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STATEMENT OF  
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DIRECTOR  
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BEFORE THE  
SENATE COMMITTEE ON APPROPRIATIONS  
ON  
[CONSULTING SERVICES, EMPLOYEE TRAINING,  
AND TRAVEL]

Mr. Chairman and Members of the Committee:

I appreciate your invitation to appear before the Committee today to discuss three areas of personnel management activities in the Federal Government. These are:

- Use of consulting services.
- Civilian employee training programs.
- Employee travel.

CONSULTING SERVICES

The General Accounting Office's (GAO's) concern over the Government's use of consulting services is evidenced by over 30 audit reports we have issued on the subject during the last 20 years. These reports identified the need for practically every major Federal agency to better manage consulting services.

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Although we believe that the appropriate use of consulting services can be a legitimate and economical way to conduct Government operations, we see little evidence that agencies are acting administratively to correct abuses.

Although some improvements have been made, we believe congressional action is necessary to correct these problems and strengthen the controls over the use of consultants. Two recent GAO reports show that serious problems continue to exist in the Government's use of consultants, particularly in the Department of Defense (DOD).

Controls over DOD's management support  
service contracts need strengthening

On March 31, 1981, we issued a report showing that serious and pervasive problems existed in DOD's use of consulting services and other management support service contracts 1/.

The report was based on a review of 256 randomly selected contract awards valued at about \$175.4 million. The sample was drawn from contracts for

- consulting services;
- management and professional services, special studies, and analyses; and
- management support services for research, development, test, and evaluation.

In fiscal year 1979, DOD spent about \$2.6 billion for these types of contracts. The contracts ranged from relatively

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1/"Controls Over DOD's Management Support Services Contracts Need Strengthening" (MASAD-81-19).

simple studies to aid in management decisions to contracts involving complex engineering support for major weapon systems.

Our review disclosed many problems including:

- Extensive contract awards resulting from unsolicited proposals (102 contracts reviewed valued at \$25 million).
- Significant involvement of former DOD officials and employees in contracts (131 contracts reviewed valued at approximately \$52.6 million).
- Continuous renewal of contracts (146 contracts reviewed valued at \$149.2 million).
- Questionable need for and use made of the contract services (44 contracts reviewed valued at approximately \$6.8 million).
- Overuse of sole-source awards (211 contracts reviewed valued at approximately \$156.7 million).
- Extensive contract modifications (176 contracts reviewed with modifications valued at approximately \$73.8 million).

We recommended that the Congress, as an interim measure, consider legislation which would minimize the funding of sole-source contracts for management support services and contracts resulting from unsolicited proposals. One way to accomplish this might be to establish quotas for a period of 2 to 4 years. We also made recommendations to the Director, Office of Management and Budget (OMB), and the Secretary of Defense, but we believe the problem is serious enough in DOD to warrant legislative action.

Civil servants and contract employees:  
who should do what for the Federal  
Government?

On June 19, 1981, we issued an overview report on the use of consultants and other contract personnel to do work that Federal employees should do 1/. This report discussed several previous GAO audits that found many agencies using contractors to do work involving basic management decisions. Although contractors may not be making final decisions, we are concerned about the extent to which contractors are influencing agencies' control of Federal programs and policies.

For example, DOD contractors are playing a significant role in identifying defense needs and, in effect, are articulating and performing DOD management functions. The result is that DOD is weakening its ability to perform in-house work essential to fulfill its mission. We found DOD was using contractors to

--develop plans and organizational responsibilities in the event of mobilization;

--review the performance of other contractors; and

--prepare basic contracting documents, evaluate other contractors' proposals, and help negotiate the final contract.

We believe these functions are the responsibility of the Secretary of Defense and should not be delegated to anyone other than a Federal official. DOD program officials in each of the services told us that the expertise to perform these Government functions

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1/ "Civil Servants And Contract Employees: Who Should Do What For the Federal Government?" FPCD-81-43.

simply was not available, and many officials cited personnel ceilings as one of the reasons.

The report also pointed out an interesting dichotomy. At the same time that Federal agencies are using contractor personnel for work that should be done in-house, they are using Government employees to provide commercial services that contractors could provide in many cases at a lower cost. We find it very ironic that DOD is using its own employees to provide commercial services while, in our opinion, relying excessively on contractors for defense management functions that should be done in-house.

