house resources as an alternative to contractor performance in written contract justifications, the order does not require the requesting office to conduct cost comparisons between the alternatives.

DOE Seldom Compared Costs to Ensure Cost-Effectiveness

Although cost comparisons are an essential control in deciding the most cost-effective way to meet the government's need for services, few of the DOE contracts we reviewed were awarded on the basis of comparisons between the cost of using federal employees and private contractors. Specifically, we found that DOE conducted cost comparisons on only 3 of the activities covered by the 75 support service contracts we reviewed. Each of these comparisons was initially performed as part of DOE's review of existing in-house operations under OMB Circular A-76 to determine if they should be contracted out. Furthermore, DOE personnel believed that 23 of the 75 activities could be more economically performed in-house, a factor that could be construed as meeting the test of unreasonable cost under Circular A-76. However, DOE did not conduct any cost comparisons for 21 of the 23 activities.

According to DOE headquarters and field officials, the principal reason for not conducting cost comparisons was the lack of sufficient federal staff because of personnel ceilings. Officials told us that ceilings had essentially rendered the issue of cost comparisons irrelevant since, in their view, OMB would not have considered increasing DOE's staffing ceiling to allow the work to be performed in-house.

Using Contractors Cost Substantially More Than Using Federal Workers in Some Cases

DOE's use of support service contracts cost more than federal employees would have cost for 11 of the 12 contracts for which we conducted cost comparisons.² Ten of these contracts were also identified by DOE officials as ones that could be performed less expensively in-house.

Specifically, we estimated that DOE spent at least \$5 million more, or 25.4 percent, in fiscal year 1990 than it would have spent if 11 of the 12 activities we reviewed had been conducted in-house. The increased contractor costs for the services ranged from more than 3 percent to about 73 percent higher than if they had been performed by federal employees. We estimated that the twelfth activity cost \$113,750, or 9 percent, less by contract than if it had been done in-house. We discussed our cost comparison methodology with DOE and OMB staff, who generally agreed with the procedures we used. However, because we selected the contracts judgmentally, our results cannot be projected to the universe of DOE support service contracts. The results of our cost comparisons are provided in appendix II.³

Moreover, we believe our estimates may substantially understate the amount of savings available through in-house performance for the activities that we reviewed. While we based our estimate of federal costs on the guidance in Circular A-76, we modified several steps to simplify and, thus, reduce the time required to make the comparison. Overall, these modifications overstate the cost of in-house federal performance. For example, we did not attempt to determine the most efficient and effective organization that was capable of accomplishing the work requirements.

OMB Position About Personnel Ceilings May Be Changing

Recent actions indicate that OMB's position about personnel ceilings may be changing. As part of its 1992 budget request to OMB, DOE proposed converting 13 support service contracts to in-house performance. The proposals were based on cost comparisons developed by DOE's Office of the Inspector General and the Western Area Power Administration to justify increases in their staffing levels. Collectively, the units estimated

²A recent GAO report, *Nuclear Safety: Potential Security Weaknesses at Los Alamos and Other DOE Facilities* (GAO/RCED-91-12, Oct. 11, 1990) found that DOE could save about \$15 million annually in labor and benefit costs if guard services at nine DOE facilities were performed by DOE employees. DOE had not updated or conducted periodic cost comparisons, in part, because of the difficulty in obtaining OMB's approval for the number of federal positions that would be needed.

³During our review, DOE's Office of the Inspector General was also conducting cost comparisons for seven randomly selected support service contracts at DOE headquarters. This report is expected to be issued in September 1991.

that in-house performance would save about \$7.3 million annually on the 13 contracts.⁴ As a result of the comparisons, OMB approved conversion of 164 contractor staff to in-house performance.

OMB officials said that during the 1980s OMB had a clear policy of reducing federal employment and of aggressively studying federal positions to determine whether they should be contracted out. They said, however, that OMB is now willing to consider requests for additional staff if the requests adequately justify cost savings. While OMB has not issued a formal policy reflecting the change in its position, OMB officials cited the DOE conversions as evidence of OMB's change in attitude. Further, for fiscal year 1993, OMB has advised DOE that it would be willing to provide additional staff positions if DOE can demonstrate that converting contracts to federal staff would be cost-effective. On the basis of discussions with OMB, DOE has requested its units to identify conversions in connection with its fiscal year 1993 budget preparation.

