

RELEASED

116115

18838

116115

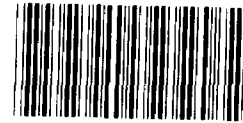
~~RESTRICTED — Not to be released outside the General Accounting Office except on the basis of specific approval by the Office of Congressional Relations.~~

BY THE COMPTROLLER GENERAL

**Report To The Chairwoman,
Subcommittee On Human Resources
Committee On Post Office And Civil Service
House Of Representatives**
OF THE UNITED STATES

**Improving The Credibility And
Management Of The Federal Work Force
Through Better Planning And
Budgetary Controls**

Federal departments and agencies have not developed comprehensive work force planning systems that relate staff needs to work requirements.



Instead, the Administration and the Congress rely on personnel ceilings to control the size of the Federal work force. GAO remains fundamentally opposed to the use of ceilings which create management problems.

Federal budget data does not clearly identify total work force costs nor does it offer alternatives for disclosing costs.



FPCD-81-54
JULY 17, 1981

517602

Request for copies of GAO reports should be sent to:

**U.S. General Accounting Office
Document Handling and Information
Services Facility
P.O. Box 6015
Gaithersburg, Md. 20760**

Telephone (202) 275-6241

The first five copies of individual reports are free of charge. Additional copies of bound audit reports are \$3.25 each. Additional copies of unbound report (i.e., letter reports) and most other publications are \$1.00 each. There will be a 25% discount on all orders for 100 or more copies mailed to a single address. Sales orders must be prepaid on a cash, check, or money order basis. Check should be made out to the "Superintendent of Documents".



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D.C. 20548

B-203590

The Honorable Geraldine A. Ferraro
Chairwoman, Subcommittee on Human
Resources
Committee on Post Office and
Civil Service
House of Representatives

Dear Madam Chairwoman:

In your February 5, 1981, request, you asked us to address problems associated with work force planning, including the use of the indirect work force, personnel ceilings, and the limitations of agency budget data in identifying total work force costs. (See app. IX and X.)

In a March 31, 1981, letter we provided you with our preliminary views on alternatives for budgetary disclosure of direct and indirect work force costs. This report provides more details on those alternatives and their advantages and disadvantages. Also, as agreed in discussions with your office we have summarized our reports on agencies' work force planning systems, stated our position on personnel ceilings, and discussed the new full-time equivalent (FTE) ceiling system.

OBJECTIVES, SCOPE, AND METHODOLOGY

Our review covered the period November 1980 to May 1981. We reviewed GAO and other reports addressing the use of personnel ceilings and the development and use of work force planning procedures, including decisions on the proper mixture of the direct and indirect work force. We also reviewed the Office of Management and Budget's (OMB's) and the Office of Personnel Management's (OPM's) instructions and reports on personnel ceilings and budget development and interviewed representatives from these two agencies.

We interviewed representatives of the following 10 agencies that have tested the new FTE ceiling system:

- General Services Administration (GSA).
- Environmental Protection Agency.

- Veterans Administration (VA).
- Federal Trade Commission (FTC).
- Export-Import Bank.
- Department of Agriculture.
- Department of the Treasury.
- Department of Housing and Urban Development.
- Department of Health and Human Services.
- Department of Education.

We also interviewed program and budget officers in GSA, VA, FTC, and the Department of Agriculture to discuss budgetary limitations in identifying indirect work force costs.

To determine the capabilities and limitations of existing cost data systems, we interviewed representatives of the Federal Procurement Data System administered by GSA, the Government Obligations Reporting System administered by the Department of the Treasury, and data collection activities of the Department of Commerce.

Also, we examined two legislative proposals--H.R. 3116, Government Cost Reduction Act, and S. 719 Consultant Reform and Disclosure Act of 1981--which specifically concern the issues in our review.

We telephoned private sector organizations to get their views on the use of personnel ceilings to restrict the size of their work forces. (See app. III.)

NEED FOR EMPHASIS ON WORK FORCE PLANNING

Work force planning includes identifying the work that has to be done and determining work force requirements and staff needed to perform the work. We have issued numerous reports on the need to improve work force planning in the Federal Government. (See app. I.) The problems have existed for a long time and reflect the need for fundamental management improvements. Such improvements may be initiated with the development of a comprehensive Federal work force planning policy and a systems framework of preferred procedures and techniques for all Federal departments and agencies to follow.

Our reports have cited major reasons why Federal agencies' work force planning has not been effective:

- The budget review process does not usually give any more consideration to budget submissions supported by work force planning procedures than those without sound justifications for resources. Moreover, decisions made during the budget review process are usually not based on substantive work force planning data justifying human resource needs.
- Agencies lack comprehensive policy and procedures direction from OMB and OPM.
- The definition, scope, and components of work force planning, and the sequence and cycle of planning tasks are confusing.
- Use of personnel constraints, such as personnel ceilings, average grade controls, and hiring and promotion freezes, has interfered with planning.
- Progress in developing work and productivity measurement systems has been limited.
- The cost-benefit considerations of allocating more resources to an organized and systematic approach to work force planning are not clear.
- Agencies' development of integrated management information systems is limited, and close operating relationships between principal management groups is lacking.

Additional information about Federal work force planning is in appendix II.

On December 30, 1980, our report, "Federal Work Force Planning: Time for Renewed Emphasis" (FPCD-81-4), provided an overview of prior GAO reports on the issue, as well as perceptions and reporting of others on work force planning. We reported that work force requirements and staffing management decisions, including staffing budget formulation and justification, made without credible work force planning data are suspect, open to challenge, and can result in arbitrary and very subjective resource actions. This situation can easily result in the mismatch of personnel resources with the workload of an agency and perpetuate many program and personnel management problems.

We concluded that the Administration and the Congress needed to place a renewed interest on work force planning through strong leadership and advocacy. We stated that the development and

application of a Federal work force planning policy and a comprehensive framework of preferred methods and procedures for departments and agencies was an appropriate course of action if there was genuine concern for management improvement. We also stated that ultimate success would depend on the commitment and willingness of the Congress and the Administration to acknowledge quality work force planning and give proper credit to work force management decisions and budget requests that are supported by data generated from sound work force planning procedures.

We recommended that OMB and OPM jointly develop this policy and procedures package and test it in several agencies to demonstrate total system feasibility and benefits. The report also recommended that the Congress be actively involved in the oversight of this project and be kept informed of its progress and problems.

In February and March 1981, OPM and OMB commented officially on the report and indicated that our recommendations would not be adopted. Although OPM shared our views on the significance of work force planning, OPM questioned the value of establishing a policy agency management should follow since agency heads are responsible for effectively managing their resources. Nevertheless, OPM stated it was prepared to take the necessary steps with OMB to develop the guidelines and assist agencies. OMB stated that, with planned reductions in civilian employment, the work force planning improvements we recommended would be difficult if not impossible to achieve. However, we believe the present environment supports the need for sound work force planning.

House bill calls for work force
planning improvements (H.R. 3116,
97th Congress, 1st Session)

The Congress has recently shown an interest in the need for work force planning legislation. On April 7, 1981, a House bill (H.R. 3116) known as the Government Cost Reduction Act, was introduced. This bill contains a section that would require Federal agencies to develop work force planning systems. It also calls for establishing work force planning system minimum requirements and a review and certification process to approve systems once fully developed. Upon certification of its work force planning system, an agency shall use its work force planning data to (1) formulate and justify budget requests, (2) reallocate personnel or reorganize the agency, and (3) determine whether to have work carried out by contract. The Director of OMB would be required to use the work force planning data to carry out (1) and (2) above and to monitor the manner in which programs are conducted, etc.

We generally agree with the provisions of the bill concerning work force planning and the need for Federal departments and

agencies to develop sound work force planning capabilities. However, as we stated in our December 1980 report, we believe the first essential step toward improving work force planning is for OMB and OPM to jointly develop a Federal work force planning policy and designate a uniform framework of preferred methods and procedures agencies should follow. The policy and procedures should then be tested in several agencies.

At the request of the House Committees on Government Operations and Post Office and Civil Service, we are preparing detailed comments on the bill's specific provisions. If the above items as well as our other comments on the bill were incorporated, the work force planning portion of the bill could be enacted separately.

END-OF-YEAR PERSONNEL CEILINGS:
QUESTIONABLE VALUE AND NEGATIVE IMPACT

We and other Federal groups have examined the Congress' and executive branch's use of personnel ceilings and have questioned the ceilings' value as a staffing control device and their adverse effect on the performance and distribution of the Federal workload. Personnel ceilings are established from the Administration's perspective of what constitutes a politically acceptable level of direct Federal employment. Past staffing levels have a major influence on these decisions. These personnel ceilings are not based on detailed analysis of workload and work force requirements and are generally lower than the positions requested by agencies in the budget review process. Furthermore, the use of personnel ceilings reinforces the misconception that containing the staffing level of the direct Federal work force controls the cost of Government. Substantial evidence has been provided to support the elimination ceilings. We believe that sound work force requirements estimates and the budget process can provide the needed control over the direct Federal work force and give management the flexibility to make more efficient and effective staffing decisions.

In a June 2, 1977, report entitled "Personnel Ceilings--A Barrier to Effective Manpower Management" (FPCD-76-88), we stated that, while end-of-year personnel ceilings may be considered a management control, they are a poor substitute for sound work force management. Many agency officials informed us that they were dissatisfied with this type of control mechanism which provided little incentive for improving the level of work force management.

In addition, the report stated that ceilings have a direct adverse effect on Federal agencies in several ways, including

- reduced services to the public as well as to other agencies;
- increased work backlogs resulting from work being deferred, and in some instances work being canceled;

- staffing imbalances between clerical and professional personnel and shortages in certain skills;
- increased use of overtime to accomplish or complete work;
- increased use of contract services and grants to State and local governments to accomplish the work; and
- preoccupation of managers with the designated ceiling figure on the last day of the fiscal year.

We concluded that a practical and effective alternative to end-of-year ceilings existed in the budget process. The problem opponents had with this alternative was the lack of confidence in the soundness of agencies' work force estimates and in their ability to adhere to them. We reported, however, that with proper guidance from OMB, sound estimates of minimum work force requirements could be achieved. We felt that, with budget review each year, proper monitoring of an agency's work force would be achieved and agency management would have the flexibility to efficiently manage within designated funding limitations.

We recommended that the Director, OMB:

- Establish a task force to develop criteria and plans for a controlled demonstration project to test the feasibility and general applicability of the budget process as a control over work force resources.
- Consult and coordinate closely with congressional committees to gain their support for the project.

The Director, OMB, responded to our report by reiterating the OMB position that:

"* * * employment ceilings exist to constrain increases, primarily because of the proper concern of the President, many members of Congress, and the public in the number of employees on the Federal payroll, regardless of any other considerations. Without ceilings, there would be no effective control over these numbers, as employment probably would increase at a faster pace than is now the case * * *."

Although the Director took this position, he proposed to establish a task force to develop criteria for conducting a test to determine the feasibility of controlling Federal employment by means other than personnel ceilings. However, on March 24, 1977, the new Director, OMB, responded to the report advising that such a task force or test was not in his plans for the immediate future.

Additional information about personnel ceilings is in appendix III.

FTE PERSONNEL CEILING SYSTEM

In 1977, under Presidential direction, OMB and the Civil Service Commission, now OPM, developed and started testing the FTE work-year personnel ceiling system in several agencies. The FTE concept has been tested at 10 departments and agencies. The FTE system is intended to replace agencies' end-of-year personnel ceilings with employment ceilings based on the number of work years required to achieve agencies' missions and objectives. Instead of agencies having to meet an end-of-year count as the current ceiling system requires, the FTE system generally requires that agencies deduct actual work-years expended during the course of the year from their FTE work-year ceilings. This results in agencies having a "bank account" of work-years that they draw from during the year.

The FTE system's objectives are to encourage an increase in part-time employment opportunities and overcome criticisms associated with end-of-year ceilings. OMB and OPM officials believe the new FTE system will encourage the development and use of workload measurement systems. These systems can be related to work-year usage data which the FTE system generates to assess staffing requirements, performance, and productivity.

