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REPORT TO THE CONGRESS

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Better Management
Needed In Civil Agencies Over
Selection Of In-House Or Contract
Performance Of Support Activities

B-150695

BY THE COMPTROLLER GENERAL
OF THE UNITED STATES

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096119

JULY 31, 1973



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

B-158685

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To the President of the Senate and the
Speaker of the House of Representatives

This is our report on selected civil agencies' implementation of
Office of Management and Budget Circular A-76.

We made our review pursuant to the Budget and Accounting Act,
1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950
(31 U.S.C. 67).

Copies of this report are being sent to the Director, Office of
Management and Budget; the Secretary of Health, Education, and Wel-
fare; the Secretaries of the Interior, Labor, and Transportation; the
Chairman, Atomic Energy Commission; the Acting Administrator of
General Services; and the Administrator, National Aeronautics and
Space Administration.

James B. Stacks

Comptroller General
of the United States

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COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

BETTER MANAGEMENT NEEDED IN
CIVIL AGENCIES OVER SELECTION OF
IN-HOUSE OR CONTRACT PERFORMANCE
OF SUPPORT ACTIVITIES B-158685

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D I G E S T

WHY THE REVIEW WAS MADE

Private industry uses make-or-buy studies and other means to determine whether or not a service or product should be obtained in-house.

Similarly, each Government agency periodically should subject itself to systematic and intensive reviews to insure that it obtains needed commercial or industrial services and products through the most appropriate means. (See p. 5.)

As stated in Office of Management and Budget (OMB) Circular A-76, the Government's policy for obtaining such products and services is to rely on the private enterprise system unless the national interest requires a Government agency to provide them directly. (See p. 5.)

Each agency is required to maintain an inventory of commercial or industrial activities (such as grounds and buildings maintenance, transportation, and printing) and to review each activity at least once every 3 years to justify in-house performance. (See p. 6.) These reviews should include cost studies whenever in-house performance is based on economy. (See p. 14.)

GAO made this review to determine whether selected civil agencies have adhered to Circular A-76 requirements in obtaining commercial or industrial products and services. GAO

previously reported results of a similar review in the Department of Defense. (See p. 21.)

Annual operating costs of commercial or industrial activities inventoried by agencies visited total about \$300 million. GAO reviewed selected installations within the Atomic Energy Commission (AEC), the Bureau of Reclamation, the Federal Aviation Administration (FAA), the Department of Labor, the General Services Administration (GSA), the National Institutes of Health (NIH), and the National Aeronautics and Space Administration (NASA). (See p. 21.)

FINDINGS AND CONCLUSIONS

No agencies reviewed, except AEC, have satisfied Circular A-76 requirements because of one or more of the following reasons. They have not:

- Supported justifications for in-house performance of activities.
- Inventoried and/or reviewed significant activities.
- Completed reviews when required. (See p. 7.)

GAO also observed that generally

- the inventoried activities have not been converted to performance by contract as a result of prescribed Circular A-76 reviews,

- internal audit groups have not reviewed the agencies' implementation of Circular A-76, and
- the agencies' implementing instructions are restatements or abbreviated versions of Circular A-76 and do not provide sufficient guidance. (See pp. 7, 15, and 16.)

Unsupported justifications

Local recommendations for continuing in-house performance of some functions were not supported by detailed explanations of how decisions were reached, which was contrary to Circular A-76 requirements. (See p. 8.)

NASA's Goddard Space Flight Center, for example, in justifying continuance of its commercial or industrial activities in-house, merely cited the applicable Circular A-76 condition authorizing such activities without explaining how the activities met given conditions of the circular. (See p. 8.)

Activities not reviewed

Some agencies failed to make the required inventories and reviews of commercial or industrial activities ranging from food service to vehicle maintenance. Exclusions appear to have resulted primarily from the agencies' misinterpreting Circular A-76 requirements. (See pp. 8 through 10.) A list of the typical Government commercial or industrial activities encountered by GAO is shown in appendix I.

Inventories and reviews not completed when required

Although the agencies should have completed their inventories of commercial or industrial activities

by June 30, 1966, NASA, NIH, and FAA were late in compiling them.

NASA's Goddard Space Flight Center and NIH were late because they were not instructed by NASA Headquarters and HEW, respectively, to prepare inventories until well after the deadline. (See p. 11.)