In spite of these recent actions, some concerns about converting support service contracts still remain. For example, OMB officials said that if it approves contract conversions, DOE may not reduce contract spending by a corresponding amount. Instead, DOE could leave the contracts in place or use the additional money on other contracts. In contrast, DOE officials said they are concerned that OMB will not approve sufficient staff to accommodate both the Department's expanding need for staff and the contract conversions. For example, although OMB approved contract conversions involving 105 positions for the Western Area Power Administration, DOE officials noted that OMB decreased the administration's personnel ceiling by 83 positions overall. This decrease, according to OMB officials, was for reasons unrelated to the conversions. Thus, the administration realized a net increase of only 22 positions. As a result, DOE officials said one option under serious consideration is to contract out for the difference in staffing, thus reducing the level of projected savings. DOE officials also questioned why OMB had not officially changed its policy or provided guidance on what type of cost comparisons would be needed to justify contract conversions.

Conclusions

DOE rarely considered the cost of in-house performance in awarding the support service contracts we reviewed. In 1990, inadequate attention to

⁴One of the units identified another eight contracts that could be performed less expensively by federal employees. However, according to DOE personnel, they did not propose converting the contracts because they wanted to make a strong case to OMB and these eight contracts involved less dollar savings.

cost-effectiveness cost the government at least \$5 million more than was necessary to perform 11 of the 12 DOE activities for which we conducted cost comparisons. DOE officials said that they did not compare costs since they could not get additional staff to perform the work in-house because of personnel ceilings.

We recognize that there are a variety of reasons for using support service contractors, including an inability to recruit specialized skills and the need for flexibility in accomplishing tasks of an intermittent nature. However, even when other reasons exist, we believe cost comparisons are an essential management tool in deciding whether to contract out. As we found in conducting our cost comparisons, such comparisons need not be burdensome.

OMB acknowledges that agencies had little opportunity to increase their staffing levels during the 1980s. Recent actions indicate that OMB now may be willing to consider requests for additional staff if the requests adequately justify cost savings. However, given the long-standing practices of DOE and OMB, some uncertainty remains as to (1) whether DOE units will be motivated to carry out cost comparisons, (2) whether DOE will request additional staff for converting support service contracts, and (3) how OMB will respond to these requests. Although one solution to this situation would be for the Congress to establish reporting requirements for overseeing DOE's and OMB's actions in this area, we are not recommending congressional action at this time. Instead, we believe DOE and OMB should be given the opportunity to resolve these problems independently. However, a recommendation along these lines could be forthcoming if subsequent work determines that DOE and OMB have not taken action to ensure that cost is adequately considered in DOE's support service contracting decisions.

Recommendation to the Secretary of Energy

To ensure that DOE's support service activities are conducted in a cost-effective manner, we recommend that the Secretary of Energy

- require DOE units to conduct cost comparisons before awarding or renewing support service contracts and regularly review existing contracts to ensure that they are cost-effective and
- use the results of cost comparisons to support requests for additional staff from OMB for converting any contracts determined to be less expensively performed in-house, except where other reasons exist for continuing the work under contract, and if conversions are approved by OMB,

DOE should reduce its support service contracting budget by a corresponding amount.

Recommendation to the Director of the Office of Management and Budget


To ensure that DOE understands OMB's position about converting costly support service contracts, we recommend that OMB issue guidance documenting the position and any additional information that would be needed to justify conversions, such as information about the type of cost comparisons DOE should perform.

We performed our work at DOE headquarters, its operations offices in Richland, Washington, and Albuquerque, New Mexico, and its Morgantown Energy Technology Center in West Virginia between June 1990 and May 1991. Our work was performed in accordance with generally accepted government auditing standards. Appendix I provides detailed information about our objectives, scope, and methodology.

