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Briefing Report to the Ranking Minority
Member, Subcommittee on
Investigations and Oversight, Committee
on Public Works and Transportation,
House of Representatives

May 1994

PUBLIC-PRIVATE MIX

Extent of Contracting Out for Real Property Management Services in GSA





United States
General Accounting Office
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General Government Division

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May 16, 1994

The Honorable James M. Inhofe
Ranking Minority Member
Subcommittee on Investigations
and Oversight
Committee on Public Works and
Transportation
House of Representatives

Dear Mr. Inhofe:

This report responds to your request that we provide the Subcommittee with information on the extent of contracting out by the General Services Administration (GSA) for real property management services, such as cleaning and general maintenance of federal facilities, over fiscal years 1982 to 1992. On May 6, we briefed you on the results of our work. This report documents the information presented in that briefing (see app. I).

In the past, GAO reports have addressed specific procedural issues relating to contracting out, such as flaws in individual cost comparisons, job losses, and related management practices. We have not done a broad review of whether contracting out of building services has been beneficial and cost-effective. In fact, the appropriate mix between government and private sector provision of commercial services remains unclear. This report represents a first step toward meeting the broader objective by compiling historical information on the extent of contracting out by GSA and its Public Buildings Service (PBS). A subsequent report will provide performance information on GSA contracting actions from our review of a random sample of case files.

Background

Federal agencies contract for a substantial amount of services to help accomplish their missions. According to the Federal Procurement Data System (FPDS), the overall dollar level of contracting out by federal civilian agencies in fiscal year 1992 was \$57.3 billion, of which approximately \$44.4 billion was for services. The Office of Management and Budget (OMB) has noted that agencies use service contracts to acquire special knowledge and skills not available in the federal government, obtain cost effective services, or obtain temporary or intermittent services, among other reasons.

Federal contracting covers a great variety of services that may be provided through either a governmental or commercial source. As a general policy, presidential administrations since 1955 have encouraged federal executive agencies to rely on the private sector for commercial services. OMB Circular A-76 establishes the federal policy on commercial services (referred to in the circular as commercial activities).¹ The circular specifies cost comparison procedures for determining when it is more economical to contract out for services currently done by federal employees. The A-76 guidance does not always require a formal cost study for an agency to convert a commercial service to contract. OMB and federal agencies are to maintain records on the reviews done using A-76 guidance that allows a comparison of government and contractor cost estimates for providing the same services.

Results

Historically, PBS has been a major user of commercial services. The FPDS reports that PBS contracted for approximately \$2 billion worth of services in fiscal year 1992, including a broad range of real property management services from architectural and engineering activities to repairs and maintenance. The FPDS shows that maintenance, repair, and alteration of real property and equipment account for almost 20 percent of the service contract dollars in PBS. Only property leases account for a greater percent of aggregate contracting for services.

From 1982 through 1992, PBS systematically reviewed its real property management services using the guidelines provided in OMB Circular A-

¹Throughout this report, we use "services" to refer to commercial services in general, for example maintenance. We use "activities" to refer to commercial services at specific locations that are subject to review under Circular A-76 procedure, for example, custodial services for the Federal Building, Courthouse, and Post Office in Elizabeth City, North Carolina.

76 to determine the appropriate mix between government and private sector provision of these services. Of the 731 commercial activities reviewed by PBS during the time period, 73 percent were contracted out, 24 percent were retained in-house, and 3 percent were closed. The services most often contracted out were custodial and maintenance. The bulk of contracting out occurred before 1985 and mostly involved the direct conversion of custodial activities. By 1987, most reviews involved maintenance activities, which were retained in-house after review almost as often as they were contracted out.

Reports generated from GSA's A-76 database show a total reduction of 4,734 full-time equivalent (FTE) positions as a result of A-76 reviews from fiscal years 1982 through 1992; PBS accounted for 3,227 FTEs (68 percent) of the reduction. Although most of the reduction was attributable to contracting out, about 10 percent can be traced to staffing changes made in activities that were retained in-house after cost studies. During this same period, the estimated total dollar savings for PBS were approximately \$45.7 million, or about 60 percent of the reported agency-wide dollar savings of \$75.8 million.

On average, the low contractor bids for activities contracted out were 39 percent less than the government's cost estimate. The database showed virtually no difference in the average percent difference for activities contracted out after a formal cost study and activities directly converted to contract. For activities retained in-house, the low contractor bids were about 33 percent higher on average than the government cost estimates for providing the same service.

Our review of cost comparison data by type of service showed that contractors had an advantage when competing for custodial services. On average, the low contractor's bid was over 50 percent less than the government's estimate. In contrast, the government was much more competitive in the maintenance services reviewed, with contractor bids averaging only 2 percent less than the government cost estimates. We also found that size was an important factor in actions based on a full-cost study and comparison. In general, contractors were most competitive when the activity studied had more than 10 FTE positions.

Objectives, Scope, and Methodology

For purposes of this report, real property management services were defined as those services that GSA provides to federal agencies relating to housing for staff and facilities for the storage of equipment and supplies. Because most GSA real property services are the responsibility of PBS, our analyses focused on PBS activities.

Our objectives were (1) to describe the overall extent of contracting out for real property management services in PBS during fiscal years 1982 through 1992 and (2) to identify the results of individual contracting decisions in PBS during the same period. To meet the first objective, we used the FPDS to determine the types of services, numbers of actions, and dollar amounts attributable to PBS contracting. To meet the second objective, we used data from GSA's National A-76 Inventory and Tracking System (NITS) to identify the reported results of PBS contracting decisions in terms of activities contracted, retained, or closed and the associated savings. To supplement these databases, we reviewed GSA reports and documents, interviewed agency officials, and examined files for a random sample of activities in the PBS A-76 commercial services inventory. We did not verify the accuracy of all data obtained from the FPDS and NITS files. A more detailed description of the methodology we used and specific data limitations is provided in appendix I. We did our review from March 1993 through December 1993 in accordance with generally accepted government auditing standards.

Agency Comments

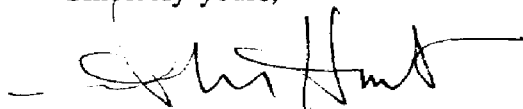
On April 25, 1994, we met with the Deputy Assistant Commissioner and the Deputy Director for the Facility Management Division from the Office of Real Property Management and Safety, Public Buildings Service, and GSA's National Performance Review Liaison to review a draft of this report. They generally agreed with the facts presented and provided some clarifications that we incorporated where appropriate in appendix I.

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We are sending copies of this report to the Administrator of GSA, the Director of OMB, and appropriate congressional committees. Copies will also be made available to other interested parties upon request.

If you have any questions concerning this report or would like further information, please contact me at (202) 512-8676. The major contributors to this report are listed in appendix II.

Sincerely yours,



William M. Hunt
Director, Federal Management
Issues

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Abbreviations

FPDS - Federal Procurement Data System
 FTE - Full time equivalent position
 GSA - General Services Administration
 MEO - Most Efficient Organization
 NITS - National A-76 Inventory and Tracking System
 OMB - Office of Management and Budget
 PBS - Public Buildings Service

Appendix I: Contracting for Real Property Management Services in GSA

GAO Objectives of GAO Report

- To describe the overall extent of contracting in PBS
 - To identify the results of individual contract decisions in PBS
-

GAO Scope of GAO Report

- Extent of contracting in PBS
 - Numbers and dollars
 - Trends over time

 - Individual contract decisions in PBS
 - Results of A-76 contracting decisions
 - Dollar and FTE savings from A-76 studies
 - Differences between government and contractor cost estimates
-

GAO Methodology for GAO Report

- Studied PBS procurement data
 - Reviewed reports and data on commercial services activities in GSA/PBS
 - Analyzed data from A-76 program
 - Interviewed GSA officials
 - Examined files for a random sample of commercial activities
-

Objectives, Scope, and Methodology

We established two objectives to respond to the request for information on the extent of contracting out by GSA for real property management services during fiscal years 1982 through 1992. The objectives were (1) to describe the overall extent of contracting and (2) to identify the results of individual contracting decisions. For purposes of this report, we defined real property management services as those services that GSA provides to federal agencies relating to housing for staff and facilities for the storage of equipment and supplies. We focused on PBS activities because PBS is responsible for real property services in GSA.