Evaluation reports submitted to OPM by the agencies testing the FTE system and discussions with agency representatives revealed increases in part-time permanent employment and decreases in end-of-year personnel actions to modify staffing levels. In addition, while test agencies raised various administrative and technical concerns, the prevailing attitude toward the FTE system was positive. The new Administration plans to implement the FTE system in all executive branch agencies in fiscal year 1982 although some recent developments could delay its implementation. (See p. 19 of app. III.)

We believe the FTE system can achieve its primary objectives, but we are concerned with its value as a direct work force control mechanism. If the FTE ceilings were supported by sound analysis that related the ceiling levels to the Federal workload, the ceilings could provide a credible basis for monitoring and adjusting staff levels of Federal agencies. However, the FTE limitations are not established that differently from the end-of-year system ceiling which we and others have criticized in the past, (FTE ceilings are based on what the administration considers to be politically acceptable personnel levels rather than levels established by sound analysis based on workload.)

The value of the data generated by the FTE personnel ceiling system is an improvement over the end-of-year body count ceiling

system. Monitoring and recording the expense of work hours and years by program or work area, which the system requires, can be beneficial for agency management. The actual expenditure of work hours compared to the workload accomplished and work force requirements data can help management assess staffing requirements, performance, and productivity. We believe, however, that progress toward achieving this level of analysis will be slow due to personnel ceilings. We expect for the near future that the primary concern of managers will be to accommodate FTE reporting requirements and stay within the projected use of their work-year ceiling. In this regard, we believe the FTE system should be used to collect and analyze work-year usage data and costs and to associate this data with workload data. (See app. III.)

CURRENT BUDGET DOES NOT IDENTIFY
ALL WORK FORCE COSTS 1/

The current budget process and related documents do not give the Congress data in the form needed to make informed decisions about the size and composition of the total Federal work force. The means to control the size of the federally funded work force-- personnel ceilings, hiring and promotion freezes, and grade controls--are affecting only the direct Federal work force which in fiscal year 1980 (according to Treasury Department reports) cost \$111.2 billion consisting of \$58.1 billion for defense and \$53.1 billion for civilian activities. (See app. VI.) In contrast, the control of the Government's indirect or contracted work force, which we estimate costs \$72.6 billion in fiscal year 1980, is extremely limited. This cost is not clearly identified in the budget object classifications and documents, and we computed it by defining the indirect work cost as the cost of service contracts to the private sector and by using Treasury Department reports to calculate the costs. (See app. IV.) The budget process and documentation do not clearly show the nature of the contracted work forces or the funds expended for the numerous services obtained. Only major aggregations of budgeted costs are identified. These provide little information to make informed resource decisions.

To better identify, manage, and control its total work force costs, the Government could use several alternatives to its present controls. These alternatives include

- revising the object class structure and budget justification documents to give a clearer, more detailed breakdown of direct and indirect work force costs,

1/Costs, as used in this report, are strictly limited to obligations.

- revising the budget classification system to coincide with goals, missions, and program objectives established in authorizing legislation,
- improving existing data systems, particularly the personnel cost data system operated by OPM and the Federal Procurement Data System administered by GSA,
- developing a totally new system for accumulating and recording costs on both the direct and indirect work force, and
- establishing a work force budget which segregates work force data and costs from other elements of the budget.

In a March 30, 1981, letter to the Chairman, House Budget Committee (PAD-81-69), we provided information on potential cost reductions or collections through improved administrative practices. One of the items we addressed was the need for the Congress and the President to improve their control of the cost of the total work force through the budget process instead of the piecemeal approaches of personnel ceilings, hiring freezes, and limitations on consultants and travel.

We reported that, whether by administrative action with congressional approval or by legislation, any change to the budget procedures should permit control of total work force costs and should also give program managers flexibility to use the type of mix of personnel services that can best carry out their missions. To identify total work force costs, we favor revising the present object classes in the budget presentations. This would take several years to fully implement and would involve:

- Adding several object class categories to identify direct and indirect work force costs.
- Revising OMB and agency budget procedures, budget justification forms, and systems to accommodate the change to the object class structure.
- Adding to the executive and congressional budget decision-making, the consideration of dollar limitations on total work force costs through appropriation acts.

A more detailed discussion on the current budget process and the alternatives for identifying total work force costs is in appendix IV.

CONCLUSIONS

The work force planning, personnel ceiling, and budgetary identification of indirect work force costs issues discussed in

this report are complex and interrelated. Our December 1980 recommendations that OMB and OPM jointly develop work force planning policies and procedures and test them in several agencies was based on the view that without strong leadership and advocacy, improvement in Federal work force planning would not be significant. We continue to hold this view. If enacted, the work force planning provisions of the Government Cost Reduction Act, with modification, could provide the incentive for improved Federal agency work force planning.

We continue to oppose the use of arbitrary end-of-year ceilings. The FTE ceiling system also has disadvantages. However, it has the potential to improve Federal agencies' work force planning if the work-year ceiling levels are established on the basis of agencies' workload rather than arbitrary levels which the administration considers politically acceptable.

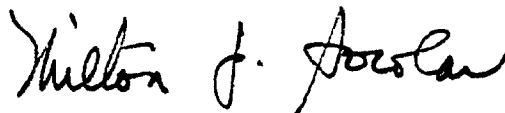
We also believe a clearer picture of Federal agencies' total work force costs could be provided to the Congress through the budget process by revising the present object classes to show a more detailed breakout of indirect work force costs. This improved visibility would give the Congress a better means to evaluate past performance, assess current mix decisions (in-house or contract), and establish dollar limitations on total work force costs, rather than the piecemeal approach used now--personnel ceilings, hiring freezes, limits on consultants, and other special categories.

- - - -

At your request, we have not obtained official comments on this report. We plan no further distribution of this report until 30 days after the report is issued to you. At that time, we will distribute it to other congressional committees that have interest and responsibilities in these areas, as well as to all Federal departments and agencies.

We will be available to discuss this report with you at any time.

Sincerely yours,



Acting Comptroller General
of the United States

Enclosures

LISTING OF APPENDIXES

			<u>Page</u>
APPENDIX	I	Listing of GAO reports addressing aspects of work force planning, including the use of the indirect work force	3
APPENDIX	II	Need for emphasis on Federal work force planning	9
APPENDIX	III	Use of personnel ceilings to control the direct Federal work force	12
APPENDIX	IV	Current budget process and alternatives to the present budget controls	23
APPENDIX	V	Present budget object class definitions: contractual services	25
APPENDIX	VI	Direct and indirect work force costs fiscal year 1980	37
APPENDIX	VII	A listing of present and alternative object class codes and titles	38
APPENDIX	VIII	Listing of contract service categories used on the Federal Procurement Data System	39
APPENDIX	IX	February 5, 1981, letter from the Chairwoman, Subcommittee on Human Resources, House Post Office and Civil Service Committee	45
APPENDIX	X	September 17, 1980, letter from the Chairman, Subcommittee on Human Resources, House Post Office and Civil Service Committee	46

LISTING OF GAO REPORTS ADDRESSING ASPECTS OF
WORK FORCE PLANNING, INCLUDING THE USE OF
THE INDIRECT WORK FORCE

The following reports address to varying degrees aspects of what GAO considers Federal work force planning which includes mix decisions involving the indirect or contracted work force. The listing may not identify all our reports addressing these topics, but it does provide a cross section of the type of reporting we have done since 1975.

1975 REPORTS

- "Substantial Staff and Cost Reductions Possible at Military Telecommunications Centers Through Use of Uniform Staffing Standards" (LCD-74-120, Jan. 7, 1975)
- "Development of Field Grade Officer Requirements by the Military Services" (FPCD-75-137, Mar. 25, 1975)
- "Navy Aircraft Overhaul Depots Could Be More Productive" (LCD-75-432, Dec. 28, 1975)
- "Inquiry Into Contracting Out of Services and Manpower Reductions-In-Force at Picatinny Arsenal, New Jersey" (FPCD-75-127, Jan. 7, 1975)
- "The Military Commissary Store: Its Justification and Role in Today's Military Environment" (FPCD-75-88, May 21, 1975)
- "Savings Available by Contracting for Supply Support Services at the Eastern Test Range" (FPCD-76-5, Aug. 18, 1975)
- "Office of Education Contracts with Consultants, Experts, and Consulting Organizations" (MWD-76-11, Aug. 28, 1975)
- "Disposition of the Functions of 375 Employee Positions Eliminated in a Reduction-In-Force at Picatinny Arsenal" (FPCD-76-11, Sept. 9, 1975)
- "Reduction of Civilian Personnel at New London, Connecticut, Naval Installations" (FPCD-76-22, Nov. 4, 1975)
- "Use of Consultant Services and Related Procurement Activities" (OSP-75-8, Jan. 17, 1975)

1976 REPORTS

- "Suggested Improvements in Staffing and Organization of Management Headquarters in the Department of Defense (FPCD-76-35, Apr. 20, 1976)
- "Major Cost Savings Can Be Achieved by Increasing Productivity in Real Property Management" (LCD-76-320, Aug 19, 1976)
- "Improvements Needed in Defense's Efforts to Use Work Measurement" (LCD-76-401, Aug. 31, 1976)
- "Need for Improved Headquarters Personnel Accounting--Navy Pacific Fleet" (FPCD-76-93, Nov. 17, 1976)
- "The Air Force Should Use Both Contract and In-House Services for Maintaining Military Family Housing at Dover Air Force Base" (FPCD-76-34, Jan. 20, 1976)
- "Inquiry into Replacement of Department of Defense Research Employees with Contract Personnel at Point Mugu, California" (FPCD-76-52, Apr. 7, 1976)
- "Management of the Program for Maintaining Construction Equipment in the Army" (LCD-76-446, June 3, 1976)
- "Use of Government versus Commercial Facilities for Storing Military Personnel Household Goods" (LCD-76-245 through LCD-76-249, Oct. 6, 1976)
- "Comparing Costs of Marking Airfields: Air Force versus Contractor" (LCD-76-354, Oct. 8, 1976)
- "Should Aircraft Depot Maintenance Be In-House or Contracted: Controls and Revised Criteria Needed" (FPCD-76-49, Oct 20, 1976)
- "Action of OMB Designed to Expand the Amount of Contracting Out of Functions Now Performed In-House by Civil Service Employees" (PAD-77-6, Nov. 5, 1976)
- "Alternatives in Controlling Department of Defense Manpower Costs" (PAD-77-8, Nov. 12, 1976)
- "Improvements and New Legislation Needed in Aid's Contracting for Consultants and Advisors" (ID-76-82, Dec. 27, 1976)

1977 REPORTS

- "Changes in Navy Ship Overhaul Practices Could Improve Fleet Capability and Crew Effectiveness" (FPCD-77-76, Apr. 8, 1977)

- "Determining Requirements for Aircraft Maintenance Personnel Could Be Improved--Peacetime and Wartime" (LCD-77-421, May 20, 1977)
- "Personnel Ceilings--A Barrier to Effective Manpower Management (FPCD-76-88, June 2, 1977)
- "Government Printing Office Production and Management Control--Improvement Opportunities" (FPCD-77-410, June 4, 1977)
- "The Work Measurement System of the Department of Housing and Urban Development has Potential But Needs Further Work To Increase Its Reliability" (FPCD-77-53, June 15, 1977)
- "Department of Housing and Urban Development Could Be Streamlined" (FPCD-77-56, June 16, 1977)
- "Standardized Federal Regions: Little Effect on Agency Management of Personnel" (FPCD-77-39, Aug 17, 1977)
- "Development and Use of Military Services Staffing Standards: More Direction, Emphasis and Consistency Needed" (FPCD-77-72 Oct. 18, 1977)
- "Mail Processing Productivity Measurement System is Inadequate" (GGD-77-83, Oct 27, 1977)
- "How to Improve Procedures for Deciding Between Contractor and In-House Military Base Support Services" (LCD-76-347, Mar. 28, 1977)
- "Plan to Contract for Cargo Handling Being Done by Government Employees" (LCD-77-318, Apr. 25, 1977)
- "Review of Navy Contracting Procedures and Decision to Overhaul Ship Equipment Using Contractor Rather than Naval Shipyard Employees" (PSAD-77-149 and PSAD-77-150, Aug. 11, 1977)
- "Competition for Negotiated Government Procurement Can and Should Be Improved" (PSAD-77-152, Sept. 15, 1977)
- "Government Consultants" Standard Definition and Uniform Data Needed" (FPCD-78-5, Nov. 29, 1977)