It has been the stated policy of the executive branch since 1955 to rely on contractors for commercial goods and services. However, agency compliance with this policy, currently contained in OMB Circular A-76, has been inconsistent and relatively ineffective. OMB information shows that as many as 400,000 Federal employees are currently operating more than 11,000 commercial and industrial activities at a cost of almost \$19 billion annually. These employees represent almost one-fourth of the total executive branch civilian work force. Janitorial and keypunching services are examples of these types of activities. OMB estimates that savings of \$3.6 billion could be achieved during fiscal years 1982 through 1987, if all agencies fully implement Circular A-76.

Circular A-76 requires agencies to inventory their commercial and industrial activities and establish schedules for comparing costs to determine the most economical source of performance-- contract or in-house. About 60 percent of the cost comparisons

conducted by DOD shows that it is more economical to convert the in-house activity to a contract.

If additional cost comparisons show that a large percentage of the commercial and industrial activities could be provided more economically by contract, DOD could reallocate many of its in-house positions to work that must be performed by Federal employees--Government functions--without increasing personnel ceilings.

We also reiterated a recommendation from a 1978 GAO report that the Congress should legislate a national policy of reliance on the private sector for commercial goods and services. Such legislation would preclude unilateral shifts in the policy by different administrations by establishing a stable national policy that could not be changed without congressional approval. Effective implementation should free up many existing commercial-type positions that can then be reallocated to Government functions and thus lessen contractors' involvement in basic management functions.

We also recommended that the Congress enact legislation requiring Federal agencies to fully disclose the use of consulting services in preparing congressionally-mandated agency reports.

Normally, GAO does not support legislative remedies for problems that should be resolved administratively. However, since executive branch agencies, with few exceptions, have not acted administratively, we believe congressional action is necessary in the areas we have discussed.

## CIVILIAN EMPLOYEE TRAINING

The Government's programs for training its civilian employees are expensive. The Office of Personnel Management (OPM) has informed us that, during fiscal year 1979, Federal agencies spent \$624 million to provide about 33 million hours of training to 500,000 employees. These costs include such items as the salaries of trainers and trainees, tuition, fees, and books.

Training costs are on the rise. OPM estimates that during fiscal year 1980, \$682 million were spent for training--a 1-year increase of \$58 million.

Employee training programs are authorized under the Government Employees Training Act of 1958 and Executive Order 11348. Heads of departments and agencies are responsible for establishing and operating the training programs. Fulfilling these responsibilities requires a wide range of activities including

- determining training needs;
- developing training curricula;
- selecting employees to attend training; and
- evaluating training results.

In past years, both GAO and OPM have studied the management and operation of training programs. These studies identified program weaknesses in a number of areas, such as

- limited use of effective training needs assessments;
- inadequate systems for accumulating training costs;
- ineffective evaluations of training results; and
- lack of management support for training programs.

During the past few months, there has been an increase in congressional interest in the training area. In response to this increased interest, together with the need to insure that the Government is paying only for employee training that is necessary and job related, we are intensifying our efforts to examine Federal training programs. We have recently initiated two studies in response to specific congressional requests. One is an examination of external short-term training provided to employees by non-Government sources. This training involves, for the most part, employees taking college courses and attending professional conferences. The second is a study of seminars sponsored by Government agencies for their employees.

We plan to begin work on two additional congressionally-requested studies during the next few months. One will be an examination of long-term training programs where employees are sent to colleges and other educational institutions on a full-time basis for periods greater than 120 days. The other study will examine the off-campus training provided to Federal employees by colleges and universities.

These ongoing and planned assignments will examine the full range of activities needed to make training programs effective--from agencies' preparation of training needs assessments through their evaluation of training results.

#### TRAVEL BY FEDERAL EMPLOYEES

Travel is essential to effective administration of any Government program. Yet, there is a general impression that the



Government spends too much on travel, and it is widely perceived as an area of waste and inefficiency. Studies by GAO and others have highlighted opportunities to reduce costs and stressed the need to better manage travel. We believe that Federal managers have focused too much attention on the accuracy of travel reimbursements after trips are made and not enough on reviewing before hand the need for the trips in the first place. Furthermore, top agency officials do not always require managers to comply with Federal travel policies which, in our opinion, demonstrates a lack of commitment to the goal of eliminating unnecessary travel.

Efforts during the past 5 years by the Congress and the President to reduce travel costs have not succeeded. OMB data shows that travel expenditures remained constant at \$2.1 billion from fiscal year 1970 to 1975, but increased to \$3.2 billion by fiscal year 1980. Last year, the Congress cut \$500 million in travel and transportation funds from the fiscal year 1980 President's budget. However, executive branch agencies subsequently received supplements to their travel and transportation budgets totalling \$700 million for a net increase of \$200 million over the President's original budget request.