To meet the first objective, we used PBS data from the Federal Procurement Data System (FPDS). FPDS was designed to provide information regarding all individual contract actions by any federal agency that had monetary impact, including new contracts, orders against existing contracts, and contract modifications that exceed a defined threshold level.² The data elements include the contractor, an agency identifier, dates of actions, and dollars involved.

Data limitations in the FPDS restricted our ability to report the total extent of contracting. During our review, we found that the FPDS did not contain data on all contract activities within PBS. When we asked FPDS officials about the apparent incomplete information, they stated that program agencies are responsible for entering the contract information into the FPDS computer system; however, there is no mechanism for ensuring that this occurs. For this reason, the information in this section is presented for only fiscal years 1990 through 1992. Even for these years, the information presented may represent an understatement of contracting out rather than the total picture because of the incompleteness of the database.

To respond to the second objective we used data from the GSA National A-76 Inventory and Tracking System (NITS) to identify the reported results of PBS contracting decisions in terms of activities contracted, retained, or closed and the associated savings. OMB Circular A-76 and its Supplement set forth procedures for determining whether activities should be performed under contract with commercial sources or in-house using government personnel. Although the A-76 program accounts for only a portion of all government contracting

²The precise level has increased from \$10,000 to its 1993 level of \$25,000.

activity, more complete data were available on PBS A-76 actions than for contracting actions in general.

NITS contains data records on the individual activities included in GSA's commercial services inventory. The data base includes a description of the activity under study, its location and organizational unit, the type of service involved, as well as information on A-76 study milestones and employees affected. It also provides cost and contract data that allow a comparison of government and contractor cost estimates for providing individual activities.

GAO and others have expressed concerns about the implementation of A-76 and the lack of complete and reliable data on the extent to which estimated savings have been realized.³ However, the detailed cost comparison guidance set by the circular has been used as a standard methodology for assessing whether contracting out or in-house performance is the most economical means of satisfying the government's need for commercially available services.⁴

To document the GSA and PBS commercial inventories and to determine the results of PBS contract decisions and the associated savings, we relied primarily upon reports generated by GSA from the NITS database. To identify underlying trends and patterns in the outcomes of A-76 reviews and to identify the extent to which contractor cost estimates differed from the government's estimate for providing individual services, we performed independent analyses on the NITS database. To supplement the NITS data, we interviewed GSA officials and examined files for a random sample of activities in the A-76 inventory.

There may be minor discrepancies between information presented in our report and data included in prior reports from GSA and OMB. These discrepancies may occur because we adjusted individual NITS data records when our review of supporting documents or discussions with GSA officials indicated that a correction was necessary. We eliminated from our analyses NITS records for which the relevant data were missing. For example, the analyses of differences in cost estimates were limited to records for which both government and contractor

³ Achieving Cost Efficiencies in Commercial Activities (GAO/T-GGD-90-35, April 25, 1990) and OMB Circular A-76: DOD's Reported Savings Figures Are Incomplete and Inaccurate (GAO/GGD-90-58, March 15, 1990).

⁴ Energy Management: Using DOE Employees Can Reduce Costs for Some Support Services (GAO/RCED-91-186, August 16, 1991) and Goddard Space Flight Center: Decision to Contract for Plant Operations and Maintenance (GAO/NSIAD-93-92, January 12, 1993).

estimates were available. Also, because of a change in the data elements collected by GSA, the cost difference analyses were limited to fiscal years 1982 through 1990.⁵

Finally, because of the small number of reviews involving services such as pest control, landscaping, and fire protection, it was not possible to project any trends or conclusions for these activities. For this reason, we combined these services into an "other" category in our detailed analyses.

⁵The current NITS database only records the cost estimate for the party that "wins" the competition--the low contractor bid if the activity is contracted out or the government's estimate if the activity is retained in-house.

GAO Objective 1: Description of the Overall Extent of Contracting in PBS

- How many dollars were associated with contracting for services?
- What services did PBS most frequently contract for?
- What variations in new contracts and orders against indefinite contracts were found in the procurement data?

The following narrative provides answers to these questions. Tables I.1 and I.2 present the supporting data.

Overall Extent of Contracting in PBS as Reported in FPDS

On the basis of FPDS data, OMB reported that for fiscal year 1992 about 34 percent of GSA's \$5.8 billion contract dollars were spent to acquire services. In general, contracts for services in fiscal year 1992 accounted for almost 53 percent of all executive agency procurement expenditures, according to OMB. Since 1985 GSA has often been one of the top five civilian agencies in terms of total dollars expended for contracting.

The FPDS was designed to provide information regarding any contract actions that involved funding. These actions include new contracts, orders against indefinite contracts, contract modifications, and contract terminations. New contracts involve one-time activities and cover a specified time period for the completion of all effort. Orders against indefinite contracts include activities that will extend over a long-term period, such as lease payments, or at indeterminate intervals to be determined by the agency. Indefinite contracts are not recorded in the FPDS until the first order occurs. Since our focus was on the frequency of contracting, we limited our analyses to new contracts and orders against indefinite contracts. Modifications and contract terminations are unique to individual contracts and are dependent upon particular circumstances; therefore, the data obtained from analyzing these actions did not provide further insight into overall extent of contracting.

The FPDS allows for 23 major categories of services, excluding services for research and development. Within each of the 23 categories, a further code identifies the specific type of service or type of facility. We focused on the nine categories that FPDS showed PBS contracted most often.

When both new contracts and orders against indefinite contracts are combined, the FPDS showed that maintenance, repair, and alteration of real property and equipment account for almost 20 percent of the service contract dollars in PBS. Only property leases account for a greater percent of aggregate contracting for services.

The FPDS showed that in PBS the number of new contracts increased by about 44 percent from 1991 until 1992. During the same period, the dollars awarded under new contracts declined by 31 percent (from about \$1.5 billion to \$1 billion). Most of these increases in new contracts were attributable to utility contracts. Maintenance, repair, and alteration accounted for 50 percent of new contract dollars for 1992, a decline from the 70 percent recorded for 1991. Custodial services accounted

for 7 percent of the dollars for 1992, an increase over the 3 percent recorded for 1991.

The FPDS showed that the number of orders against indefinite contracts increased by 106 percent from 1991 to 1992. During this period, the dollars expended for these orders increased by 83 percent (from \$1.0 billion to \$1.9 billion). Most of the increases in orders against indefinite contracts were attributable to space rental and to maintenance, repair, and alteration. Maintenance, repairs, and alteration accounted for 9 percent of the dollars spent against indefinite contracts in both 1991 and 1992. Rental payments accounted for 93 percent of the dollars spent for orders against indefinite contracts in 1991 and 94 percent for 1992.

Table I.1: New Contracts: Numbers and Dollars for FY 1990-1992 (Dollars in Thousands)

Type of services	1990		1991		1992	
	Number of actions	Dollars	Number of actions	Dollars	Number of actions	Dollars
Architect & engineering	36	\$14,910	32	\$25,584	42	\$29,997
Quality control, testing, & inspection	1	127	2	338	9	1,694
Maintenance, repair, & rebuilding equipment	31	7,544	43	15,758	89	29,003
Operation of government owned facilities	3	1,861	3	1,174	4	9,343
Professional, administrative & management support	18	1,748	21	4,561	46	6,567
Utilities	734	68,675	1,257	146,061	2,027	255,244
Custodial	152	29,749	209	47,608	292	77,551
Lease or rental of facilities	1	27	0	0	0	0
Maintenance, repair, or alteration of real property	428	248,678	524	1,038,983	656	517,207
Subtotal	1,404	\$373,319	2,091	\$1,280,067	3,165	\$926,606
All other services	20	20,341	16	193,319	25	113,299
Total	1,424	\$393,660	2,107	\$1,473,386	3,190	\$1,039,905

Source: GAO analyses of FPDS data files.