1978 REPORTS

- "Uniform Accounting and Workload Measurement Systems Needed For Department of Defense Medical Facilities" (FPCD-77-8, Jan. 17, 1978)
- "Personnel Restrictions and Cutbacks in Executive Agencies: Need for Caution" (FPCD-77-85, Feb. 9, 1978)

- "U.S. Army in Europe's Work Measurement Systems for Real Property Maintenance" (LCD-78-312, Feb. 16, 1978)
- "Management and Use of Army Enlisted Personnel--What Needs to be Done?" (FPCD-78-6, Feb. 16, 1978)
- "Estimates of Federal Employees Available for Work Distort Work Force Requirements" (FPCD-78-21, Mar. 6, 1978)
- "Achieving Needed Organizational Change: A Customs Service Dilemma" (FPCD-78-29, Mar. 30 1978)
- "Naval Shipyards--Better Definition of Mobilization Requirements and Improved Peacetime Operations Are Needed?" (LCD-77-450, Mar. 31, 1978)
- "Department of Housing and Urban Development Reorganization Plan, Some Accomplishment But More Needed (FPCD-78-33, Apr. 10, 1978)
- "Quality of Government-wide Classification and Position Management Practices" (FPCD-78-41, Apr. 26, 1978)
- "Defense Use of Military Personnel In Industrial Facilities--Largely Unnecessary and Very Expensive (FPCD-79-10, May 1, 1978)
- "Improved Productivity in Real Property Maintenance Would Save Money for Certain Agencies" (LCD-77-343, May 2, 1978)
- "Improving Federal Agency Efficiency Through the Use of Productivity Data in the Budget Process" (FGMSD-78-33, May 10, 1978)
- "Establishment of Interagency Pools of Clerical Personnel to Meet Short Term Needs of Federal Agencies for Clerical Help" (FPCD-78-62, July 13, 1978)
- "OMB Needs to Intensify Its Work Measurement Effort" (FPCD-78-63, July 24, 1978)
- "Continuous Management Attention Needed for Army to Improve Combat Unit Personnel Requirements" (FPCD-78-61, Sept. 5, 1978)
- "Army Can Improve Peacetime Use of Deployable Enlisted Personnel (FPCD-78-66, Sept. 7, 1978)
- "Using Civilian Personnel For Military Administrative and Support Positions--Can More Been Done? (FPCD-78-69, Sept. 26, 1978)
- "Federal Agencies Should Use Good Measures' of Performance to Hold Managers Accountable" (FPCD-78-26, Nov. 22, 1978)

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

"Contracting Out Base Support Services at Fort Gordon" (LCD-78-320, July 27, 1978)

"Shifting the Government's Automatic Data Processing Requirements to the Private Sector: Further Study and Better Guidance Needed" (FGMSD-78-22, Apr. 11, 1978)

1979 REPORTS

"DOD Total Force Management--Fact or Rhetoric?" (FPCD-78-82, Jan 24, 1979)

"The District of Columbia Government Should Determine Its Work Force Needs" (FPCD-79-21, Apr. 4, 1979)

"Improvements Needed in Army's Determination of Manpower Requirements for Support and Administration Functions" (FPCD-79-32, May 21, 1979)

"Inadequate Methods Used to Account for Personnel in DOD's Transportation Function" (FPCD-79-38, May 25, 1979)

"The Air Force Can Reduce Its Stated Requirements for Strategic Airlift Crews" (LCD-79-411, Sept. 19, 1979)

"Lack of Control and Feedback Hinders Army Manpower Management Improvements" (FPCD-80-9, Oct. 31, 1979)

"Estimated Personnel Needs of the Agricultural Stabilization and Conservation Service--Are They Reliable?" (FPCD-80-5, Nov. 26, 1979)

"Contracting Out Base Operating Support Functions at the Navy's Pacific Missile Test Center, Point Mugu, Calif." (PSAD-80-19, Dec. 11, 1979)

"Allegations of Contractor Malperformance and Improper Contracting Out of Work by GSA Employees in the Baltimore, Md. Area." (PSAD-79-30, Feb. 14, 1979)

1980 REPORTS

"Handbook for Government Work Force Requirements. . . a Guide and Checklist For Forecasting How Many Workers Government Agencies Need" (FPCD-80-36, Jan. 28, 1980)

"The Navy's Shore Requirements, Standards, and Manpower Planning System (Shorstamps)--Does The Navy Really Want It?" (FPCD-80-29, Feb. 7, 1980)

- "Improving the Productivity of Federal Payment Centers Could Save Millions" (FGMSD-80-13, Feb. 12, 1980)
- "Opportunities for Streamlining Federal Field Structures--An Issue Needing Top Management Attention and Support" (FPCD-80-4, Aug. 5, 1980)
- "Federal Work Force Planning: Time for Renewed Emphasis" (FPCD-81-4, Dec. 30, 1980)
- "Better Use Can Be Made of Federal Professional Staff" (FPCD-81-14, Dec. 31, 1980)
- "Controls Over Consulting Service Contracts at Federal Agencies Need Tightening" (PSAD-80-35, Mar. 20, 1980)
- "Government Earn Low Marks on Proper Use of Consultants" (FPCD-80-48, June 5, 1980)

1981 REPORTS

- "Controls Over DOD's Management Support Service Contracts Need Strengthening" (MASAD-81-9, Mar. 31, 1980)
- "Factors Influencing DOD Decisions to Convert Activities From In-House to Contractor Performance (PLRD-81-19, Apr. 22, 1981)
- "Civil Servants and Contract Employees: Who Should Do What For the Federal Government?" (FPCD-81-43, June 19, 1981)

NEED FOR EMPHASIS ON
FEDERAL WORK FORCE PLANNING

PERSPECTIVE

There is growing concern that the direct Federal work force be no larger than necessary to effectively and economically accomplish the programs and deliver the services authorized and funded by the Congress. It is important that the size of this work force be credibly determined by appropriate procedures and techniques. Likewise, it is important that the costs associated with the indirect or hidden Federal work force be properly monitored and objectively controlled.

While the cost of the total Federal work force is difficult to precisely estimate, gross obligations for fiscal year 1980 totaled about \$183.8 billion. Federal departments and agencies employed a direct civilian work force of about 2.8 million, and an active military work force of about 2.1 million, costing \$111.2 billion. The costs of the indirect work force was \$72.6 billion.

With a total federally funded work force of this size and cost, attention should be given to the work force planning procedures in Federal departments and agencies to determine their work force needs. Appropriate procedures should be followed to assure the Administration and the Congress that the size of the direct Federal work force and the costs associated with the indirect work force are appropriate for the workload generated by Federal programs and services. Without appropriate assurance on this relationship and associated costs, the effectiveness, efficiency, economy, or the opportunity for productivity improvement in the delivery of Federal programs and services will be hampered.

PROBLEMS DEVELOPING AND
USING WORK FORCE PLANNING
PROCEDURES AND TECHNIQUES

Over the past several years we have issued many reports on agencies' problems with various aspects of work force planning. (See app. I.) The activities associated with work force planning range from identifying and organizing the work of an organization, to determining work force requirements and the projection of staffing needs. The major problems that have been identified include:

- Limited leadership and emphasis from OMB and OPM on developing a sound work force planning capability, including the absence of a comprehensive policy and standards for agencies to follow, the need to clarify the definition, scope, and components of a total work force planning system; and the sequence and cycle of planning tasks.

- Reluctance of agency management to devote time and resources to develop useful work force planning because of the limited emphasis by executive branch leadership and the limited impact it is presumed to have on budget submissions.
- Limited progress in developing and using work measurement and forecasting systems which are essential to developing work force requirements. Top management has not provided adequate guidance or shown a commitment to establish this capability.
- Slow or limited progress in developing and maintaining adequate staffing criteria to use in conjunction with workload data to project work force requirements.
- Limited integration and interaction between management systems and groups for effective communication and use of information in work force planning decisions.

In-house or contract?

A major work force mix decision

An important and controversial decision point in the work force planning process is the distribution of the Federal workload between the direct and the indirect work force, including consultants. Our reports on this subject have identified a number of common and fundamental management problems, including:

- Inadequate agency management systems for sound workload distribution and work force mix decisions, poor decision-making processes, improper delegation of responsibilities, limited management emphasis and direction, incomplete accounting and budgeting systems and other data bases, and limited oversight of mix decision processes.
- The need to clarify the Federal Government's contracting policy in relation to other Federal considerations, including the best interests of the Government, agencies' flexibility to control their workload, the governmental nature of functions, and the role of the Federal Government as an employer. Other Federal policies, such as the use of personnel constraints on the direct Federal work force, labor management relations policies, and small business policies also influence the decision of whether or not to contract out.
- Problems associated with the development and use of cost data to aid in the mix decision process. Inaccurate, incomplete, and questionable data and procedures used by agencies have not properly served decisionmakers.

Our reports on consultants have identified problems associated with the

- use of consultants to perform work that is essentially governmental in nature and should be performed by direct Federal employees;
- interpretation and application of the Federal contracting out policy in OMB Circular A-76 (Revised), "Policies for Acquiring Commercial or Industrial Products and Services Needed by the Government," dated March 29, 1979, and Circular A-120, "Guidelines for the Use of Consulting Services," dated April 14, 1980;
- departments and agencies' failure to maintain adequate information on the number, type, and cost of consulting service contracts;
- duplication and questionable need for work performed by consultants.

USE OF PERSONNEL CEILINGS TO CONTROLTHE DIRECT FEDERAL WORK FORCE

Since the 1940s, the executive branch has limited the number of direct Federal employees by imposing personnel ceilings on its departments and agencies. Initially, the executive branch used an end-of-year ceiling system which allowed departments and agencies certain flexibility to adjust the number of Federal employees throughout the fiscal year as long as they did not exceed their ceiling staffing levels on the last day of the fiscal year. We and others criticized this system. As a result, in 1977 the Carter Administration initiated the full-time equivalent (FTE) ceiling system that was intended to overcome many of the problems associated with the end-of-year system and have beneficial effects. The FTE ceiling system is scheduled to be adopted Government-wide beginning in fiscal year 1982 although recent developments could delay its implementation. (See p. 19 of app. III.) While the FTE system is an improvement over the end-of-year system, we believe that imposition of any type of personnel ceiling is not necessary because funding limitations are a sufficient control.

The use of personnel ceilings also reinforces the misconception held by many in Government and in the general public that containing the staffing level of the direct Federal work force controls the cost of Government. While personnel ceilings limit the size of the direct Federal work force, they do not limit the size and cost of the indirect work force. The indirect work force cost is significant and should be better identified in the budget process.

We and other Federal groups have examined the use of personnel ceilings by the executive branch and have questioned its value as a staffing control device and its adverse impact on the performance and distribution of the Federal workload. Substantial evidence has been provided to support the elimination of this device. We believe that sound work force requirements and budgetary limitations can provide the necessary control over the Federal work force.

COMPTROLLER GENERAL TESTIMONY
CRITICIZED CEILINGS

During September and October of 1979, the Subcommittee on Human Resources, House Committee on Post Office and Civil Service, held hearings on H.R. 4717, a bill to adjust Federal personnel ceilings on the basis that Federal functions are contracted out and to clarify Government policy on the relationship between contracting out, personnel ceilings, and yearend spending.

On September 11, 1979, the Comptroller General testified before the Subcommittee and conveyed views based in part on

GAO's 1977 report on personnel ceilings. ("Personnel Ceilings-- A Barrier to Effective Manpower Management," FPCD-76-88, June 2, 1977). Central to the issue of personnel ceilings and work force planning, the Comptroller General stated:

"Emphasis on limiting the number of persons on the Federal payroll may obscure the reality that the Government incurs the cost of all manpower resources devoted to Federal programs even though many of the people are not on the Federal payroll."