As requested, we did not obtain official agency comments on a draft of this report. However, we discussed the facts with DOE and OMB officials and incorporated their comments where appropriate. As agreed with your office, we plan no further distribution of this report until 30 days from the date of this letter. At that time we will send copies to the Secretary of Energy; the Director, Office of Management and Budget; and other interested parties. We will also make copies available to others upon request.

This work was performed under the direction of Victor S. Rezendes, Director, Energy Issues, who can be reached at (202) 275-1441. Major contributors to this report are listed in appendix III.

Sincerely yours,



J. Dexter Peach
Assistant Comptroller General

Contents

Letter 1

Appendix I 14
Objectives, Scope, and
Methodology

Appendix II 18
GAO Cost
Comparisons of
Federal and Contract
Costs on 12 DOE
Support Service
Contracts at 4 DOE
Units

Appendix III 19
Major Contributors to
This Report

Related GAO Products 20

Tables
Table II.1: Activities That Could Be Performed More Economically In-House 18
Table II.2: Activity Found Less Expensively Performed Under Contract 18

Abbreviations

DOE Department of Energy
GAO General Accounting Office
OMB Office of Management and Budget

Objectives, Scope, and Methodology

In October 1990, the Chairman of the Subcommittee on Federal Services, Post Office and Civil Service, Senate Committee on Governmental Affairs, asked us to review DOE's support service contracting practices. As subsequently agreed with his office, we examined (1) the overall cost and use of these contracts, (2) the adequacy of controls to ensure that DOE's support service contracts are cost-effective, and (3) whether work performed on selected support service contracts could be performed less expensively by federal personnel.

We performed our work at DOE headquarters; DOE's Richland, Washington, and Albuquerque, New Mexico, operations offices; and DOE's Morgantown Energy Technology Center in West Virginia between June 1990 and May 1991.¹ This work was done in accordance with generally accepted government auditing standards.

We used DOE's centralized Procurement Acquisition Data System to identify the universe and cost of active fiscal year 1990 support service contracts and to obtain information needed to select locations for a detailed examination of the Chairman's specific areas of concern. We did not, however, evaluate the accuracy of information contained in the computer system. As discussed earlier, we selected 4 of DOE's 41 organizational units for detailed audit coverage. These four sites were selected because they provide diversity in activities performed by support service contractors throughout DOE.

To select contracts for cost comparisons, we reviewed all active contract files and interviewed DOE technical personnel responsible for administering the contracts at each of the four sites. In total, we reviewed 75 of 498 contracts active during fiscal year 1990. Among other things, during our interviews we obtained information about (1) why the contract had been awarded, (2) whether DOE had compared contract and in-house costs, (3) how long the activity had been contracted, and (4) whether DOE officials believed the contractor was more expensive than using a federal work force.

As a result of these discussions, DOE's technical staff responsible for overseeing the contracts told us that 23 of the 75 support service contracts could probably be performed less expensively by federal personnel. We judgmentally selected 10 of the 23 contracts for detailed cost comparisons—1 at Richland, 2 at Morgantown, 2 at the headquarters division, and 5 at Albuquerque. We concentrated on these contracts

¹We began self-initiated work in this area prior to receipt of the October 1990 request.

because of Circular A-76's requirement for conducting cost comparisons when an agency has cause to believe that contract costs are unreasonable. Moreover, because of the large number of support service contracts at headquarters, we judgmentally selected two additional contracts to increase our audit coverage. Because the contracts we reviewed were selected judgmentally, our results cannot be projected to the entire universe of DOE's support service contracts.

We identified and reviewed guidance on support service contracting, including OMB Circulars A-76 and A-120 and applicable DOE orders. In conducting our cost comparisons, we used Circular A-76 because it provides detailed guidance and steps for assessing which alternative—contracting or in-house performance—is the most economical means of satisfying the government's need for commercially available services. However, we modified several steps to simplify and, thus, reduce the time required to make the comparisons. Overall, these modifications overstate the cost of federal performance. For example, an A-76 analysis requires an agency to do the following:

- Compare contract costs to a streamlined federal work force: specifically, the “most efficient and effective” federal organization capable of accomplishing the work requirements. We did not attempt to determine whether DOE's estimate was for the most efficient federal work force. Rather, we used a comparable federal work force that mirrored the contractor's effort and that DOE staff believed was needed to carry out the work.
- Use the mid-point of each federal salary range (step 5) in calculating federal salaries. We used the top of each salary range (step 10). Although this increased our estimate of federal salary costs by 14.7 percent, we did this to help ensure that recruitment and retention of federal employees would be improved through use of higher salaries—an issue of concern to DOE management.
- Add the cost of contract administration to the contract's cost. We did not include the costs DOE incurs to administer the contracts. According to one DOE unit, these costs average about 13 percent of a contract's cost.
- Subtract the contractor's potential federal income tax payment from the contract's cost to account for the potential federal income tax revenue. We did not estimate the amount of these taxes but believe it would be minimal for the contracts that we reviewed.

We used the following approach in developing the cost of a hypothetical federal work force:

- In step 1, to estimate the size of the federal work force that would be needed to perform the contracted activity, we divided the total contract hours obtained during fiscal year 1990 by 1,744 hours—the conversion factor specified in Circular A-76 when converting a contract to in-house performance. We then discussed this work force, and the skills required to accomplish the work, with cognizant DOE staff. As a result of these discussions and additional information in the contract about the contractors' skills, we determined the number of federal employees and the comparable federal grade level (skills), including administrative and managerial overhead, that would be needed to perform the activity.
- In step 2, we calculated the basic salaries, exclusive of indirect labor costs, by multiplying the number of federal staff by step 10 of the corresponding federal salary level identified in step 1. We used the Office of Personnel Management's Schedule of Annual Rates, dated January 14, 1990, to establish these salaries.
- In step 3, to complete the calculation for total federal labor costs, we added indirect labor costs. Specifically, we multiplied the basic salary developed under step 2 by 29.55 percent, a calculation developed by OMB for adding federal indirect labor costs. This figure represents fringe benefits and includes costs related to retirement, medicare, life and health benefits, and workmen's compensation.

Furthermore, in developing the total cost of federal performance, OMB Circular A-76 also requires inclusion of one-time and recurring costs. To factor these costs into our calculation, we performed the following steps:

- In step 4, we added one-time costs, such as recruiting, relocation, and specialized training of personnel and equipment using fiscal year 1990 costs provided by the personnel and facilities management offices at each site. We then divided this total by the number of years of the contract, usually 5 years, to obtain a one-time cost for fiscal year 1990.
- In step 5, we combined the costs of recurring items such as training, space, travel, and utilities for fiscal year 1990 to arrive at a total recurring cost for the year. These costs were provided in discussions with DOE personnel and facilities management officials at each site.
- And, in step 6, to arrive at the total cost of federal performance, we added the total labor cost (step 3), one-time costs (step 4) and recurring costs (step 5).

We then compared the total federal cost (step 6) with actual fiscal year 1990 expenditures for the contractor's work to determine which was more cost-effective. We did not attempt to determine whether re-competing a contract would substantially reduce contract costs. Finally, we

sent each of our completed cost comparisons to the cognizant DOE personnel for their review and comment. We evaluated their comments, incorporated them where appropriate, and returned the comparisons for final review by DOE personnel. DOE personnel concurred with the results of each comparison. We also provided a description of the methodology we used to OMB staff, who generally agreed with the procedures we used.

Additionally, we discussed cost comparisons prepared by three DOE units with knowledgeable DOE officials. As discussed in the letter, two units prepared cost comparisons to justify increased staffing for DOE's fiscal year 1992 budget request. The third unit, the Inspector General, National Capitol Area office, conducted cost comparisons as the subject of an ongoing audit.