Table I.2: Orders Against Indefinite Contracts: Numbers and Dollars for FY 1990-1992 (Dollars in Thousands)

Type of Services	1990		1991		1992	
	Number of orders	Dollars	Number of orders	Dollars	Number of orders	Dollars
Architect & engineering	278	\$13,985	399	\$16,778	856	\$40,240
Quality control, testing, & inspection	21	2,818	42	3,911	38	2,059
Maintenance, repair, & rebuilding equipment	11	37	3	5,075	155	1,704
Operation of government owned facilities	63	187	48	380	122	895
Professional, administrative, & management support	46	4,382	72	5,295	195	15,774
Utilities	11	2,366	5	310	8	1,679
Custodial	20	1,192	35	8,987	143	17,432
Lease or rental of facilities	5,184	365,257	13,455	947,972	27,745	1,761,900
Maintenance, repair, or alteration of real property	1,332	11,362	1,404	17,636	2,739	29,493
Subtotal	6,970	\$384,862	15,056	\$987,185	31,136	\$1,830,273
All other services	301	16,900	472	34,924	911	42,508
Total	6,970	\$401,762	15,530	\$1,022,109	32,047	\$1,872,781

Source: GAO analyses of FPDS data files.

GAO Objective 2: Results of Individual Contract Decisions

- Description of the A-76 process
 - Commercial services inventories
 - A-76 program results in PBS
 - Differences between government and contractor cost estimates
-

GAO Description of the A-76 Process

- What is the definition of a commercial activity?
 - What is the commercial inventory?

How are commercial activities in an agency's inventory reviewed?
 - Under what conditions can an activity be contracted out?
-

Description of the A-76 Process

Circular A-76 defines a commercial activity as one that is operated by a federal executive agency and one that provides a product or service that could be obtained from a commercial source. Certain government activities are not subject to contracting out under A-76 because they are so closely related to the public interest that they must be done by federal employees. These activities are referred to as "inherently governmental." In addition, Congress has exempted some activities from the A-76 review process.

To implement the A-76 Circular, an agency first evaluates its activities to determine which are governmental and which are commercial and completes an inventory of all the commercial activities. Along with a description of the nature and location of each activity, the inventory includes the number of full-time equivalent (FTE) positions assigned to the activity at the start of A-76 review. For example, one activity in the PBS inventory is mechanical maintenance services for the U.S. Courthouse in St. Paul, which involved four FTE positions when the activity was studied in fiscal year 1988. At GSA "one FTE" is not necessarily equivalent to "one employee"--the GSA inventory used for this report includes authorized positions, temporary employees, and detailed personnel in its FTE figures.

Some inventory activities may be converted to contract without undergoing a full-cost comparison. The two primary circumstances under which a direct conversion to contract may occur are (1) if the activity should be contracted to a noncompetitive preferential procurement program source in accordance with applicable regulations and (2) if the activity employs 10 or fewer FTEs. While a full-cost study is not required, the agency may use available cost data to help determine the reasonableness of proposed contract prices.⁶

Agencies should review the remaining activities in their commercial inventories to define their work requirements, study the most efficient way to provide the requirements using a federal workforce, and determine the cost. This cost is then compared to private sector bids. A contract for the activity is to be awarded if three conditions are met: (1) the contractor is judged by the government to be able to meet all of the government's quality, timeliness, and quantity standards; (2) the total cost of contract performance is less than the government's total

⁶Our review of sample case files showed that GSA used estimates for the government providing the service and information on contract costs to do similar work at other GSA locations.

estimate; and (3) the projected cost advantage to the government is at least 10 percent of the government's personnel costs. This 10-percent margin is included in the cost comparison to take into account unpredictable costs that may occur as a result of the conversion to contract.

If these three conditions are met, the activity is to be contracted out. If not, the activity is to remain in-house, but the government must implement the efficiency standards developed during the cost study process to streamline operations and reduce costs. The resulting government estimate of the lowest number and types of employees required for in-house performance is generally referred to as the "most efficient organization" (MEO).

GAO Trends in Commercial Services Inventories

- What portion of the GSA total commercial inventory was in PBS?
- What services were included in the PBS inventory?
- What portion of the PBS inventory was delegated to other agencies?

The following narrative provides answers to these questions. Figures I.8 and I.9 present the supporting data.

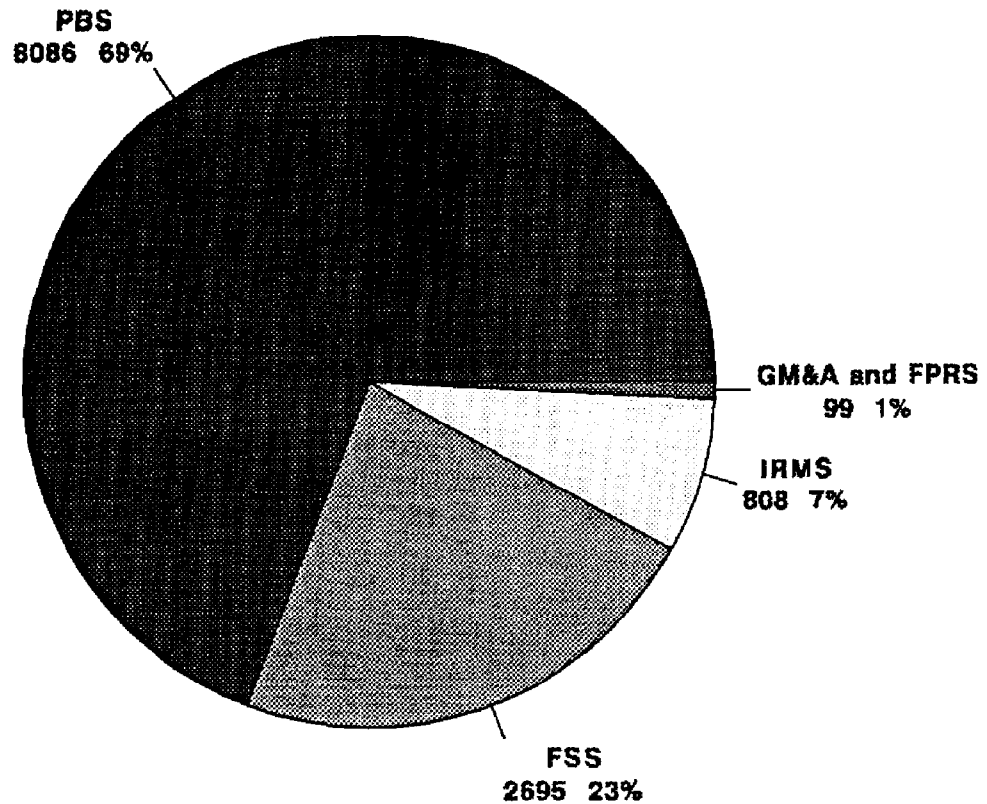
Trends in GSA/PBS Commercial Services Inventories

GSA reported that its agency-wide commercial services inventory included 11,688 FTE positions for 867 activities during fiscal years 1982 to 1992. Nearly 70 percent of the FTEs were in PBS, with the remainder in GSA's Federal Supply Service (FSS), Information Resource Management Service (IRMS), Federal Property Resources Service (FPRS), and General Management and Administration (GM&A).

During the study period, most inventory activities related to real property services were in PBS. The largest segments of the PBS inventory were accounted for by custodial, mechanical maintenance, and law enforcement activities. The remainder of PBS's inventory was divided among full service, security, pest control, grounds and roads, elevator maintenance, landscape maintenance, fire protection, alterations work group, and building operations activities.