The Comptroller General went on to state that, while the use of personnel ceilings may contain the number of direct Federal employees, the device is an inferior substitute for, as well as a barrier to, effective work force management. He stated that funding limitations can be an effective means of control because an agency can neither hire workers nor contract out unless it has the funds. He added that controls imposed by personnel ceilings deprive agency management of options for accomplishing their work and in selecting the most appropriate work force for particular situations.

With more specific attention to an appropriate alternative to personnel ceilings, the Comptroller General stated,

"The basic framework for a practical and effective alternative to year end personnel ceilings already exists in the budget process. What is lacking is confidence in the soundness of agencies estimates and in agency managers' willingness to adhere to their estimates. If the object is to limit personnel costs, one way would be to limit the funds authorized for such costs. This could be done without very much difficulty."

"With OMB's direction, the agencies could develop methods for preparing sound estimates of the minimum manpower requirements needed to accomplish all types of authorized programs and activities. The agencies should fully document the processes and data used and make this information available to OMB and concerned congressional committees for evaluation."

"Since the budget process takes place every year and budget examiners and congressional committees and subcommittees monitor agency activities during the year, agency managers would be obliged to develop realistic estimates and avoid deviating substantially from them without approval."

FEDERAL PERSONNEL MANAGEMENT PROJECT
ADDRESSED PERSONNEL CEILINGS

In 1977, President Carter established the Federal Personnel Management Project to identify problem areas in personnel management. The project report, issued December 1977, criticized the use of personnel ceilings, offered several options and alternatives to address identified problem areas, and reinforced the findings and conclusions of our 1977 report. The project report noted that:

"Position ceilings hinder effective work force management. Position ceilings generally are not directly associated with mission accomplishment and authorized funding, but are arbitrary numbers to be reached only on the final day of the fiscal year. In order to accomplish essential, funded work and still remain within the position ceilings, managers are often forced to contract work out, use excessive overtime, hire temporary employees, and hire small numbers of professional employees to do work that could better be done by a larger number of clerks and technicians--even when such practices are counter-productive. Moreover, ceilings do not control actual costs, since they do not control costs of contracting out, overtime pay, or hiring (and subsequently releasing) temporary employees
* * *"

"* * * Almost everyone who commented on these controls favored their elimination. A slight increase in Federal employment may follow the elimination of these controls, but total current costs will remain the same since budgetary limits will remain in effect."

After considering various options and alternatives, the project recommended eliminating centrally mandated personnel ceilings in those agencies which have adequate accounting and other management systems.

CONGRESSIONAL RESEARCH SERVICE
EXAMINED RELATIONSHIP BETWEEN
PERSONNEL CEILINGS AND CONTRACTING OUT

On August 5, 1980, the Congressional Research Service (CRS) issued a report on personnel ceilings and their relationship to contracting out to accomplish part of the Federal workload. The report noted that, while Federal agencies are prohibited by Federal policy from contracting out to circumvent personnel ceilings, violations occur and may be widespread in executive branch agencies.

The following excerpts from the report conclusions reflect the significance of this relationship:

"* * * Although Federal employees have responsibility for the expenditure of enlarging agency budgets, they personally receive a lower proportion of taxpayer funds and have decreasing control over Federal operations. Personnel ceilings undoubtedly have contributed to the reduction in Federal employment that has occurred both absolutely and relative to overall expenditures, but may not have produced economy in Government as was originally contemplated.
* * *"

"* * * What becomes most apparent in studying the relationship between personnel ceilings and contracting out is the the lack of coordination between these two major areas of Government personnel policy. Part of the reason for the lack of coordination may be that contracting generally is perceived as the procurement of goods and services rather than personnel, even when vast numbers of private sector employees funded by the Government are involved.
* * * In essence the Government maintains two systems of employment, operating side by side, with no official coordination between them. The contract system, whose size and personnel costs to the Government are unknown, is presumed the larger.
* * *"

"* * * Additional legislation may be needed to obtain statistical information on the overall extent of private sector employment through Federal contracts and to ascertain the costs and benefits of direct versus indirect systems of Government employment. Since the growth of indirect employment through contracts may be indicative of inadequacies in the Federal personnel system, comparative studies of direct and indirect systems of employment might be especially useful. Increased and continuing congressional oversight to enforce the contracting policies set forth in OMB Circulars A-76 and A-120 might also mitigate the abuses identified in recent investigations. * * *"

"* * * The present inconsistencies in the Government's management of Federal versus contract employees may require the development of a new, comprehensive personnel system accounting for both types of personnel.* * * If certain personnel records and employment standards are necessary for Federal employees,

many of the same requirements should exist for others paid from taxpayer funds, even if technically they are privately employed. * * *

"* * * The existence of even some personnel ceilings which do not achieve Government economy, some contracts which are not cost-effective, and certain taxpayer-funded public and private employees who do not serve the public interest may indicate a need for more serious reform of the Government's management of its human resources than has previously been contemplated. * * *"

PRIVATE SECTOR PERSPECTIVES
ON CONTROLLING STAFF LEVELS
OF ORGANIZATIONS

Through limited telephone inquiries with representatives of four major corporations and two industry associations, we obtained some informal views on using personnel constraints, such as personnel ceilings, to limit organizations' staff levels. These views were generally reflective of their organizations attitudes on this issue.

Representatives held the view that it is difficult to compare public and private sector personnel practices but that human resource needs of an organization must be related to its workload. In profit making-private enterprises, the profitability of particular workloads or product lines determines the level of resources committed to it. Staffing levels committed to the various activities of an organization are carefully determined through appropriate procedures, and the primary limitations are in the budgeted dollars for the activity. If resources are available, staff requirements are accommodated to the fullest extent possible. Specific limitations on staffing levels are not generally used.

These representatives also expressed the view that, given the size of the Government's work force, the use of personnel limitations may very well be a necessary control mechanism even though budgeted dollars should, in theory, serve as the primary control.

FTE PERSONNEL CEILING SYSTEM

In fiscal year 1982, the Administration plans to replace the end-of-year personnel ceilings with the FTE system. It will be based on the control of work years available to an agency for a fiscal year. The system's objectives are to encourage greater use of part-time employees and overcome criticisms associated with the end-of-year ceiling system. The FTE system is more flexible than the end-of-year system, permitting greater use of part-time workers. However, it is a more restrictive system because it

forces agencies to more closely monitor staff usage throughout the fiscal year rather than only on the last day of the fiscal year.

We believe the new system can be of greater value to agency managers than the end-of-year system; however, it remains a system whose primary purpose is to limit staffing of the direct Federal work force to levels determined by the Administration to be politically acceptable, which we oppose. Nevertheless, we believe the FTE system is an improvement and can ultimately contribute to improved work force planning and management.

How the FTE system works

According to FPM Bulletin 340-5, dated August 25, 1980,

"The FTE system is intended to replace the numerical end-of-year personnel ceilings which have been used to control the size of the Federal work force since the 1940's. Under the FTE concept, each agency is assigned 2 employment ceilings based on the number of work years required to achieve agency missions and objectives. One ceiling is based on the maximum cumulative number of hours that can be worked during the year by full-time permanent (ftp) employees; the other is based on the maximum cumulative number of hours that can be worked by all employees subject to ceiling. Each hour worked in the agency during the course of the year (with the exception of overtime and certain ceiling exempt work) is deducted from one of these bank accounts.

As in the case of end-of-year ceilings, requests for revisions to ftp and total employment ceilings will normally be considered by OMB during the review of agency budget submissions for the following fiscal year. * * * requests for revisions may be submitted at other times. However, such requests will be considered only when congressional action or other developments subsequent to the establishment of the ceiling clearly requires a change in the number of work years assigned."

Although there are distinctions between the FTE and the end-of-year system in the unit of measure and extent of control, the processes by which OMB imposed FTE ceilings on Federal agencies is the same. In brief, the process for determining the FTE ceilings works as follows:

--During the budget development process, OMB reviews the budget submissions of Federal departments and agencies,

including estimates of their direct personnel resources in terms of the number of work years they need to accomplish their program and service responsibility. After negotiation with OMB, each agency's budget request, including personnel resources, is finalized for inclusion in the President's budget which is transmitted to the Congress.

- The Congress reviews the President's budget and begins the authorization and appropriation process. Part of this process involves the authorization of requested personnel resources and the appropriation of funds to pay salaries and benefits.
- Agencies, in negotiation with OMB, project their expected use of their ceiling work hours by month, for the fiscal year. Sometimes, depending on the agency and the OMB budget examiner, informal monthly or program limitations may also be established. Agencies then report their expense of work hours on a monthly basis thereby keeping track of their balances and making necessary adjustments to their use of staff time so that they do not exceed their work-hour ceilings.

Development and testing of the FTE system

In September 1977, the Administration instructed OMB and the Civil Service Commission, now OPM, to develop and test an improved personnel ceiling system. During the subsequent period, the FTE system was developed and five agencies were selected to test it in fiscal years 1979 and 1980. The objectives of the system were to

- break down artificial barriers to the employment of permanent part-time workers, and
- improve personnel management by overcoming some of the criticisms directed at the existing end-of-year ceiling system, while limiting the growth of the Federal work force to appropriate activities.

The five agencies selected for the test were the Environmental Protection Agency (EPA), the Export-Import Bank of the United States, the Federal Trade Commission (FTC), GSA and the Veterans Administration (VA). No specific criteria were established for selecting agencies other than OMB's presumption that these agencies could implement the new system with minimum difficulty. Four of the five agencies had integrated personnel and payroll systems that would, with limited adjustment, accommodate the FTE reporting requirements. Each of the agencies took the necessary steps to implement the test in fiscal year 1979.

In April 1979, after each agency had several months of experience with the new system, OPM initiated a preliminary assessment to determine its effect on part-time employment and reporting requirements. On July 20, 1979, OPM reported to OMB that the agencies had an overall positive reaction to the FTE concept during the first 6 months of the test. OPM told OMB that their report was based on interviews conducted with personnel and financial management staff from each test agency and on its analysis of test agency employment levels from October 1978 thru April 1979.

According to OPM, the test agencies acknowledged advantages of the FTE system over the end-of-year system. OPM said that the test agencies recognized the value of collecting data on the utilization of personnel resources and connecting it with financial accounting (i.e., the payroll system) which can be used to assist management in staffing budget formulation. Agency representatives also acknowledged the value of the FTE data to (1) measure the amount of work hours it takes each manager to accomplish his/her work and (2) help provide a truer picture of direct work force needs over the course of the fiscal year.

OPM also stated that part-time permanent employment for the group of five test agencies increased about 14 percent during the first 6 months of fiscal year 1979. The Veterans Administration, the largest civilian agency in the test, with nearly 230,000 employees increased its permanent part-time employment 11 percent. The other test agencies achieved larger increases. EPA increased its part-time permanent employment by nearly 49 percent; GSA by 84 percent; FTC by 164 percent; and the Export-Import Bank by 20 percent.

OPM found that all five test agencies had to modify their reporting systems to report FTE data requirements. The agencies advised OPM that if the FTE system were implemented Government-wide, the leadtime for agencies to make the necessary changes to their data reporting systems would range from a minimum of 6 months for the smaller agencies to 15 months for DOD.

OPM also found problems conveying the system's concept and procedures and noted that management and staff should be trained on the FTE system.

Test agencies evaluate their experience

Between August 1979 and March 1980, the five test agencies submitted written evaluations of their experience under the FTE test program. The findings and perspectives in the evaluation reports were not significantly different from the earlier OPM assessment. While each agency identified administrative and technical concerns, the prevailing attitudes of management officials were positive and accommodating to the new system. Generally, they felt that the work-year system was an improvement

over the end-of-year system as it generated work force usage data that had value to managers beyond meeting monthly reporting requirements of the system. Some of the other comments expressed by these agencies included

- a need for further refinement and clarification of terms and procedures to be used in the system,
- a method to provide agencies with flexibility to exceed their ceiling limitations to accommodate special situations,
- a need to develop an FTE policy and procedures handbook to provide the appropriate degree of guidance for using the system as a work force management tool.
- a need to revise the system so that only one total work-year ceiling would be assigned to an agency to provide it with greater flexibility to mix its direct work force between full-time permanent and other employees.