The circular required agencies to complete reviews of all inventoried activities by June 30, 1968. All agencies except NASA and Labor did so.

Goddard was late because it was not officially instructed to adhere to provisions of Circular A-76 until March 1971. Labor has yet to complete a review of one of its inventoried activities. (See pp. 11 and 12.)

Cost studies

One of the five Circular A-76 conditions under which in-house performance of a commercial or industrial activity is permissible is when a comparative cost analysis indicates the Government can provide the product or service at a cost lower than available commercial sources. Cost studies should not be made, however, if other circular provisions justify in-house provision of the product or service.

In nearly all instances agencies used Circular A-76 conditions other than cost as bases for continuing inventoried activities in-house. Only NIH prepared a cost comparison study on an inventoried activity in the depth prescribed by Circular A-76.

Agencies should exercise care in citing Circular A-76 conditions other than cost to justify in-house

performance of activities. Lack of such care can clearly waste agency resources. (See p. 14.)

Conversion of inventoried activities

As an indication of the effect of Circular A-76, GAO found only one instance at locations visited where performance of an inventoried in-house commercial or industrial activity was converted to performance by contract after Circular A-76 reviews. (See p. 16.)

Internal audit coverage

Only AEC has made internal audit reviews of the agencies' implementation of Circular A-76. Internal audit officials cited staff shortages and higher priority work as reasons for not making the reviews. (See p. 16.)

Agency implementing instructions

In GAO's opinion, many agency implementing instructions are not satisfactory because they are too general. Agency officials, to preclude misinterpretations, should be more specific and tailor the general requirements and/or provisions of Circular A-76 to specific needs of the agency. (See pp. 14 and 16.)

RECOMMENDATIONS OR SUGGESTIONS

GAO's recommendations, which generally parallel those expressed by the entire Commission on Government Procurement, are that a new approach and stronger implementation are needed to achieve consistent and timely Government-wide application of Circular A-76 policies.

OMB should take steps to apply

Circular A-76 policies more vigorously and comprehensively. Although most Commission members preferred not to specify a particular method, the entire Commission agreed the method recommended below would be one way of achieving the objective.

GAO recommends that the Director of OMB appoint a senior member of his staff to devote full time to this matter. This appointee would be assisted by an interagency task force whose members would also work full time for 1 to 2 years, or until the program was thoroughly implemented.

Functions of the task force would be to:

- Work with each principal agency to
 - (a) lay out a definitive time schedule covering completion of the agency's inventory of activities performed in-house and
 - (b) outline the priority of analyses to be conducted.
- Offer assistance and advice by maintaining a review of each agency's actions on the program and examining the agency's studies of its major activities.
- Participate directly with agencies in studies of their largest commercial or industrial activities.

OMB may wish to use results of task force efforts to clarify Circular A-76, particularly the definition of a Government commercial or industrial activity. OMB should also assist agencies in revising their instructions to be more specific and to tailor the general requirements and/or provisions of the circular to the agency's specific needs.

Agency officials should also use existing internal audit capability to provide officials responsible for implementing Circular A-76 with independent evaluations of the agency's compliance with the circular. (See p. 17.)

AGENCY ACTIONS AND
UNRESOLVED ISSUES

GAO obtained official comments from each of the agencies included in the review. In all cases, agency

officials agreed with the report's factual content.

MATTERS FOR CONSIDERATION
BY THE CONGRESS

This report is submitted because of continued congressional interest expressed in selecting in-house or contract performance for certain products or services. It provides the Congress with information on the effectiveness of the selection programs and on measures needed to improve that effectiveness.

INTRODUCTION

Private industry uses make-or-buy studies and other means to determine whether or not a service or product should be obtained in-house.

Similarly, it is important that each Government agency periodically subject itself to systematic and intensive reviews to insure that it obtains needed commercial or industrial services and products through the most appropriate means. Certain services are normal management activities and must be performed in-house by civil service personnel to retain control over the conduct of certain programs. Many other services and most products, however, are commercial or industrial and may be provided by in-house or contract manpower.