During the period covered by our study, the PBS inventory was affected by GSA's Building Delegation Program. Under this program, agencies accept the responsibility for managing the day-to-day operations of the real property they occupy, but PBS retains budgetary, financial, and management oversight. The PBS inventory of 8,086 FTEs excluded 2,464 FTEs delegated to tenant agencies by the end of fiscal year 1992. Delegations, therefore, accounted for over 23 percent of the FTEs that would have been included in PBS's inventory at the beginning of the study period. The delegated activities and FTEs included: alterations work group, 94; custodial, 1,183; elevator maintenance, 19; full service, 2; mechanical maintenance, 766; and security, 400.

Figure 1.8 : Distribution of FTEs in GSA's Commercial Activities (FY 1982-1992)



Legend:

FPRS = Federal Property Resources Service

FSS = Federal Supply Service

GM&A = General Management and Administration

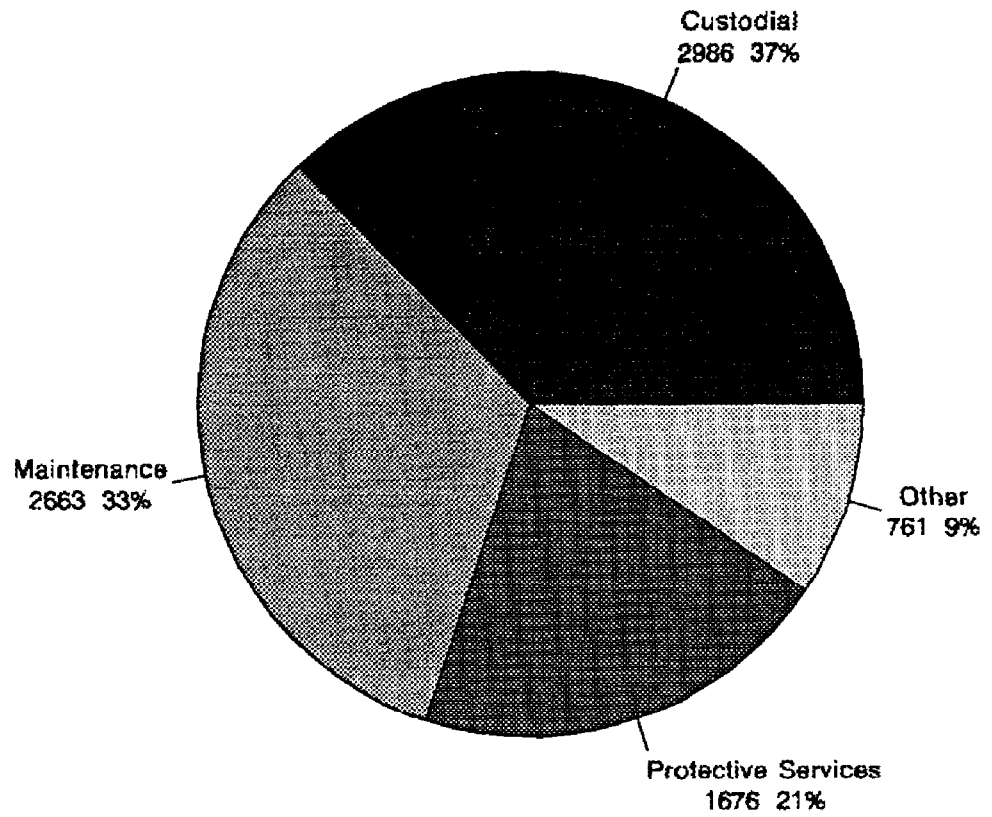
IRMS = Information Resources Management Service

PBS = Public Buildings Service

Note: The PBS provides real property services required by federal agencies to conduct government business. FSS provides personal property and services for federal agencies. IRMS manages and procures automated data processing and telecommunication services. FPRS directs the utilization and disposal of government real property. GM&A includes the administration of all programs.

Source: FTE numbers provided by Budget Control Division, GSA. Percentages calculated by computer within graphics software.

Figure I.9: Distribution of FTE's in PBS's Commercial Activities (FY 1982-1992)



Source: FTE numbers provided by Budget Control Division, GSA. Percentages calculated by computer within graphics software.

GAO A-76 Program Results for PBS for FY 1982-1992

- What types and numbers of commercial services were contracted out, retained in-house, or closed?
 - What FTE and dollar savings were attributed to A-76 reviews?
 - How did results differ by fiscal year of the review, type of service involved, type of action taken, and size of the activity?
-

The following narrative and the narrative on page 35 provides answers to these questions. Tables I.3 and I.4 plus figure I.11, I.12, I.13, and I.14 present the supporting data.

Reported Results from A-76 Reviews

From 1982 through 1992, PBS undertook a systematic review of its real property management services using the guidelines provided in OMB Circular A-76 to determine the appropriate mix between government and private sector provision of these services. Of the 731 commercial activities reviewed by PBS during the time period, 73 percent were contracted out, 24 percent were retained in-house, and 3 percent were closed. The services most often contracted out were custodial and maintenance.

Reports generated from GSA's A-76 database show a total reduction of 4,734 FTEs as a result of A-76 reviews from fiscal years 1982 through 1992; PBS accounted for 3,227 FTEs (68 percent) of this reduction. Although most of the total reduction is attributable to contracting out, about 10 percent can be traced to staffing changes made in activities that were retained in-house after cost studies. The estimated total dollar savings for PBS during this time were approximately \$45.7 million, or about 60 percent of the reported agency-wide dollar savings of \$75.8 million.⁷ Of the total dollar savings reported for the 11-year period, 51 percent was achieved during the initial 4 years of operation. In general, PBS achieved a greater FTE savings by reviewing custodial activities than by reviewing mechanical maintenance activities. However, the average dollar savings that resulted from each custodial FTE saving was \$11,571, compared to \$17,493 for mechanical maintenance FTEs.

About 44 percent of the PBS inventory (3,525 of the 8,086 FTEs) remained unstudied as of the end of fiscal year 1992. All but 75 of these unstudied positions were exempted from study. Law enforcement activities accounted for the largest number (1,676 FTEs) of the inventory positions exempted from study. Another 1,181 FTEs, mostly in custodial activities, were protected from study by the "Edgar Amendment." Enacted as part of appropriations acts covering GSA since December 21, 1982, the amendment restricts GSA from contracting out guard, elevator operator, messenger, and custodial activities currently done by GSA employees, unless it is to a sheltered workshop employing the severely handicapped. The exception for sheltered workshops was added beginning in fiscal year 1984. GSA officials told us that their attempts to have the exemptions modified to increase the agency's flexibility have not been successful.

⁷In the GSA database, the reported dollar savings are estimates based on a comparison of the original budget estimate and the new cost estimate for providing the activity or service. At the point of an A-76 decision, the computed savings represent the government's best estimate and may not reflect an actual savings realized by the agency.