Interviews with representatives from each of the five test agencies reinforced the information in their evaluation reports to OPM. All representatives believed the FTE system was an improvement over the yearend system. The primary reason expressed was the need to monitor and report on the expense of work hours and work years, which the system requires. As a result of monitoring resource use, agency management can make necessary staffing adjustments over the course of the year, thereby avoiding the potential for excessive personnel actions in the last month of the year which the end-of-year system tended to generate. However, some representatives expressed the view that this type of monitoring could have been done without the FTE system, if management wanted to do so.

At the end of fiscal year 1980, the Administration announced its decision to adopt the FTE system Government-wide in fiscal year 1982. The Administration also decided to expand the FTE test group in fiscal year 1981 to include five cabinet-level departments. These departments were Treasury, Housing and Urban Development, Health and Human Services, Education, and Agriculture.

We interviewed representatives of each of these departments in late November 1980. Their new FTE systems were operating and they were generating their first monthly reports. They said that, while their departments were not experiencing major difficulties adopting the new ceiling system, they were going through a learning experience and would require some time before agency management would be in a position to objectively assess the merits of the system.

Office of Management and Budget
encouraged by FTE test results

The OMB spokesman on personnel ceilings informed us that OMB views the results of the FTE tests very positively and is moving forward with plans to install the FTE system in all executive branch agencies. The official stated that the new administration will place greater emphasis on the FTE system requiring a greater degree of management attention to their use of work force resources and less emphasis on the system as a mechanism for enhancing part-time employment opportunities. OMB expects no major problems for most agencies, other than some reluctance to change.

Overall, the official advised us that OMB's basic position on personnel ceilings has not changed. OMB believes that ceilings are a necessary control mechanism to contain the size of the direct Federal work force to levels considered by each Administration to be politically acceptable. It is the Administration's interpretation that the general public believes the direct Federal work force is too large and should be reduced. In this regard, a staffing limitation in addition to budgeted dollars is considered necessary. The official added that OMB's position is not likely to change, especially with the noted improvements realized by the new FTE ceiling system.

Recent developments affecting
FTE implementation

On March 25 and March 26, 1981, OMB received two congressional inquiries regarding the application of the FTE system in DOD, with special interest in its application in commercial and industrial-type activities. The views expressed were that the FTE system will create difficulties for industrially funded activities, primarily due to their fluctuating workloads. Each requested postponement of the FTE system in DOD until it can be tested in an industrially funded activity.

In response to these inquiries, the Director, OMB, advised that the FTE system will not adversely affect DOD's industrially funded activities and that the FTE system was designed with variable workload situations in mind. He also made it clear that modifications to work-year ceilings can be made when the need is established. Furthermore, the Director, OMB, stated that, because about one-third of DOD's civilian work force was in industrial funded activities, due consideration was given to the work-year ceilings assigned to those activities.

Both the House and Senate Committees on Armed Services have considered DOD authorization bills that contained language that could postpone DOD involvement in the FTE system in fiscal year 1982. Title IX, Section 910, of H.R. 3519, introduced on May 12, 1981, states that no funds appropriated as

a result of the passage of this bill will be used to establish or administer any civilian personnel management system using the "full-time equivalent employee" methodology.

Title IX, Section 911, of S. 815, introduced on March 26, 1981, prohibits DOD from using the work-year ceiling system proposed by OMB and requires that a DOD study be conducted to analyze the potential impact of this kind of system on the civilian work force in DOD.

Administration asks for status
report on movement to the FTE
system in fiscal year 1982

On May 7, 1981, OPM issued FPB Bulletin 298-36, Request for Progress Report on Implementation of Work-Year Ceilings for Fiscal Year 1982. According to the bulletin, it is essential to OMB that agencies be ready to report work-year data beginning October 1981. Progress reports from executive branch agencies are expected by June 5, 1981, and should identify

- efforts to revise agency reporting systems to accommodate FTE requirements;
- efforts to train agency managers in the FTE concept;
- any management problems encountered and how they are being resolved;
- any definitional or coverage aspects not adequately addressed in current reporting instructions; and
- ways OPM and OMB can assist agencies in making the transition to a work-year ceiling.

According to an OPM representative, they have no indication of the type of responses they will be receiving as a result of this request.

CURRENT BUDGET PROCESS AND ALTERNATIVESTO THE PRESENT BUDGET CONTROLSCURRENT BUDGET IDENTIFIES DIRECT
FEDERAL WORK FORCE COSTS

The costs of the direct Federal work force are identified in considerable detail in the budget information submitted to OMB and the Congress. For fiscal year 1980 a total of \$111.2 billion was obligated for salaries and expenses for this work force, including \$58.1 billion for defense and \$53.1 billion for civilian activities. The budget documents identified these costs through object class categories by program or activity. In addition, a special analysis of civilian employment in the executive branch is also provided.

INDIRECT WORK FORCE NOT CLEARLY
IDENTIFIED IN THE BUDGET PROCESS

The costs of the private sector indirect work force are not clearly identified in the budget process. So in order for us to identify the costs of the indirect work force, we had to establish a definition. In the broadest context, the cost of the indirect Federal work force is all contract labor and management costs associated with Federal purchases of goods and services. However, we believe this definition is too broad. A narrower, more meaningful definition would include only service contracts that are analagous to the direct Federal work force which is primarily service oriented. Service contracts cover a wide variety of functions necessary to support Government operations. The services include contracts to private firms for transportation, communications, rent, utilities, printing, reproduction, automatic data processing, training, maintenance, repairs, quality control, testing, housekeeping, and various studies. We recognize that service contracts include items other than labor costs, such as supplies, materials, and equipment. However, the main objective of the contract is service oriented, and all related costs of the contract are counted as service costs. No attempt has been made to allocate the various contract costs. This practice is consistent with OMB and Federal Procurement Data System procedures. Excluded from our definition are the costs of contracts for the purchase of manufactured or industrial goods and the costs of interagency transactions for services, leaving costs of service contracts to the private sector.

Our definition of the indirect Federal work force also excludes the costs of cash grants made to state and local governments which are used to carry out Federal programs. While these costs could be considered as part of the indirect work force, we have excluded them in this study because our focus was on service contracts with the private sector whose costs are not

clearly identified in the budget process. Moreover, unlike the service contract costs, the budget does give more disclosure of the cost of grants to state and local governments in the "Special Analysis of the Budget" a document which lists budget authority and outlays by agency, function, and program. However, grant obligation data by agency, function, and program is aggregated with the costs for subsidies and contributions and, therefore, not easily computed.

Obligations for the indirect work force need separate identification

The present classifications used in budget documents do not provide for identification of costs for the indirect work force as we have defined it. The budget process shows amounts for the various object class categories in appropriation accounts as total cost figures which combine obligations between Government agencies and those made outside the Government.

Under the present object class structure the indirect work force costs are contained in object classes 21-25. (See app. V.) However, under the current budget process, the costs of services performed by the private sector and those performed by other Government agencies are combined. These interagency transactions must be deleted to arrive at the costs of contract service to the private sector. To identify these indirect work force costs we used yearend obligation reports submitted to the Department of the Treasury. These reports provide historical obligation data to the private sector for all budget object class categories, but do not generate the estimated cost for the budget year under consideration by the Congress. For fiscal year 1980, obligations for the indirect work force are shown below. (App. VI provides details by agency.)

<u>Object class</u>	Amount (<u>note a</u>) (billion)
Travel and transportation of persons	\$ 2.6
Transportation of things	4.3
Rent, utilities, and communication	5.1
Printing and reproduction	1.0
Other services	<u>59.6</u>
Total indirect work force obligations	<u>\$72.6</u>

a/ Totals include off-budget agencies, such as the Postal Service.

We do not know how accurate these costs are because agencies could have incorrectly included obligations for procurement of contract services in another object class category, such as procurement of supplies and materials or acquisition of capital assets, or vice versa. However, to the extent that agencies accurately classified their obligations, we believe this is a good indication of the cost of the indirect work force.

The Treasury system contains some erroneous data. (See PAD-81-18, October 23, 1980, Federal Year-End Spending, Symptoms of a Larger Problem). It is, however, the only source for Government-wide obligations made to firms outside the Government that can be used during the budget process as a rough indication of agency spending patterns for indirect as well as direct Federal work force costs.

Contents of the "other services"
object class needs more visibility

Nearly \$60 billion--82 percent of the cost of contract services--in fiscal year 1980 was included in an object class category called "other services." Beyond this vague title, few details are made available in agency budget documents or are available at agency headquarters. Without more detail on what kinds of services are being contracted and their cost, it is difficult to make informed budget decisions concerning their need, level of funding and priority. It is unfortunate that so little information is readily available for this major expenditure.

The probability that such information will be volunteered by agencies does not appear very likely unless required by OMB or the Congress. Some agency officials told us that program managers would prefer not to include details of contract services when not mandatory, since it would allow more opportunities for scrutiny and additional questions about programs and activities. Other officials said that information on contract services would be useful but that it would require a lot of work on the part of agency employees.

Detailed descriptions and cost breakouts of "other services" were not available at headquarters activities we visited because such information is not required by OMB or the Congress. Officials speculated that considerable contract service details would be available at agency regional or other field levels.

Budget justifications need to
address total work force costs

A further problem with the present budget process is that agencies' detailed justifications of their programs or activities

do not address or give prominent visibility to actual and estimated direct and indirect work force requirements. Such information would be useful to the Congress for setting funding limitations on direct Federal and indirect (contract) work force costs and for evaluating past performance.

Our analysis of individual agency costs for Federal and contract services for fiscal year 1980 indicated that several agencies rely more on contracting out their workload than hiring Federal employees to do the work. For example, the Department of Energy spent 93 percent of its total work force costs on nongovernment contracts; National Aeronautical and Space Administration obligated 86 percent for outside contracts; and GSA, 72 percent. (See app. VI).

OMB has no standard format or procedures for agencies' use in their formulation of congressional presentation material that is the detailed support for the agencies' budget requests. Consequently, the substance of this backup material can vary widely. OMB Circular A-11, Preparation and Submission of Budget Estimates, is directed mainly at helping agencies prepare the financial information used in the President's overall budget request each January. On the other hand, extensive justification detail submitted by agencies during congressional hearings is generally not governed by these prescribed procedures.

Detailed justification documents from some agencies attempt to explain the reasons for incremental budget increases, others concentrate on future program objectives rather than past performances, and some present their budget requests in a zero-based budgeting format. In most instances, however, little or no information is included to adequately analyze the request for contract services dollars, especially in the "other services" object class. As a result the Congress cannot appropriately assess requests for these funds or the impact of their resource decisions.

Despite the general lack of information, some agencies do provide limited insight into the types of contract services procured under the "other services" object class. For example, the Department of Memorial Services, Veterans Administration, listed the following other services in its 1982 budget presentation to the Congress:

Maintenance of equipment	\$ 153,000
Maintenance of building and grounds	630,647
Support of field offices	125,000
Graveliners	1,999,469
Miscellaneous services	<u>1,309,073</u>
Total	\$ <u>4,217,189</u>

Although this type of information is not generally provided, it represents a step in the right direction. However, the size of the miscellaneous category in relation to other contract services indicates that additional improvements could be made.

Significant cost and growth
of the indirect work force

The cost of the indirect work force represents a major portion of the Federal budget. This cost has grown significantly. The following table shows obligations by condensed object class categories for the direct Federal work force and the amount of obligations for the indirect work force in fiscal year 1980. The table shows that indirect work force costs accounted for 10 percent of the total Government obligations for that year; when added to the direct work force, these costs together accounted for 25 percent of total obligations.