The Government's policy for obtaining commercial or industrial products and services is to rely on private enterprise unless the national interest requires a Government agency to provide directly (in-house) the products and services it needs. In-house operation is permitted when

- procurement from a commercial source would disrupt or materially delay an agency's program;
- it is necessary for combat support, military personnel retraining, or mobilization readiness;
- a commercial source is not available and could not be developed in time to provide the product or service when needed;
- the product or service is available from another Government agency; or
- procurement from a commercial source would be more costly to the Government.

The Executive Office of the President has stated this policy in Office of Management and Budget Circular No. A-76, originally issued March 3, 1966, and revised August 30, 1967. The circular requires each Government agency to:

- Issue implementing instructions and provide management support to insure that the policy is followed.
- Compile and maintain an inventory of its commercial and industrial activities.
- Review its activities every 3 years to determine whether in-house performance should be continued.

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CHAPTER 2

REQUIREMENTS OF CIRCULAR A-76 NOT SATISFIED

No civil agency reviewed, except the Atomic Energy Commission (AEC), has satisfied the requirements of Circular A-76 because of one or more of the following reasons. Some agencies have not:

- Supported justifications for continued in-house performance of commercial and industrial activities.
- Inventoried and/or reviewed significant activities.
- Completed reviews when required.

We also observed that generally (1) recommendations to continue in-house activities have been based on considerations other than cost, (2) the inventoried activities have not been converted to performance by contract as a result of prescribed Circular A-76 reviews, (3) internal audit groups, except at AEC, have not reviewed the implementation of Circular A-76, and (4) the agencies' implementing instructions are restatements or abbreviated versions of Circular A-76 and do not provide sufficient guidance.

JUSTIFICATIONS NOT SUPPORTED

Circular A-76 requires that the review of commercial or industrial activities ascertain whether continued operation of Government commercial activities complies with the provisions of the circular. The agency is to prepare a report of each review and include information on the availability from commercial sources of products or services involved and the feasibility of using commercial sources in lieu of existing Government activities.

In justifying the continuance of commercial activities in-house, the agencies generally included information on whether the continued operation of in-house activities complied with Circular A-76. Four agencies--the National Institutes of Health (NIH); the Bureau of Reclamation, Department of the Interior; the Federal Aviation Administration (FAA), Department of Transportation; and AEC--included information regarding the availability of commercial sources and the feasibility of using such sources in justifying continued in-house performance of most inventoried activities.

However, local recommendations for continuing in-house performance of many functions were not supported by detailed explanations of how the decisions were reached, which was contrary to the requirements of Circular A-76. The most obvious example of undocumented justifications occurred at the National Aeronautics and Space Administration's (NASA's) Goddard Space Flight Center. In justifying continuance of activities in-house, Goddard merely cited one of the five Circular A-76 conditions which permits activities to be continued in-house. The justifications contained no specific information about the activities or why the circular condition applied to the given activity.

The first segment of Goddard's followup review consisted of the following commercial services: (1) printing and reproduction, (2) photography, (3) library, and (4) audio-visual projection. Goddard recommended that all four services be continued in-house because procurement from a commercial source would disrupt or materially delay the agency's program(s). Goddard gave no documented explanation of how its program(s) would be disrupted or delayed by contracting for these services, nor did it mention availability of commercial sources.

In December 1972 NASA headquarters instructed the various NASA installations to adhere to the Circular A-76 documentation requirements and provide headquarters management with a basis for evaluating recommendations for continuing or discontinuing in-house activities. Installations have not yet complied with the circular. The other agencies we visited generally provided higher echelon officials with more information to base decisions on than NASA did. In these instances, however, the information provided was not in the detail required by the circular, so higher echelon agency officials generally were not provided sufficient information to decide whether or not activities should be continued in-house.

ACTIVITIES NOT REVIEWED

Circular A-76 requires that each agency compile and maintain an inventory of its commercial and industrial activities having an annual output of products and services costing \$50,000 or more or having a capital investment of \$25,000 or more. The circular requires also that each

agency periodically review its inventoried activities to determine whether in-house performance should be continued..

Circular A-76 defines a commercial or industrial activity as one which is "operated and managed by an executive agency and which provides for the Government's own use a product or service that is obtainable from a private source." This broad definition could include nearly every activity in a given agency.