Better data is needed if travel is to be more effectively managed. In three reports since 1977 1/, we have recommended that budgeting and reporting systems be revised to focus more specifically on the purpose of travel, but this has not been done. If information on the purpose of a trip is lacking, Federal managers do not have a sound basis for approving the travel. A recent OMB study of 13,000 travel vouchers found that the purpose of the trips were not shown on 27 percent of the vouchers. We understand that OMB is currently considering adopting our recommendations, and we urge the Committee's support for this change.

Another area of concern to us is the loose travel authorization procedure used by some agencies. In a review conducted last year, we focused on travel management in the Departments of Agriculture and the Army. These two organizations illustrate the range of travel authorization procedures. In the Army, we found that travel was authorized by written orders and that blanket travel orders were issued only to a few high-level officials and others who may have to travel on short notice. Agriculture, on the other hand, has included in its travel regulations a general travel authorization for all employees of the Department. An employee in Agriculture needs only verbal approval from his/her supervisor to travel. In our December 1980 report,

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1/"Proposals for Improving the Management of Federal Travel" (FPCD-81-13, Dec. 24, 1980), "Temporary Duty Travel in the Management and Operation of Department of Defense Programs" (FPCD-77-84, Oct. 28, 1977), and "Travel in the Management and Operations of Federal Programs" (FPCD-77-11, Mar. 17, 1977).

we recommended that the Secretary of Agriculture restrict the Department's general travel authorization to employees whose work requires frequent routine travel and require written authorization for all other travel. Agriculture has not changed its procedures.

Over the last 5 years, OMB has issued a series of instructions to agencies on controlling travel expenses including limiting the number of employees who are authorized to attend conferences. Yet, we found that during this period, Agriculture's Forest Service increased the number of conferences its employees may attend. In July 1977, the Forest Service's travel regulation authorized its officials to attend 50 national conferences. By January 1980, the list had increased to 77 national conferences, an increase of over 50 percent. In addition, the Service's travel regulation gave blanket authorization for large numbers of people to attend these conferences. For example, 111 people were authorized to attend the Forest Products Research Society Conference and 59 were authorized to attend the National Audubon Society Conference. Neither we nor Agriculture knows how many Forest Service employees actually attended those conferences because Agriculture's general travel authorization procedures do not require the purpose of trips to be documented.

To reduce costs, travelers should obtain economical air fares. The Federal Travel Regulations require travelers to use less-than-first-class accommodations, except in certain limited circumstances. Use of first class must be justified and approved in writing.

During our recent work for Senator Percy covering travel by noncareer Government officials, we found that agency records did not justify the use of first-class accommodations in over 75 percent of the trips in which first class was used. We notified the heads of departments of these instances and asked them to collect any overpayments and to review their Department's controls to see that future uses of first-class accommodations are justified and properly documented.

We also found that officials used foreign carriers for over one-half of the overseas trips they took. U.S. law requires Government personnel to use U.S. carriers when they are available. Our Office is continuing to review those trips. If we find that use of a foreign carrier was improper, we will ask the Department to collect the costs of the trip from the traveler.

Finally, I would like to mention the need to reduce the high administrative costs of processing travel reimbursement claims. Although the total cost is unknown, we estimated the amount could be as much as \$400 million in 1979--about 16 percent of the amount spent for travel. Our January 1981 report 1/ recommended that the General Services Administration and other departments and agencies act to cut these costs significantly by:

--Revising the reimbursement method for high cost areas.

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1/ "Increased Productivity in Processing Travel Claims Can Cut Administrative Costs Significantly" (AFMD-81-18, Jan. 19, 1981).

--Eliminating redundant, overly detailed supervisory reviews.

--Improving voucher audit activities at payment centers.

#### RESTRICTIVE COST LIMITATIONS

We share the Committee's interest in reducing the cost of these activities where possible. However, we continue to be concerned about imposing unrealistic limitations on the use of program funds for one particular purpose, such as travel. Program managers will comply with arbitrary limits because they have to; however, they are also responsible for meeting their program objectives and may thus use other methods that require less travel but are also less satisfactory. For example, they may make greater use of routine reports to measure military unit readiness rather than send military teams to perform on-site readiness inspections; the former method may be less effective and efficient from the program standpoint. In the long run, this could cost more, and it might not give managers the same insights and firsthand experience that can make them better informed and more effective in carrying out their responsibilities. We would prefer to have OMB, other Government agencies, and the Congress focus on desirable program levels through the executive and legislative budget processes. We believe this is better than focusing on one program aspect, such as travel or consultant costs, completely out of the context of program objectives.

This concludes my prepared statement. I will be happy to respond to any questions the Committee may have.