<u>Condensed object class</u>	<u>Fiscal year 1980</u>	<u>Percent of obligations</u>
Direct Federal work force	\$111.2	15
Indirect work force	72.6	10
All other obligations	<u>545.1</u>	<u>75</u>
Total	<u>\$728.9</u>	<u>100</u>

Examining the growth of the direct and indirect work force costs from a constant dollar perspective shows that, while the cost growth of the direct Federal work force has risen 27 percent from 1970 to 1980, the cost growth of the entire indirect work force has risen 28 percent. Moreover, the largest component of the indirect work force costs, "other services," increased 38 percent during the same period. The following table displays this constant dollar cost growth.

<u>Work force categories</u>	Fiscal year 1970 obligations (billions)	Fiscal year 1980 obligations (billions)	Percentage growth of obligation
Direct work force	\$49.3	\$62.6	+ 27
Indirect work force:	32.0	40.9	+ 28
Travel and transportation of persons	1.6	1.4	- 12
Transportation of things	3.5	2.4	- 31
Rent communication and utilities	2.3	2.9	+ 26
Printing and reproduction	.3	.6	+100
Other services	24.3	33.6	+ 38

Note: Obligations data for 1970 and 1980 was taken from Treasury obligation reports and has been converted to 1972 constant dollars. GNP deflator 1970=91.5 and 1980=177.5 (preliminary).

It should be noted that other cost data systems may show different cost growth for both the direct and indirect work force. A cost data system operated by the Bureau of Economic Analysis, Department of Commerce, which gathers Federal expenditures data shows an 11-percent decrease in Federal expenditures for direct employee compensation and a 28-percent increase in expenditures for contract services from 1970 to 1980. Reporting requirements and the accuracy and completeness of each system contribute to variations in analysis.

LEGISLATIVE REMEDIES TO IDENTIFY SOME INDIRECT WORK FORCE COSTS

Several legislative remedies have been offered in recent years to better identify elements of the indirect work force costs. Public Law 96-304 (Supplemental Appropriations and Rescission Act of 1980) requires that, beginning in fiscal year 1982, agencies will submit annually to the House and Senate Appropriations' Committees as part of their budget justifications, the estimated amounts required for consulting service contracts by appropriation account.

Special reporting requirements are also included in S. 719, a bill to control consulting services. Under a section of this bill, agencies would include with their budget requests to OMB and the Congress a separate statement for procurement. This statement would use the same subfunctional categories used in the President's budget and identify amounts for (1) consulting services, management and professional services, and special studies and analyses and (2) all other procurement activities.

A similar proposal, H.R. 7674, was introduced during the 96th Congress, 2nd Session, which would have required an itemized statement of the amounts requested by an agency for procurement of goods and services separately classified and that the same information be included with the President's budget transmitted to the Congress. This bill would, in effect, have called for an additional special analysis in the budget, however, the bill was not passed.

ALTERNATIVE ACTIONS TO IMPROVE
VISIBILITY OF ALL WORK FORCE COSTS

Several alternatives could be used by the Government to better identify, manage, and control its total work force costs, rather than the present piecemeal approaches--personnel ceilings, hiring freezes, limit on consultants, or other special interest categories.

Revise object class categories

The present object class structure and budget justification documents could be revised to give a clearer, more detailed breakdown of direct and indirect work force costs. It would be necessary to add new object classes, possibly 10 to 15, to replace the vague category called "other services." One alternative listing of new object class categories is in appendix VII. The object class list is only a suggestion, and we recognize it may undergo further revision as a result of emerging congressional interests. For example, current interest in consulting services or a broader category--management support services--might require separate identification of these costs. The new object class categories were generated from the categories now used by the Federal Procurement Data System and, therefore, should be easier to implement since agencies already are using these categories. The listing of possible categories also includes some changes to other categories of object classes such as procurement contracts and leasing contracts. Moreover, the listing provides a separate category for grants which could be considered as another element of the indirect work force cost. Obligation data for grants is not currently available in the budget.

We believe these additional changes are necessary to streamline the entire object class structure to better reflect the nature of actual and estimated Government costs. The obligation amounts should also be separated into those incurred between Government agencies and those involving non-Government sources. Current budget justification documents will need to be revised and standardized (in some areas and to some degree) to include by agency and by program, a more detailed presentation directed specifically at total work force costs.

To accommodate these changes, OMB and agencies would have to revise their budget instructions, forms, and systems. Obligation

reports from agencies to the Treasury Department would also require modification. Once these changes are in place all branches of Government would be able to address any congressional limitations to total work force costs through language in appropriation acts.

The advantage of this alternative is that it provides the flexibility for the Congress to look at work force costs from a number of perspectives. For example, agency budget and accounting system data bases would contain appropriation account information which would permit detailed cross-cut studies of direct and indirect work force costs by program, agency, function, subfunction, and object class. The alternative also makes detailed object class information available as a standard part of the appropriation account schedule in the President's budget. None of the following alternatives offers such versatility.

While this is an alternative we prefer, we also recognize that it has several limitations, primarily the need for the executive branch to develop a detailed implementation plan and the length of time needed to phase in the new structure and other changes throughout the Government. Since we believe it will take several budget cycles to successfully accomplish this alternative, it should be considered a long-term effort.

Revise budget classification system

Another alternative would be to revise the present budget subfunctional groupings and appropriation account classification system. The budget is divided into 17 areas of national needs, such as energy, and about 70 subfunctional categories, such as energy supply. These broad policy areas may not always coincide with missions and program objectives established in authorizing legislation. We have reported that, too often, the budget's appropriation account structure for an agency divides agency activities that are related to a common authorized policy into widely separated accounts, reflecting organizational divisions that cut across legislated policy areas. This practice makes it difficult or practically impossible to assess how well the Government is accomplishing basic policy objectives.

We believe that budget categories and reporting should coincide with the goals, missions, and program objectives established in authorizing legislation. The advantage of restructuring is that the Congress would have the ability to better hold agencies accountable for carrying out legislative policy. This improved budget structure could also aid the Congress in setting dollar-level limitations on total work force costs. However, any benefits will not accrue for years because of the long-term implementation period for this alternative. In addition, the object class revision is more advantageous because it could be accomplished in a shorter time frame and with less difficulty.

Improve existing data systems

Another alternative for controlling total work force costs is to modify existing personnel and procurement data systems, in particular the personnel cost data system operated by OPM and the Federal Procurement Data System (FPDS) administered by GSA. These systems could be used as a basis from which more detailed information on both direct and indirect work force costs could be generated for budget justification and special analysis purposes.

The OPM system contains a collection of a wide range of data on work years expended, payroll costs by agency, and other compensation items on Federal personnel (the direct work force) in agencies with over 100 employees. Currently, it contains historical fiscal year data but could be modified to include budget year estimates for all Government agencies.

The GSA/FPDS system was established to collect, develop, and disseminate procurement data for congressional, executive, and private sector use. Statistics are required from most departments and agencies on contracts awarded for research and development, other services, construction, supplies, and equipment. For contract services, 17 main categories and over 200 subcategories describe a wide range of services. (See app. VIII.) Major advantages of the GSA system are that it represents a functioning system that could be used as a management tool for monitoring and controlling procurements, and it contains a wide variety of data elements that could better satisfy the information needs of the Congress. Limitations of this system are that it is not linked to appropriation accounts, it is not required to be reconciled to other Treasury and OMB reports, it does not contain estimates for budget year contracts, and GSA continues to have problems getting complete information from agencies included in the system.

Until the object classes are modified in the first alternative, these systems can provide some insight into costs for the indirect work force.

Develop a new data system

A fourth alternative would be to develop a totally new cost accumulation and reporting system that would provide for various work force cost data presentations and analyses. Such a system could be designed to collect and report information on both the direct and the indirect work force. OMB could develop information requirements for the system and could perform periodic analyses of the reports. The budget presently contains a special analysis of total civilian employment in the Government. This analysis could be modified to include details of total work force

trends and estimates by agency, by object class, by function, or by types of programs and services which this alternative could provide. A drawback of a completely new system is that it would duplicate much more detailed statistics already collected through existing systems operated by Treasury, OMB, and GSA.

OMB could also require special reports from agencies so it could assess agencies' budget requests. OMB has already taken a first step related to this type of system. Under a proposed revision to OMB Circular A-11, agencies will be required to submit certain details concerning their need for consulting and other management services. Specifically included in these reports are obligations in each appropriation account for consulting services, management and professional services, special studies, and analyses and management support services for research and development activities. Also required is a summary showing total obligations for each type of service mentioned above.

In addition to OMB's efforts, several legislative alternatives have been offered to better identify elements of indirect work force costs, as previously mentioned. We believe that these alternatives have the advantage of providing information to the Congress without requiring changes to the budget process. However, if OMB or the Congress establishes special reporting requirements for contract services, the procedure should identify all types of contract services instead of special interests.

Establish a work force budget

Yet another alternative is the establishment of a special work force budget for Federal departments and agencies which segregates work force data and costs from other elements of the budget. This would involve the development of credible agency work force planning which we fully support and would require a separate review and approval process by OMB and the Congress. It would permit a better assessment of tradeoff decisions between the direct and indirect work force, total agency work force costs, shortages, and surpluses. Also, it would allow agency heads and program managers more flexibility in staffing and at the same time provide greater accountability of total staffing use within agencies. The primary limitation of this alternative is that it is contrary to the unified budget approach to which we are committed.

PRESENT BUDGET OBJECT CLASS DEFINITIONS:CONTRACTUAL SERVICES

(Excerpts from Attachment A, OMB Circular, A-12
Revised July 31, 1979)

20. CONTRACTUAL SERVICES AND SUPPLIES

21. Travel and transportation of persons--Charges incurred for transportation of Government employees or others, their per diem allowances while in an authorized travel status, and other expenses incident to travel that are to be paid by the Government either directly or by reimbursing the traveler.

NOTE: This object class consists of both (a) travel away from official stations, subject to regulations governing civilian and military travel, and to appropriation limitations in certain cases; and (b) local travel and transportation of persons in and around the official station of an employee. It includes rental or lease of passenger motor vehicles from Government motor pools. In determining subclasses for administrative use, agencies may maintain such distinctions as they deem appropriate, including a separate subclass for rental of vehicles from inter-agency motor vehicle pools.

Examples

Transportation of persons--Contractual charges for services in connection with carrying persons from place to place, by land, air, or water; and the furnishing of accommodations incident to actual travel. Includes commercial transportation charges; rental or lease of passenger cars; charter of trains, buses, vessels, or airplanes; ambulance service or hearse service; and expenses incident to the operation of the rented or chartered conveyances. (Rental or lease of all passenger-carrying vehicles is to be charged to this object class, even though such vehicles may be used incidentally for transportation of things.) Includes mileage allowances for use of privately owned vehicles and related charges that are specifically authorized (such as highway and ferry tolls). Also includes bus, subway, streetcar, and taxi fares (including tips) whether used for local transportation or for travel away from a designated post of duty.

Subsistence for travelers--Payments to travelers of per diem allowances or reimbursement of actual expenses for subsistence.

Transportation expenses incident to permanent change of station (PCS)--Payments to employees for transportation expenses and per diem allowances or reimbursement of actual travel expenses associated with a permanent change of station (including travel expenses and per diem for the employee's immediate family), as authorized under 5 U.S.C. 5724a. Charges for other PCS expenses are classified under object class 12, 22, or 25, as appropriate.

Incidental travel expenses--Other expenses directly related to official travel, such as baggage transfer, and telephone and telegraph expenses, as authorized by travel regulations.

22. Transportation of things--Contractual charges incurred for the transportation of things (including animals) and for the care of such things while in process of being transported. Includes postage used in parcel post, rental of trucks and other transportation equipment, and reimbursements to Government personnel for the authorized movement of their household goods and effects or house trailers. Excludes transportation paid by a vendor, regardless of whether the cost is itemized on the bill for the commodities purchased by the Government.

Examples

Freight and express--Charges by common carrier and contract carrier, including freight and express, demurrage, switching, recrating, refrigerating, and other incidental expenses.