Table I.3: PBS Commercial Activities Program: Number of Activities Reviewed by Type of Action for FY 1982-1992

Service	Activities contracted out	Activities retained in-house	Activities closed	Total number of activities reviewed
Custodial	279	3	4	286
Elevator maintenance	3	0	0	3
Fire protection	1	1	3	5
Full service	33	6	1	40
Grounds and roads	7	1	0	8
Landscape maintenance	2	0	0	2
Maintenance	192	164	11	367
Pest control	4	0	0	4
Repairs and alterations	11	0	0	11
Security	5	0	0	5
Total	537	175	19	731

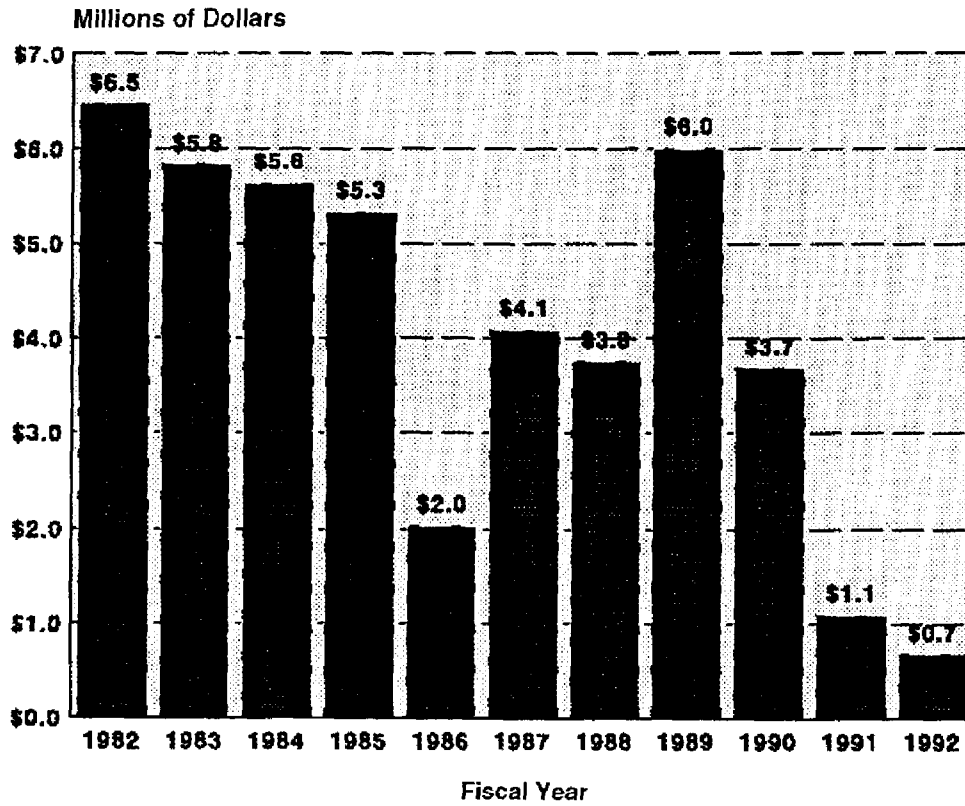
Source: Budget Control Division, GSA

Table I.4: PBS Commercial Activities Program: FTEs Reviewed and Reduced Plus Dollar Savings for FY 1982-1992 (Dollars in Thousands)

Service	Activities Reviewed		
	FTEs reviewed	FTEs reduced	Dollar savings
Custodial	1,855	1,840	\$21,291
Elevator maintenance	3	3	34
Fire protection	74	53	1,500
Full service	259	141	3,589
Grounds and roads	41	33	235
Landscape maintenance	38	38	380
Mechanical maintenance	2,199	1,006	17,598
Pest control	19	19	159
Repairs and alterations	79	79	790
Security	15	15	171
Total	4,582	3,227	\$45,747

Source: Budget Control Division, GSA.

Figure I.11 : Reported Dollar Savings from Completed A-76 Studies in PBS



Note: Because the fiscal year entry is missing from some records in the NITS database, the total savings shown in this figure are \$1.1 million less than the total saving reported by PBS (see table I.3).

Source: Budget Control Division, GSA.

Trends in Data from Individual PBS A-76 Reviews

To identify some of the underlying trends and patterns in the outcomes of A-76 reviews, we studied the individual records in NITS using categories such as the fiscal year of PBS's review, the type of service involved, the type of action taken, and the size of the activity reviewed. Minor discrepancies occur in the totals shown in the following figures because some records did not include data for all categories.

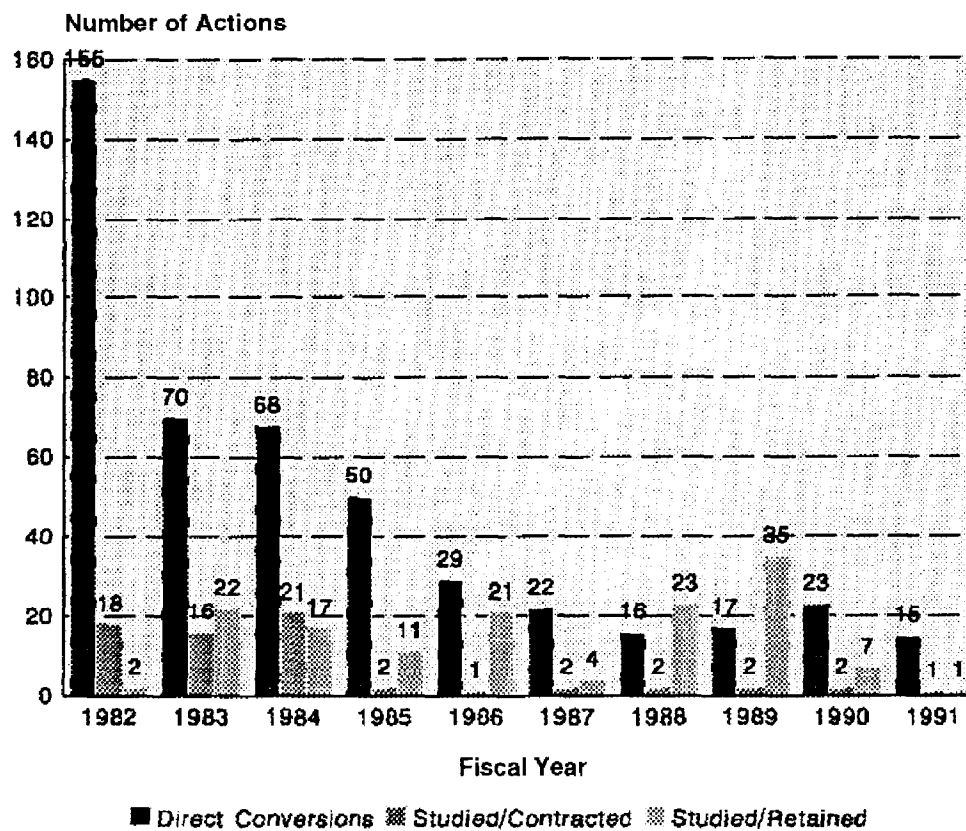
Most A-76 activity was concentrated in the early years of our study period. Over 57 percent of the activities were reviewed by the end of fiscal year 1984, and 78 percent of all reviews had occurred before fiscal year 1987.

The bulk of contracting out during the first 3 years of our study period involved direct conversions of custodial activities. There were 255 custodial activities that were directly contracted from fiscal year 1982 to 1984, all of which were under 11 FTEs. Overall, 50 percent of the activities contracted out by PBS were in the custodial area. PBS retained only 1 percent of the custodial activities that were reviewed.

Starting in fiscal year 1987, most reviews involved mechanical maintenance activities. By the end of the 11-year period, maintenance accounted for 36 percent of all the activities that had been contracted out by PBS. However, maintenance activities were retained in-house after review at a much higher rate than the other types of services--45 percent of the activities reviewed versus 3 percent for all other services.

In total, over the 11-year period, direct conversions to contract without the need for a formal cost study accounted for most of the contracting activity reported. Over 71 percent of contracted activities and about 74 percent of contracted FTEs were attributable to direct conversions. The large number of direct conversions is not surprising given that 586 of the activities reviewed by PBS involved 10 or fewer FTEs.