Circular A-76 requires that an agency inventory all commercial or industrial activities except:

- those which the agency must perform to retain essential control over the conduct of its program,
- managerial advisory services,
- products and services provided to the public,
- products and services obtained from other Federal agencies authorized or required by law to furnish them,
- those for which its application would be inconsistent with the terms of any treaty or international agreement.

We found that some agencies failed to include in their inventories some commercial or industrial activities which Circular A-76 requires to be inventoried. Variations in the agencies' interpretation of Circular A-76 were the primary reason for the exclusions.

NIH, for example, excluded a commercial activity--food service for its clinical center, costing about \$2.3 million annually--because it believed dietary control requirements prevented feasible contracting of the activity. Thus, NIH confused a reason for continuing an activity in-house with a reason for excluding an activity from the inventory.

The most restrictive interpretation of Circular A-76 occurred in FAA. In February 1968 it sent to the Department of Transportation a tentative inventory which contained 38 commercial and industrial activities. In March 1968,

Transportation issued guidelines to FAA containing Transportation's interpretation of Circular A-76. These guidelines instructed FAA to include in its inventory only those activities "which are normally obtained from outside the Government * * *." For determining whether an activity should be considered commercial and industrial, the guidelines stated:

"* * * the first criteria to be applied should be whether the activity is being performed as a separate business-like activity with service to more than one element of the organization. If it is not being so performed but is an incidental increment of a basic organization then it will not normally be considered commercial/industrial. Again the mere fact that the activity could be provided on a contract basis will not of itself make the activity commercial/industrial in nature."

After receiving the guidelines, FAA prepared a revised inventory which reduced the initial list of 38 activities to 9. Some of the activities excluded were buildings and grounds maintenance, guard and police services, janitorial service, maintenance of vehicles and equipment, and garbage collection. These services, we believe, are the type of commercial activities which, under the provisions of Circular A-76, should be included in an agency's inventory.

Because agencies are omitting activities from their inventories contrary to the intent of Circular A-76, we believe OMB should clarify the circular, particularly the definition of a Government commercial or industrial activity. In addition, we believe it would be helpful to include as part of the circular a list, similar to appendix I, of typical types of Government commercial or industrial activities which normally should be inventoried and periodically reviewed.

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INVENTORIES AND REVIEWS NOT
COMPLETED WHEN REQUIRED

Circular A-76 required that each agency identify all in-house commercial or industrial activities and prepare an inventory of the activities by June 30, 1966. Four agencies completed the inventory on time. However, NASA, FAA, and NIH were late in compiling it.

NASA's Goddard Space Flight Center was late because NASA Headquarters did not instruct it to inventory until November 1970, when OMB asked NASA Headquarters to submit a progress report on what it had done to implement the circular. According to NASA, instructions implementing Circular A-76 had not been prepared because, in NASA's opinion, it had always adhered to the intention of the circular. NASA commented that its longstanding policy had been to rely on the private sector to furnish supplies and services and noted that these results had been achieved without relying on the mechanics required by Circular A-76.

An NIH official commented that NIH's inventory was prepared late because the Department of Health, Education, and Welfare (HEW) did not instruct NIH to prepare the inventory until February 1967. HEW officials currently responsible for Circular A-76 did not know why the inventory was requested late.

Circular A-76 also required that all inventoried activities not exempted by the agency head or his designee be reviewed by June 30, 1968, and at least one followup review of each of these activities be made every 3 years.

All agencies, except NASA and the Department of Labor, completed reviews of the inventoried activities by June 30, 1968, or shortly thereafter. Goddard did not complete a review of its activities until April 1971 because it was not officially instructed to adhere to the provisions of Circular A-76 until March 1971.

The Department of Labor has yet to complete a review of one inventoried activity. In June 1966 the Department prepared its inventory of five commercial or industrial activities. It decided that all but the publications warehouse activity would be exempted from an initial review and that

a cost study would be done on the warehouse activity by the end of fiscal year 1968. We were advised that a cost study was not done during fiscal year 1968.

In July 1972, the Department stated that a cost comparison study was still needed on the \$500,000 a year warehouse activity because cost was the determining factor. As of June 1973 such a study had not been made.

The following schedule shows the dates the agencies completed the inventories and initial reviews.