GAO Cost Comparisons of Federal and Contract Costs on 12 DOE Support Service Contracts at 4 DOE Units

Table II.1: Activities That Could Be Performed More Economically In-House

Contracted activity	Fiscal year 1990 cost		Percent difference
	Federal ^a	Contract ^b	
Albuquerque Operations Office			
Processing personnel security information	\$522,720	\$584,905	+11.9
Technical reviews/analysis supporting environment, safety, and health operations	1,323,735	1,786,807	35.0
Training/logistical support for transportation safeguards	2,103,021	2,299,698	9.4
Project management and quality assurance for uranium tailings project	1,096,230	1,173,157	7.0
Audit support for DOE's Office of the Inspector General	692,448	937,523	35.4
Management and Administration Division, Headquarters			
Audio visual support for library	330,817	570,989	72.6
Data processing for DOE's Office of the Controller	812,574	837,826	3.1
Information systems support for headquarters organizations	3,070,373	3,187,097	3.8
Morgantown Energy Technology Center			
Technical, management, and operating support for clean coal and gasification research	4,150,782	5,398,000	30.0
Technical support for energy extraction projects	535,963	832,806	55.4
Richland Operations Office			
Technical support for quality assurance and production operations	5,169,436	7,225,082	39.8
Total	\$19,808,099	\$24,833,890	+25.4

Total Estimated Annual Savings for Performing the 11 Activities In-House: \$5,025,791

^aGAO estimate of federal costs to perform activity.

^bActual fiscal year 1990 contract costs.

Source: GAO analysis of DOE contract data.

Table II.2: Activity Found Less Expensively Performed Under Contract

Contracted activity	Fiscal year 1990 cost		Percent difference
	Federal ^a	Contract ^b	
Management and Administration Division, Headquarters			
Personnel evaluation studies	\$1,378,864	\$1,265,114	-9.0

^aGAO estimate of federal costs to perform activity.

^bActual fiscal year 1990 contract costs.

Source: GAO analysis of DOE contract data.

Major Contributors to This Report

Resources,
Community, and
Economic
Development Division,
Washington, D.C.

Judy A. England-Joseph, Associate Director, Energy Issues
Richard A. Hale, Assistant Director
Kathleen J. Turner, Assignment Manager
Diana M. Caulkins, Evaluator

Seattle Regional Office

Leonard L. Dowd, Issue Area Manager
D. Lamar White, Evaluator-in-Charge
Janet L. George, Evaluator
Stanley G. Stenerson, Evaluator

Related GAO Products

Energy Reports and Testimony: 1990 (GAO/RCED-91-84, Jan. 1, 1991)

Nuclear Safety: Potential Security Weaknesses at Los Alamos and Other DOE Facilities (Chapter 4) (GAO/RCED-91-12, Oct. 11, 1990)

The Public Service: Issues Affecting Its Quality, Effectiveness, Integrity, and Stewardship (GAO/GGD-90-103, Sept. 13, 1990)

Energy: Bibliography of GAO Documents January 1986-December 1989 (GAO/RCED-90-179, July 16, 1990)

Energy Management: DOE Has Not Shown Systems Contracting to be in Government's Best Interest (GAO/RCED-89-118, June 20, 1989)

Managing the Government: Revised Approach Could Improve OMB's Effectiveness (GAO/GGD-89-65, May 4, 1989)

Army Procurement: No Savings From Contracting for Support Services at Fort Eustis, Virginia (GAO/NSIAD-89-25, Oct. 31, 1988)

Federal Productivity: DOD Functions With Savings Potential From Private Sector Cost Comparisons (GAO/GGD-88-63FS, Apr. 8, 1988)

Internal Control Weaknesses at Department of Energy Research Laboratories (GAO/AFMD-83-38, Dec. 15, 1982)

Contracting of Guard Services At Oak Ridge Will Spiral Costs (GAO/PLRD-82-71, Apr. 30, 1982)

Controls Over DOD's Management Support Service Contracts Need Strengthening (GAO/MASAD-81-19, Mar. 31, 1981)

Development of a National Make-Or-Buy Strategy—Progress and Problems (GAO/PSAD-78-118, Sept. 5, 1978)

Personnel Ceilings—A Barrier to Effective Manpower Management (GAO/FPCD-76-88, June 2, 1977)

Ordering Information

The first five copies of each GAO report are free. Additional copies are \$2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

**U.S. General Accounting Office
P.O. Box 6015
Gaithersburg, MD 20877**

Orders may also be placed by calling (202) 275-6241.

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

**Official Business
Penalty for Private Use \$300**

**First-Class Mail
Postage & Fees Paid
GAO
Permit No. G100**