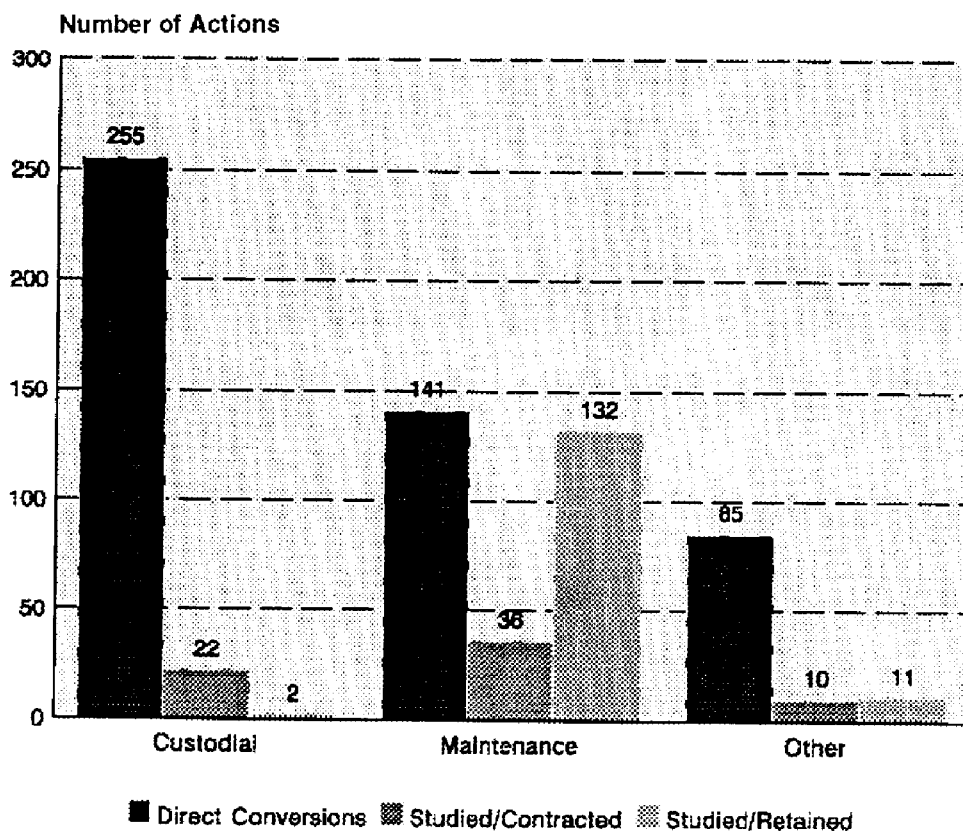
Figure I.12 :PBS Actions by Fiscal Year



Note: The NITS database did not identify individual actions for fiscal year 1992, however, total actions and dollar savings were reported.

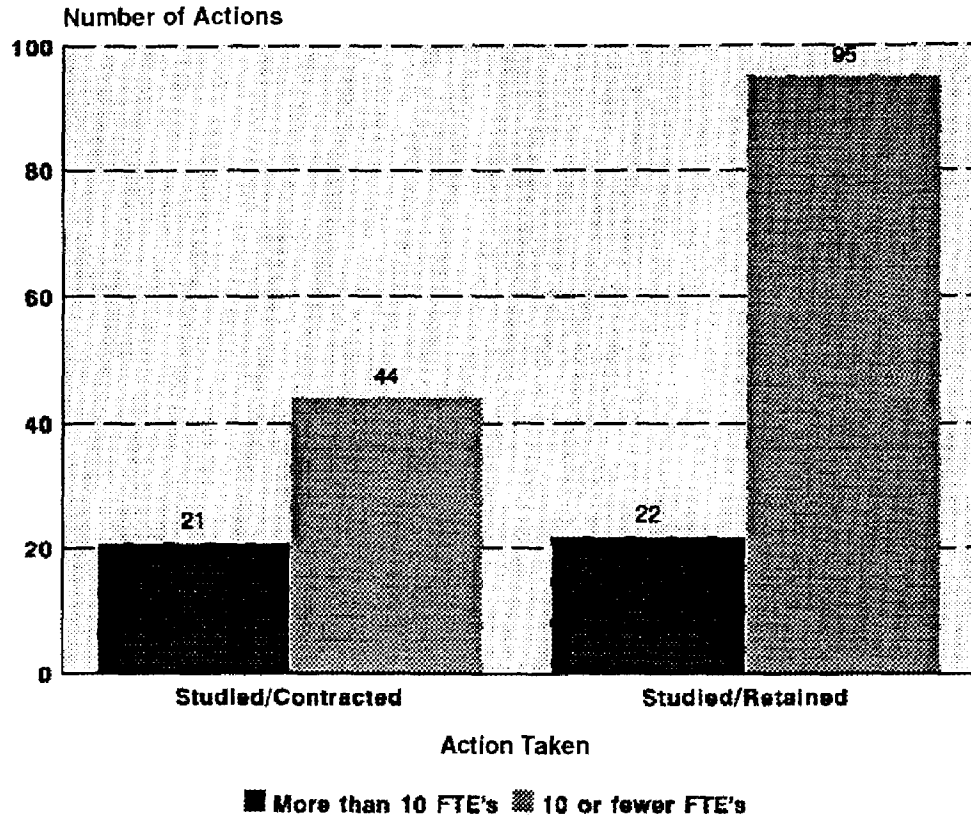
Source: GAO analyses of NITS database.

Figure I.13 : PBS Actions by Type of Service



Source: GAO analysis of NITS database.

Figure I.14 :PBS A-76 Actions by Size of Activity



Note: We did not show the actions that resulted in direct conversion to contract in this figure because, as permitted under A-76 guidance, the direct conversions are almost all activities with 10 or fewer FTEs.

Source:GAO analysis of NITS database.

GAO Differences between Government and Contractor Cost Estimates

- What were the differences between government and contractor cost estimates?
- What trends were identifiable in average differences between government and contractor cost estimates?
- Did contractors or the government have a cost advantage in competing for particular services?

The following narrative provides answers to these questions. Table I.5 and figures I.16, I.17, I.18, and I.19 present the supporting data.

Using NITS data, we analyzed the extent to which contractor and government cost estimates differed for providing individual services. We used the government estimate for in-house performance as our base of comparison, subtracting the low contractor's estimate from the government's estimate. A positive dollar or percentage difference indicates that the contractor's bid was lower, while a negative difference shows that the government's estimate was lower.

On average, the low contractor bids for activities contracted out were 39 percent less than the government's cost estimate. There was little difference in the average percent difference for those activities contracted after a formal cost study and those directly converted to contract. However, the median percent difference was noticeably higher for the direct conversions. On average, the low contractor bids for activities retained in-house were about 33 percent higher than the government cost estimates for providing the same service. The average difference between contractor and government cost estimates tended to become less from 1982 to 1990. The decline was greatest for contracted activities. The one notable exception was direct conversion to contract during fiscal year 1990. In fiscal year 1990, all of the activities for which we had cost data were custodial, which consistently showed a contractor cost advantage.

The summary statistics for cost differences by size of the activity (numbers of FTEs) showed little variation for direct conversions to contract. However, size was an important factor in actions based on a full cost study. When full cost studies were conducted, on average the largest advantage for contractors occurred when activities had more than 10 FTE positions. Conversely, the largest advantage for the government, in decisions based on full-cost studies, occurred for activities with 10 or fewer FTEs.