	Completion of inventory (required by <u>June 1966</u>)	Completion of initial review (required by <u>June 1968</u>)
National Institutes of Health	March 1967	March 1967
Bureau of Reclamation	June 1966	August 1968
Department of Labor	June 1966	(a)
Federal Aviation Administration	^b April 1968	^b August 1968
General Services Administration	May 1966	June 1968
NASA-Goddard Space Flight Center	November 1970	April 1971
Atomic Energy Commission	June 1966	June 1968

^aNot completed.

^bBefore becoming part of the Department of Transportation in April 1967, the Federal Aviation Administration completed an inventory and initial review of its activities in July 1966.

All agencies have completed followup reviews of inventoried activities not exempted from review except for the Department of Labor, which has not reviewed the warehouse activity, and Goddard, which is still making the first followup reviews. Goddard is scheduled to complete followup reviews of the 10 inventoried activities by fiscal year 1974--3 years after completing its initial review.

Although most agencies have completed followup reviews, we noted that about one-third of the inventoried activities were exempted from them. AEC advised us, for example, that although its four inventoried activities were not subjected to the Circular A-76-prescribed followup review, the activities were and are reviewed during periodic budget reviews.

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COST STUDIES

Circular A-76 permits in-house performance of a commercial or industrial activity when a comparative cost analysis, prepared in accordance with the provisions of the circular, indicates that the Government can provide the product or services at a cost lower than can be obtained commercially. Cost studies should not be made, however, if in-house provision of the product or service is clearly justified by other provisions of the circular.

Generally, the agencies we visited used considerations other than cost as bases for continued in-house performance of inventoried activities. The two conditions most frequently cited in justifying in-house performance were that (1) procurement of a product or service from a commercial source would disrupt or materially delay the program and (2) a satisfactory commercial source was not available and could not be developed in time to provide a product or service when needed.

Agencies should exercise care in citing Circular A-76 conditions other than cost to justify in-house performance of activities. Lack of such care can clearly waste agency resources.

NIH was the only agency visited which prepared a cost comparison study on an inventoried in-house activity in the depth prescribed by Circular A-76. This cost study, which pertained to the breeding of small animals (mice and rats), was done in December 1966 and showed that the activity could be performed more economically in-house.

The General Services Administration (GSA) and the Department of Labor have considered cost in reviewing inventoried commercial activities; however, they have not done so in the depth prescribed by Circular A-76.

GSA has done detailed Circular A-76-type cost studies only on activities to be contracted or already being contracted. It has used other means to justify continued in-house performance.

A GSA official in the Public Buildings Service said that although GSA has not made detailed cost studies on

inventoried in-house services, it has made brief cost comparisons, such as for the cleaning of public buildings. These comparisons, however, have not been done in the depth prescribed by Circular A-76 because they involve only the average direct square footage cost of cleaning public buildings by GSA and by commercial sources.

The Department of Labor has made similar cost comparisons on three of the four inventoried services--visual and photographic, data processing, and printing and reproduction. For example, a comparison was made of the average per-hour direct salary rates of certain data processing positions of civil service employees versus those of contractor personnel. Like those of GSA, these comparisons lacked the detail required by Circular A-76.

NEW STARTS

Circular A-76 defines a new start as a newly established Government commercial or industrial activity involving additional capital investment of \$25,000 or more or additional annual production costs of \$50,000 or more. A new start is also considered to be the reactivation, expansion, modernization, or replacement of an activity involving additional capital investment of \$50,000 or more or additional annual production costs of \$100,000 or more.

Officials at the various agency locations we visited said that, to their knowledge, there has been only one new start during fiscal years 1970, 1971, and 1972. Agency personnel limitations may have contributed to this fact. A GSA official at Region 3 said the cleaning of the Forrestal Building was converted from contract to in-house because of quality of work and tenant complaints. Our review did not disclose any additional new starts since fiscal year 1970.

CONVERSION OF INVENTORIED ACTIVITIES

If, as a result of review, the operation of an in-house activity cannot be justified through the provisions prescribed in Circular A-76, the performance of the activity should be converted to contract. In analyzing each agency's initial review, and in some cases followup reviews, we found only one instance at the locations visited in which an inventoried activity was converted from in-house to contract.

We observed that Circular A-76 generally has had little effect on the way agencies perform commercial or industrial activities.