Trucking and other local transportation--Charges for hauling, handling, and other services incident to local transportation including contractual transfers of supplies and equipment.

Mail transportation--Charges for contractual transportation of mail by water, rail, air, and motor vehicles.

Transportation of household goods related to permanent change of station (PCS) travel--Payments to Federal employees for transportation

of household goods and effects or house trailers in lieu of payment of actual expenses when payment is for transfer of personnel from one official station to another. Charges for other PCS expenses are classified under object class 12, 21, or 25, as appropriate.

23. Rent communications, and utilities--Standard level user charges (SLUC) assessed by the General Services Administration and other rental of space and related services. Also includes charges for communications and utility services. Excludes charges for rental of transportation equipment, which are classified under object class 21 or 22.
- 23.1 Standard level user charges--Charges for rental of space and related services assessed by the General Services Administration as standard level user charges (SLUC).
- 23.2 Communications, utilities, and other rent--Charges for communications, utilities, and for rental of space, except for SLUC.

Examples

Communication services--Charges for the transmission of messages, such as land telegraph service, marine cable service, radio and wireless telegraph service, and telephone and teletype service; postage (other than parcel post); contractual messenger service; and rental of post office boxes, postage meter machines, mailing machines, and teletype equipment. Also includes charges for telephone installation; and telephone, switchboard, and maintenance services.

Utility services--Charges for heat, light, power, water, gas, electricity and other utility services exclusive of transportation and communication services.

Other rent--Charges for possession and use of land, structures, or equipment (other than transportation equipment) owned by another, except for charges for space and related services assessed by GSA as SLUC. Includes charges for rent-related services provided by GSA in addition to services provided under SLUC e.g., extra protection, cleaning, or alterations). Also includes periodic charges under purchase rental

agreements for equipment. (Payments subsequent to the acquisition of title to the equipment should be classified under object class 31.) Excludes payments under lease-purchase contracts for construction of buildings, which are classified under object class 32 or 43.

Includes charges for the rental of ADP equipment. (Charges for maintenance of leased ADP equipment and related training and technical assistance, when significant and readily identifiable in the contract or billing, will be classified under object class 25. Contractual services involving the use of equipment in the possession of others, such as computer time-sharing, will also be classified under object class 25.)

24. Printing and reproduction--Charges incurred for contractual printing and reproduction, and the related composition and binding operations performed by the Government Printing Office, other agencies or other units of the same agency (on a reimbursable basis), and commercial printers. Includes all common processes of duplication obtained on a contractual or reimbursable basis. Also includes standard forms when specifically printed or assembled to order, and printed envelopes and letterheads.

Note: This object class consists of both (a) printing and binding as defined in the Government Printing and Binding Regulations issued by the Joint Committee on Printing and (b) reproduction of the type that does not come within the Joint Committee's definition. In determining subclasses for administrative use, agencies may appropriately maintain such a distinction.

Examples

Printing and duplicating--Charges incurred for job work done on printing presses that utilize printers' type plates, or engravings; lithographing; multigraphing reproduction with machines employing photographically made plates, including related photo-reproduction work; and the use of cold type or other substitutes for typesetting for reproduction by photo mechanical means. Includes electronic photo-composition. Also includes contractual reproduction work by the use of the spirit process, mimeographing, and stencils or direct image plates.

Binding operations connected with the foregoing.
Photostating, blueprinting, and photography.
Microfilming.

25. Other services--Charges for contractual services not otherwise classified. Supplies and materials furnished by the contractor in connection with such services are included even though they may be separately itemized on the voucher. Excludes charges for services in connection with the initial installation of equipment, when performed by the vendor, which are classified under object class 31.

Examples

Repairs and alterations--Charges incurred for repairs and alterations to buildings, bridges, viaducts, vessels, equipment, and like items, when done by contract.

Storage and maintenance--Charges incurred for contractual services for storage and care of vehicles and storage of household goods including those associated with a permanent change of station (PCS). Charges for other PCS expenses are classified under object class 12, 21, or 22.

Subsistence and support of persons--Charges incurred for contractual services for board, lodging, and care of persons, including hospital care (except travel items, which are classified under object class 21).

Stenographic services--Charges incurred for contractual stenographic reporting and typing.

Publication of notices, advertising, and radio and television time.

Tuition.

Fees and other charges--Fees for abstracting land titles, premiums on insurance (other than payments to the Office of Personnel Management), and surety bonds.

Operation of facilities or other service contracts.

Research and development contracts.

Direct & Indirect Work Force Costs
Fiscal Year 1980
(000,000 omitted)

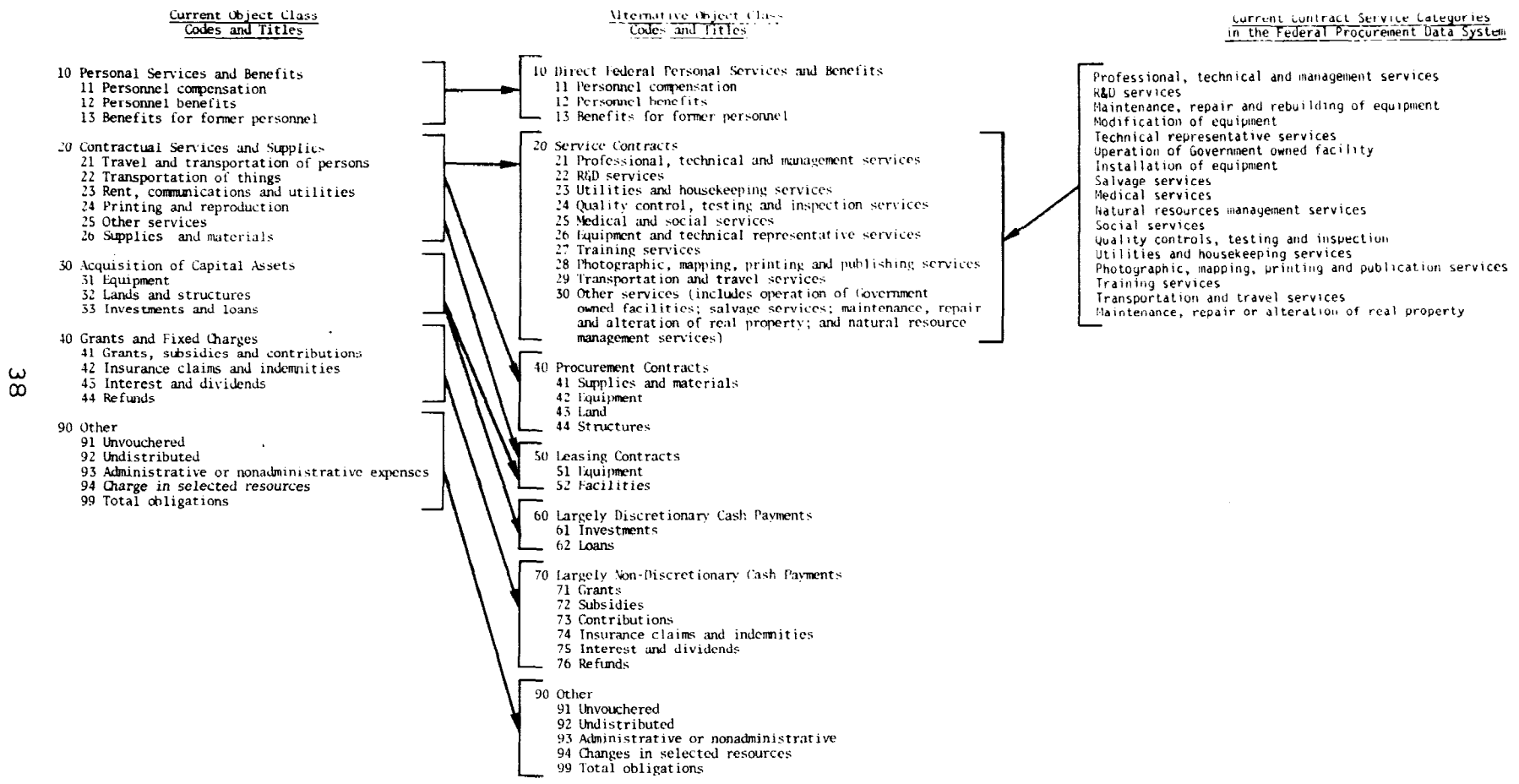
Agency	Contract Services (indirect workforce)					Contract Services		Direct Federal Personnel Services & Benefits		Total Direct and Indirect Work Force Costs
	Travel & Transportation of Persons	Transportation of Things	Rent, Utilities & Communication	Printing & Reproduction	Other Services	Total	Percent	Total	Percent	
Legislative Branch	\$ 13	\$ 7	\$ 28	\$ 483	\$ 30	\$ 561	56	\$ 446	44	\$ 1007
The Judiciary	-	-	-	-	-	-	-	-	-	-
Executive Office of the President	19	8	35	3	40	105	35	101	65	296
Funds Appropriated to the President	4	8	7	*	262	281	82	60	18	341
Agriculture Department	132	368	137	25	1063	1725	43	2319	57	4044
Commerce Department	81	10	75	12	224	402	16	1167	74	1569
Defense:										
Department of the Army	651	867	735	10	6734	3997	36	16285	64	25282
Department of the Navy	475	682	412	363	14525	16457	52	5481	48	31938
Department of the Air Force	229	405	525	24	8595	9778	44	662	56	10440
Defense Agencies	47	125	628	7	902	3709	22	1538	78	17247
Civil Agencies	8	2	39	6	648	703	51	681	49	1384
Education	7	*	12	5	281	305	71	124	29	429
Energy Department	29	6	113	24	6767	6939	93	561	7	7500
Health and Human Services	88	15	137	5	1864	2109	40	3133	60	5242
Housing and Urban Development	18	1	6	2	375	402	50	393	50	802
Interior Department	69	14	98	6	1118	1305	45	1573	55	2878
Justice Department	70	9	80	3	131	343	20	1332	80	1675
Labor Department	35	3	84	*	97	219	16	1176	84	1395
State Department	50	42	51	8	83	234	40	348	60	582
Transportation Department	88	37	169	1	917	1212	32	2634	68	3846
Treasury Department	119	22	109	18	190	458	15	2595	85	3052
Environmental Protection Agency	16	2	16	7	389	425	57	315	43	740
General Services Administration	18	58	720	1	968	1765	72	673	28	2438
National Aeronautical & Space Admin.	22	11	95	4	4133	4265	86	700	14	4965
Veterans Administration	95	13	147	*	710	965	19	4198	81	5163
Other Independent Agencies	115	112	141	12	5103	5493	27	14469	73	19962
Total on-Budget Agencies	2498	2827	4599	1024	58199	69147	42	97059	58	166206
Off-Budget Agencies 1/	60	1507	472	5	1379	3423	20	14112	80	17535
Total On/Off Budget Agencies	\$2558	\$4334	\$5071	\$1029	\$59578	\$72570	39	\$11171	61	\$83741

* Less than \$500,000

1/ Postal Service, Rural Electrification Adm. & Pension Benefit Guaranty Corp

Source: Treasury Bulletin, May 1981, pgs. 14-15

A LISTING OF PRESENT AND ALTERNATIVE OBJECT CLASS CODES AND TITLES



38

Note: This chart shows that alternative object class codes and titles could be developed which would (1) give greater visibility to indirect work force costs than the current object class structure and (2) be closely aligned with the current contract service categories used in the Federal Procurement Data System.