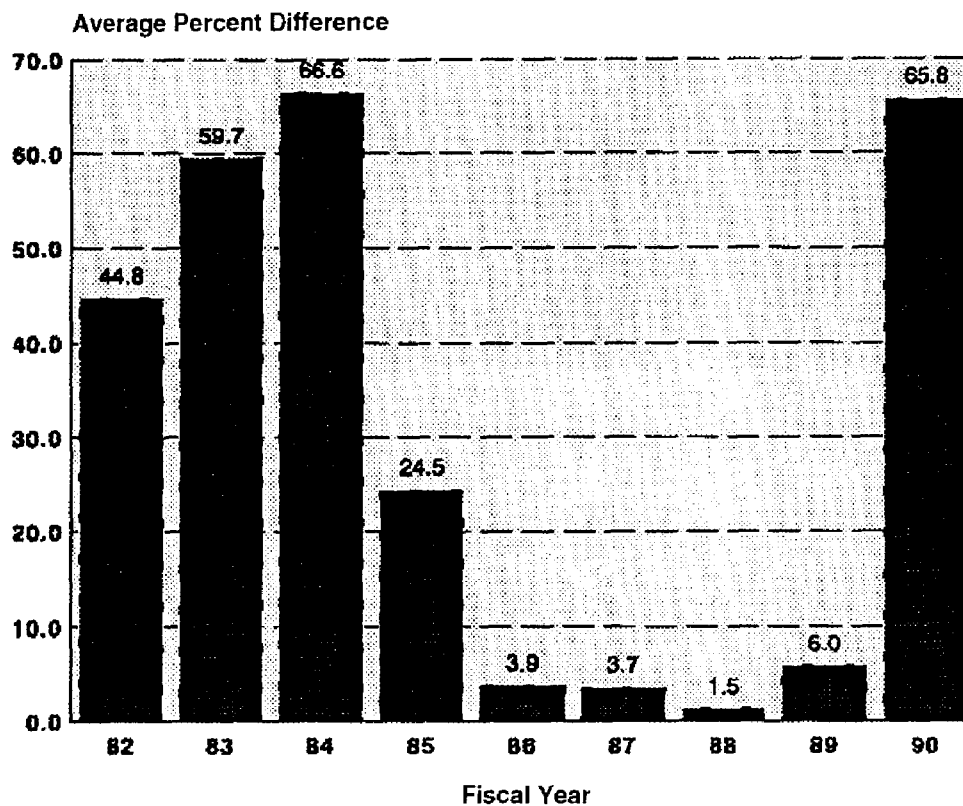
There were sufficient numbers of reviews involving custodial and maintenance activities to illustrate the relative cost advantages of contractors in providing custodial services and, to a lesser extent, the government in providing mechanical maintenance services. On average, the low contractor's bid for custodial activities was over 50 percent less than the government's estimate. Over one-third of all the custodial activities reviewed showed a difference greater than 70 percent between contractor and government cost estimates. In contrast, the government was more competitive in the maintenance activities reviewed, with contractor bids averaging only 2 percent less than the government cost estimates.

Table I.5: PBS Commercial Activities: Differences between Contractor and Government Cost Estimates for FY 1982-1990
Dollars in thousands

Category	Number of activities	Mean Percent Difference	Median Percent Difference	Mean Dollar Difference	Median Dollar Difference
Type of action					
All contracts	459	39.15	44.60	\$64.0	\$21.0
Studied/Contracted	65	40.22	36.53	175.1	70.0
Direct conversion to contract	394	38.98	48.78	45.6	18.0
Studied/Retained	117	-32.90	-17.20	-93.1	-43.0
Size of activity					
Studied/Contracted > 10 FTEs	21	46.15	43.69	409.7	232.0
Studied/Contracted <= 10 FTEs	44	37.38	29.26	63.1	37.5
Studied/Retained > 10 FTEs	22	-15.64	-10.65	-213.0	-48.5
Studied/Retained <= 10 FTEs	95	-36.90	-18.18	-65.3	-36.0
Direct conversion > 10 FTEs	28	38.94	50.82	282.5	178.0
Direct conversion <= 10 FTEs	364	39.13	48.78	27.6	16.5
Function					
All custodial	240	51.35	58.10	75.5	28.0
All maintenance	282	1.97	4.15	-6.1	3.0
All other activities	54	23.00	27.83	38.5	11.5

Note: To illustrate the effects of extreme values for percent and dollar differences in cost estimates, we calculated both the mean and the median for each category. A positive percent or dollar difference indicates that the contractor has the cost advantage.

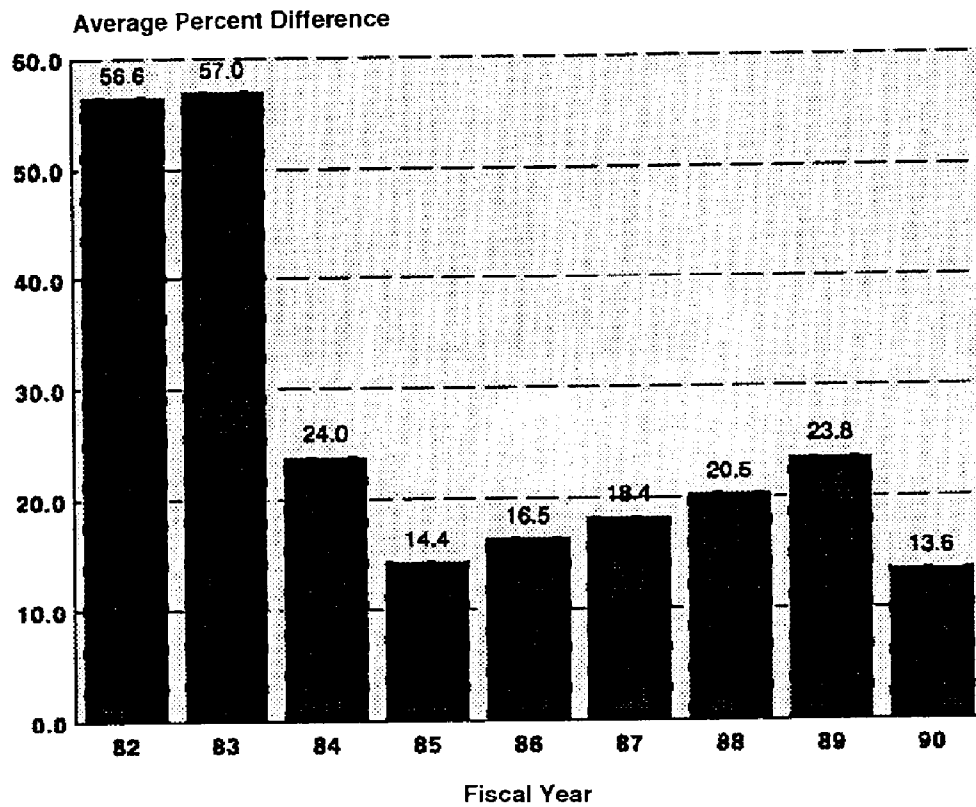
Figure I.16 :Differences between Government and Contractor Cost Estimates for Direct Conversions to Contract



Note: For the number of direct conversions during each fiscal year see figure I.12. A positive percent difference indicates that the contractor has the cost advantage.

Source: GAO Analysis of NITS database.

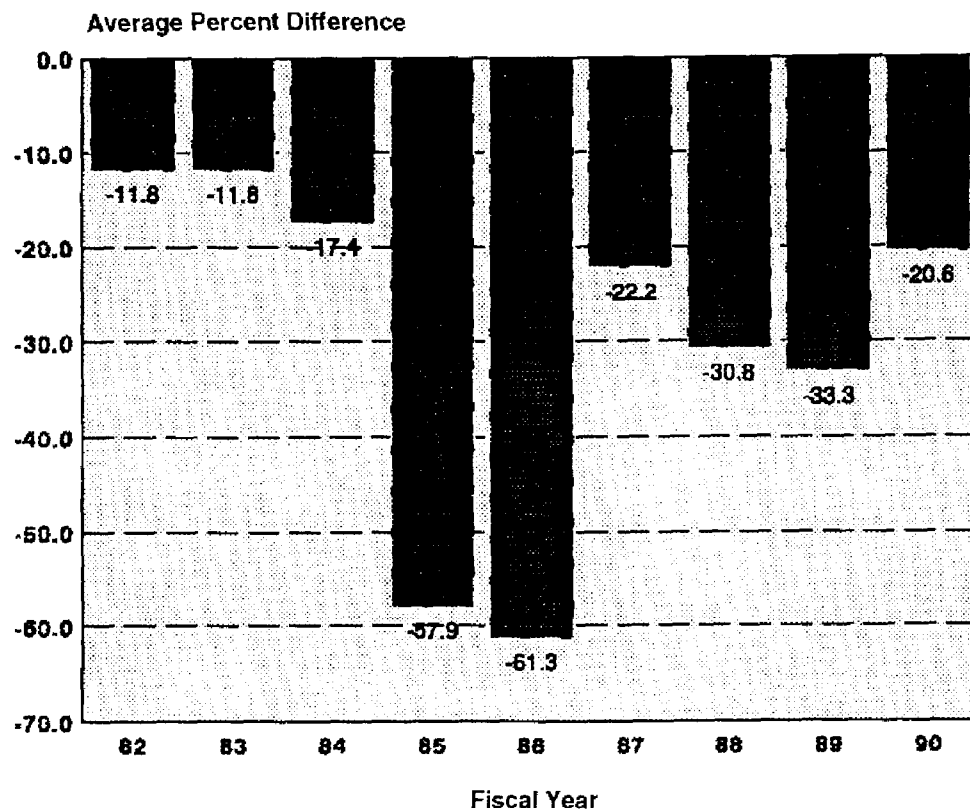
Figure I.17 :Differences between Government and Contractor Cost Estimates for Activities Studied and Contracted



Note: For the number of activities studied and contracted during each fiscal year see figure I.12. A positive percent difference indicates that the contractor has the cost advantage.