LISTING OF CONTRACT SERVICE CATEGORIES USED
IN THE FEDERAL PROCUREMENT DATA SYSTEM

PROFESSIONAL, TECHNICAL, AND MANAGEMENT SERVICES

Architect and Engineer Services - Construction
Architect and Engineer Services - Construction
Architects and Engineers Services - General
Architect - Engineer Services (non-construction)
Engineering Drafting Services
A&E Inspection Services (non-construction)
A&E Management Engineering Services
A&E Production Engineering Services
Marine Architect - Engineer Services
Other Architect and Engineering Services
Automatic Data Processing Services
ADP Facility Management Services
ADP Systems Development and Programming Services
ADP Entry Services
ADP Transmission Services
Other ADP Services

Management and Professional Services
Advertising Services
Management Data Collection Services
Financial/Auditing Services
Land Surveys, Cadastral Services (non-construction)
Operations Research Services
Policy Review/Development Services
Program Evaluation Services
Program Management/Support Services
Program Review/Development Services
Public Relation Services
Real Property Appraisals Services
Simulations
Specifications Development Services
Systems Engineering Services
Technology Sharing/Utilization Services
Other Management Services

Special Studies and Analyses
ADP Systems Analyses
Air Quality Analyses
Archeological/Paleontological Studies
Chemical/Biological Studies and Analyses
Cost Benefit Analyses
Data Analyses (Other than scientific)
Economic Studies and Analyses

Special Studies and Analyses (Continued)

Endangered Species Studies - Animal
 Endangered Species Studies - Plant
 Environmental Assessments
 Environmental Baseline Studies
 Environmental Impact Studies
 Feasibility Studies (non-construction)
 Federal, Local Government Cooperative Studies and Analyses
 Federal, State Government Cooperative Studies and Analyses
 Fisheries Studies and Analyses
 Geological Studies
 Geophysical Studies
 Grazing/Range Use Studies
 Historical Studies
 Legal/Litigation Studies
 Legislative Studies
 Mathematical/Statistical Analyses
 Natural Resource Studies
 Oceanological Studies
 Recreation Studies
 Regulatory Studies
 Scientific Data Studies
 Seismological Studies
 Socio-economic Studies
 Soil Studies
 Water Quality Studies
 Wildlife Studies
 Medicare Health Studies
 Medicaid Health
 General Health Studies
 Other Special Studies and Analyses

RESEARCH AND DEVELOPMENT

Note: An additional listing containing about 100 types by function is used to provide more details.

MAINTENANCE, REPAIR AND REBUILDING OF EQUIPMENT*

Maintenance, Repair and Rebuilding of Equipment
 Maintenance, Repair and Rebuilding of Miscellaneous
 Equipment

MODIFICATION OF EQUIPMENT*

Modification of Equipment
 Modification of Miscellaneous Equipment

*An additional listing containing about 20 types of equipment is used to provide more detail.

TECHNICAL REPRESENTATIVE SERVICES

Technical Representative Services
 Miscellaneous Technical Representative Services

OPERATION OF GOVERNMENT OWNED FACILITY

Note: An additional listing containing about 60 types of facilities is used to provide more details

INSTALLATION OF EQUIPMENT*

Installation of Equipment
 Installation of Miscellaneous Equipment

SALVAGE SERVICES

Preparation and Disposal of Excess and Surplus Property
 Salvage of Aircraft
 Salvage of Marine Vessels
 Other Salvage Services

MEDICAL SERVICES

Dependent Medicare Services
 General Health Care Services
 Laboratory Testing Services
 Nursing Services
 Nursing Home Care Contracts
 Specialized Medical Services
 Anesthesiology Services
 Cardio-Vascular Services
 Dentistry Services
 Dermatology Services
 Gastroenterology Services
 Geriatric Services
 Gynecology Services
 Hematology Services
 Internal Medicine Services
 Neurology Services
 Ophthalmology Services
 Optometry Services
 Orthopedics Services
 Otolaryngology Services
 Pathology Services
 Pediatrics Services
 Pharmacology Services
 Physical Medicine & Rehabilitation Services
 Psychiatry Services
 Podiatry Services

*An additional listing containing about 80 types of equipment is used to provide more details.

Pulmonary Services
 Radiology Services
 Surgery Services
 Thoracic Services
 Urology Services
 Other Medical Services

NATURAL RESOURCES MANAGEMENT

Aerial Fertilization/Spraying Services
 Aerial Seeding Services
 Forest/Range Fire Suppression/Presuppression Services
 Frost/Range Fire Rehabilitation Services (non-construction)
 Forest Tree Planting Services
 Land Treatment Practices Services (plowing/cleaning, etc.)
 Range Seeding Services (ground equipment)
 Recreation Site Maintenance Services (non-construction)
 Seed Collection/Production Services
 Seeding Production/Transplanting Services
 Surface Mining Reclamation Services (non-construction)
 Survey Line Clearing Services
 Tree Breeding Services
 Tree Thinning Services
 Well Drilling/Exploratory Services
 Wildhorse/Burro Management Services
 Other Range/Forest Improvements Services (non-construction)
 Other Wildlife Management Services
 Other Natural Resources Management Services

SOCIAL SERVICES

Care of Remains and/or Funeral Services
 Chaplain Services
 Recreational Services
 Social Rehabilitation Services
 Geriatrics Services
 Government Life Insurance Programs
 Government Health Insurance Programs
 Other Government Insurance Programs
 Other Social Services

QUALITY CONTROL, TESTING AND INSPECTION SERVICES

Quality Control Services
 Equipment and materials Testing
 Inspection Services
 Miscellaneous Testing and Inspection Services

UTILITIES AND HOUSE KEEPING SERVICES

Utilities
 Gas Services
 Electricity Services

Telephone and/or Communications Services
 Water Services
 Other Utilities Studies

Housekeeping Services
 Custodial - Janitorial Services
 Fire Protection Services
 Food Services
 Fueling and Other Petroleum Services - Excluding Storage

Housekeeping Services (Continued)
 Garbage Collection Services
 Guard Services
 Insect and Rodent Control Services
 Landscaping/Groundskeeping Services
 Laundry and Dry Cleaning Services
 Surveillance Services
 Other Housekeeping Services

PHOTOGRAPHIC, MAPPING, PRINTING, AND PUBLICATION SERVICES

Arts/Graphics Services
 Cartography Services
 Cataloging Services
 Charting Services
 Film Processing Services
 Film/Video Tape Production Services
 Microform Services
 Photogrammetry Services
 General Photographic Services
 Printing/Binding Services
 Reproduction Services
 Technical Writing Services
 Topography Services
 Other Photographic, Mapping, Printing, and Publications
 Services

TRAINING SERVICES

Lectures for Training
 Personnel Testing
 Reserve Training (Military)
 Scientific and Management Education
 Tuition Fees
 Vocational/Technical
 Faculty Salaries for Dependent Schools
 Other Training

TRANSPORTATION AND TRAVEL SERVICES

Transportation of Things

Cargo & Freight Services For Transportation of Things
 Air Freight
 Motor Freight
 Rail Freight
 Stevedoring
 Vessel Freight
 Other Transportation Services

Vehicle Charter for Transportation of Things
 Air Charter for Things
 Motor Charter for Things
 Rail Charter for Things
 Marine Charter for Things
 Vessel Towing Services
 Other Vehicle Charter for Transportation of Things

Travel of Persons

Passenger Service
 Air Passenger Service
 Motor Passenger Service
 Rail Passenger Service
 Marine Passenger Service

Vehicle Charter for Passengers (With Operator)
 Passenger Air Charter Service
 Passenger Motor Charter Service
 Passenger Rail Charter Service
 Passenger Marine Charter Service
 Ambulance Service

Lodging - Hotel/Motel
 Lodging - Hotel/Motel

Military Personnel Recruitment (Including
 Subsistence and/or Lodging)
 Military Personnel Recruitment

Civilian Personnel Recruitment
 Civilian Personnel Recruitment

Other Travel Services

MAINTENANCE, REPAIR OR ALTERATION OF REAL PROPERTY

Note: An additional listing containing about 60 types
 of facilities is used to provide more details.

U.S. House of Representatives
COMMITTEE ON POST OFFICE AND CIVIL SERVICE
309 CANNON HOUSE OFFICE BUILDING
Washington, D.C. 20515

February 5, 1981

The Honorable Elmer B. Staats
Comptroller General of the United States
Washington, D.C. 20548

Dear Mr. Staats:

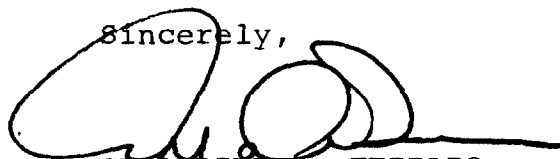
As the new Chairwoman of the Subcommittee on Human Resources, I would like to renew the September 17th, 1980 request by my predecessor for a GAO study concerning the Full Time Equivalent (FTE) workforce measurement. I believe that this GAO study is especially timely in light of the Administrations recent hiring freeze as an attempt to control the size of the Federal government.

As originally planned, I would like this study to be aimed at (1) evaluating whether the substitution of FTE's will correct the problems with year-end personnel ceilings, and (2) identify how budgetary or fiscal controls can be used in lieu of ceilings, including how incentives can be built into the process to assure that managers use the most cost-effective personnel mix. This study should also consider how any budgetary or fiscal control can effectively insure that agencies utilize the most efficient mix of contract and in-house personnel.

I intend to hold hearings on this issue during this session of Congress, and feel that the original delivery date of mid-April fits well into my anticipated schedule.

I appreciate the effort which GAO has already expended on this project, and look forward to the delivery of your report.

Sincerely,



GERALDINE A. FERRARO
CHAIRWOMAN
SUBCOMMITTEE ON HUMAN RESOURCES

GF/atj

NINETY-SIXTH CONGRESS

HERBERT E. HARRIS II, VA., CHAIRMAN

GLADYS HOON SPELLMAN, MD. BENJAMIN A. GILMAN, N.Y.
ROBERT GARCIA, N.Y. WILLIAM E. DANNEMEYER, CALIF.**U.S. House of Representatives**COMMITTEE ON POST OFFICE AND CIVIL SERVICE
SUBCOMMITTEE ON HUMAN RESOURCES
406 CANNON HOUSE OFFICE BUILDING
Washington, D.C. 20515

September 17, 1980

The Honorable Elmer B. Staats
Comptroller General of the United States
Washington, D.C. 20548

Dear Mr. Staats:

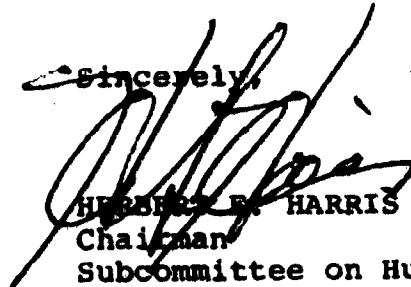
In numerous hearings that this Subcommittee has held over the years regarding barriers to effective personnel management, one factor emerges above all others -- personnel ceilings. GAO has also issued numerous reports which either directly or indirectly discuss the negative effects of ceilings. Yet, they still exist and continue to act as a major inhibitor to the flexibility needed to effectively and efficiently manage this complex Federal work force.

While OMB has said that they are moving toward the use of full-time equivalents (FTE's) in lieu of year-end personnel ceilings in order to correct the problems caused by the year-end ceilings, this Subcommittee is not at all convinced that this will in fact correct the problems which GAO and others have identified over the years. The FTE system does not take into account the large number of personnel hired by contract, and thereby ignores a huge area of hidden cost to the government. The use of personnel ceilings, even on an FTE system, compounds the problem of the "invisible work force."

This Subcommittee is, therefore, requesting that the General Accounting Office undertake a study aimed at (1) evaluating whether the substitution of FTE's will correct the problems with year-end personnel ceilings, and (2) identify how budgetary or fiscal controls can be used in lieu of ceilings, including how incentives can be built into the process to assure that managers use the most cost effective personnel mix. This study should also consider how any budgetary or fiscal control can effectively insure that agencies utilize the most efficient mix of contract and in-house personnel.

The Subcommittee plans to hold hearings on the issue of personnel ceilings during the spring or summer of 1981 and, therefore, requests that your report be issued no later than mid-April 1981.

Sincerely,



HERBERT B. HARRIS II
Chairman

Subcommittee on Human Resources

HEH:bhm

AN EQUAL OPPORTUNITY EMPLOYER

**UNITED STATES
GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548**

**OFFICIAL BUSINESS
PENALTY FOR PRIVATE USE, \$300**

**POSTAGE AND FEES PAID
U. S. GENERAL ACCOUNTING OFFICE**



THIRD CLASS