Source: GAO analysis of NITS database.

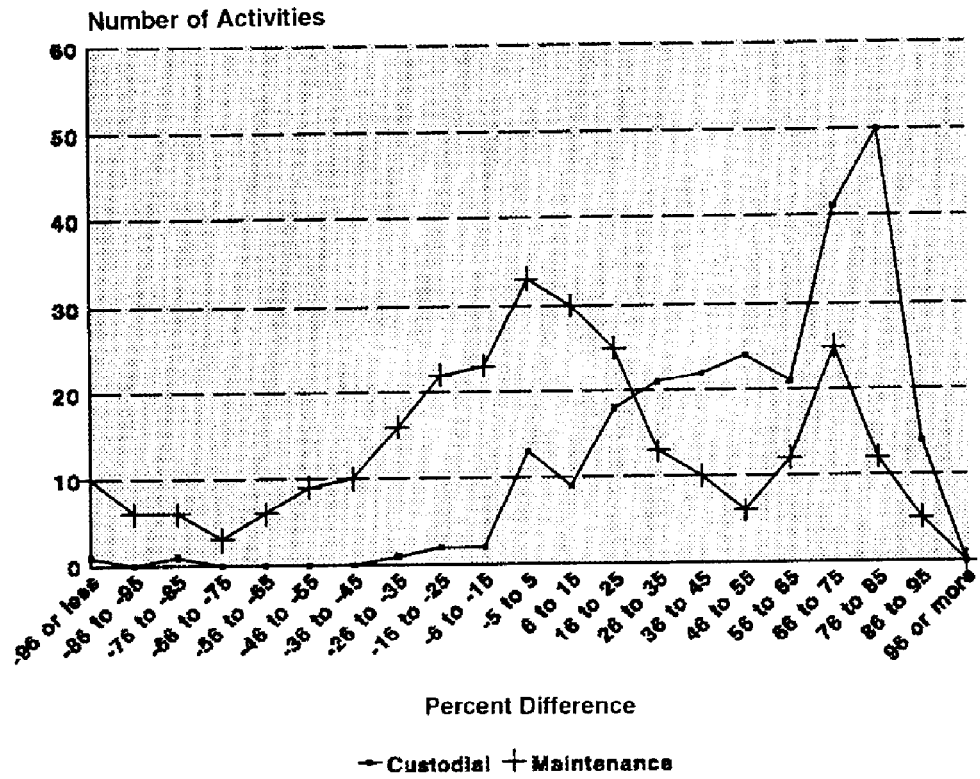
Figure I.18 : Differences between Government and Contractor Cost Estimates for Activities Studied and Retained In-house



Note: For the number of activities studied and retained during each fiscal year see figure I.12. A positive percent difference indicates that the contractor has the cost advantage.

Source: GAO analysis of NITS database.

Figure I.19 : Distribution Showing Cost Estimate Differences for Custodial versus Maintenance Services



Note: A positive percent difference indicates that the contractor has the cost advantage.

Source: GAO analysis of NITS data.

Appendix II: Major Contributors to This Report

General Government Division, Washington, D.C.

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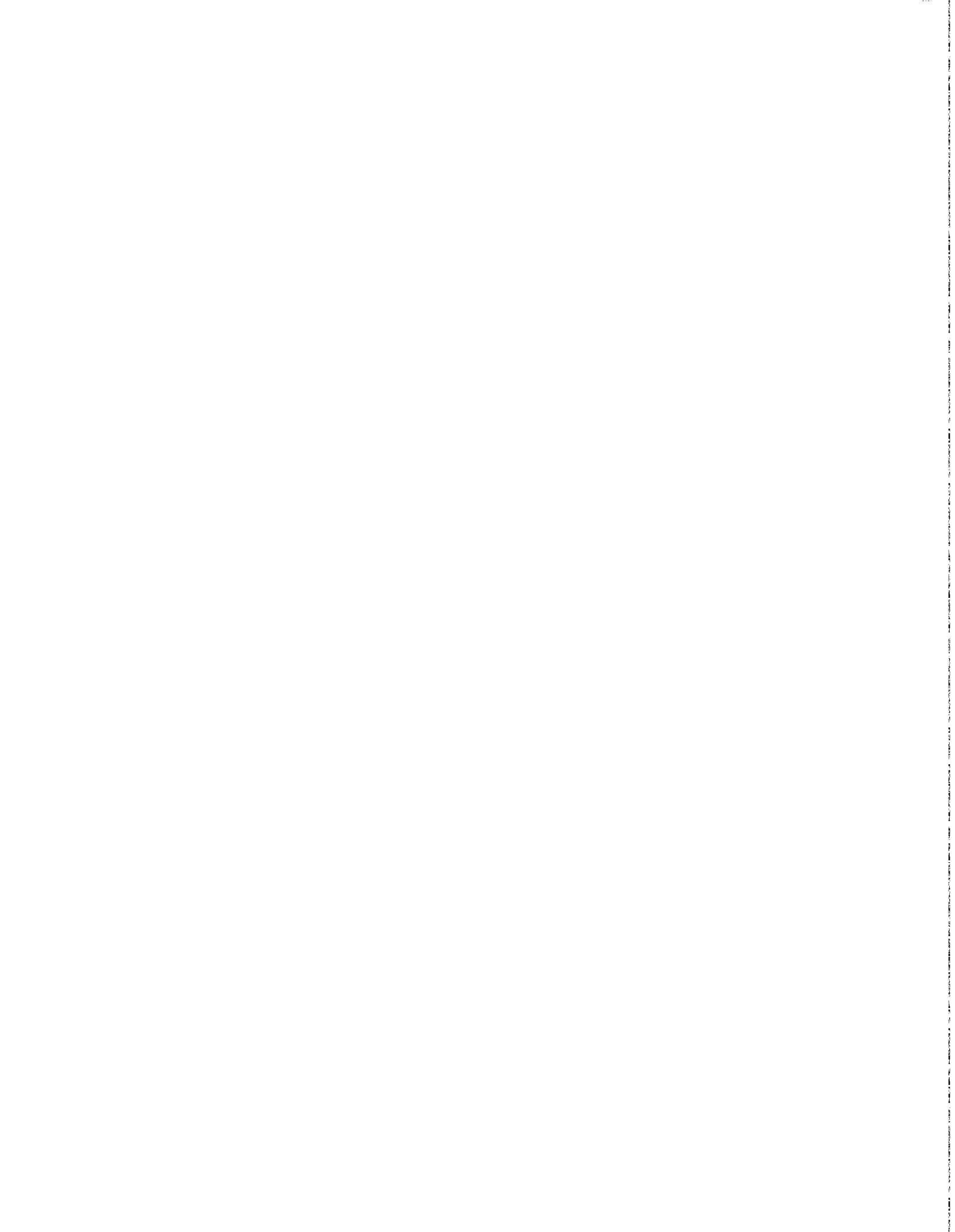
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