INTERNAL AUDIT COVERAGE

To insure that an agency is properly implementing the provisions of Circular A-76, a review and an evaluation of agency actions is required. This evaluation should involve measuring the actions taken in terms of the requirements of the circular and communicating the appraisal to agency officials who can take corrective action.

The internal audit group should make the evaluation because it is independent of the operating elements and can therefore make an objective appraisal of the agency's effectiveness in implementing Circular A-76.

Through discussions with officials of each agency's internal audit group, we found that only AEC has made internal audit reviews of its implementation of Circular A-76. The other agencies' internal audit officials were familiar with the requirements of the circular but cited staff shortages and higher priority work as reasons for not reviewing agency implementation actions. Thus, responsible officials are not being provided with such independent evaluations.

AGENCY IMPLEMENTING INSTRUCTIONS

Circular A-76 required that each agency issue instructions implementing the requirements of Circular A-76. Although each agency met the requirement, many instructions were not satisfactory because they were too general and were subject to multiple interpretations. Generally, such instructions are simply restatements or abbreviated versions

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of Circular A-76. As a result, shortcomings appeared in agency A-76 programs, including the omission of activities from inventories and the unsupported review justifications, as discussed on pp. 7 and 9.

It is necessary, to some extent, to prepare a document like Circular A-76 in general terms because it establishes and communicates a Government policy to many agencies with differing goals, missions, and programs. In preparing agency implementing instructions, however, agency officials should be more specific and tailor the general requirements and/or provisions of Circular A-76 to the specific needs and peculiarities of the agency.

CHAPTER 3RECOMMENDATIONS OR SUGGESTIONS

Our recommendations, which generally parallel those expressed by the entire Commission on Government Procurement, are that a new approach and stronger implementation is needed to apply Circular A-76 policies consistently and timely. OMB should take steps to apply these policies more vigorously and comprehensively. Although most Commission members preferred not to specify a particular method, the entire Commission agreed that the method recommended below would be one way of achieving the objective.

The Director of OMB should appoint a senior member of his staff to devote full time to this matter. This appointee should be assisted by an interagency task force whose members would also work full time for 1 to 2 years, or until the program is thoroughly implemented.

The functions of the task force would be to:

- Work with each principal agency to (a) prepare a definitive time schedule covering the completion of the agency's inventory of commercial or industrial activities being performed in-house, and (b) outline, in order of priority, the analyses to be conducted.
- Offer assistance and advice by maintaining a review of each agency's actions on the program and examining the agency's studies of its major activities.
- Participate directly with the agencies in studies of the largest commercial and industrial activities.

OMB may wish to use the results of the task force efforts to clarify Circular A-76, particularly the definition of a Government commercial or industrial activity. OMB should also assist agencies in revising their implementing instructions to be more specific and to tailor the general requirements and/or provisions of the circular to the specific needs of each agency.

Agency officials should take appropriate action to insure that justifications for continuing in-house commercial

activities are adequately supported. In addition, these officials should use existing internal audit capability to provide officials responsible for implementing Circular A-76 with independent evaluations of agencies' compliance.

CHAPTER 4.

AGENCY COMMENTS AND GAO EVALUATION

We obtained official comments on a draft of this report from each of the agencies included in the review. In all cases, agency officials agreed with the report's factual content.

The results were verbally discussed with each agency except NASA, which provided written comments. HEW and GSA confirmed their discussions with us in writing. OMB, as the agency responsible for Circular A-76, provided the comments in appendix II.

CHAPTER 5

SCOPE

We made our review to determine whether selected civil agencies have adhered to the requirements of Circular A-76 in obtaining commercial and industrial products and services. Previously we reported the results of a similar review involving the Department of Defense.

We reviewed Circular A-76 and the selected civil agencies' implementing instructions and discussed implementation of the circular with agency personnel. We examined inventories, reviews, and supporting documentation.

Our review was performed at the headquarters level and field installations of selected civil agencies at the following locations.

AEC	Richland Operations Office Richland, Washington
Bureau of Reclamation	Region 7 and Engineering and Research Center Denver, Colorado
HEW	NIH Bethesda, Maryland
Department of Labor	Region 6 Dallas, Texas
FAA	Great Lakes Region Chicago, Illinois
GSA Public Buildings Service	Region 3 Washington, D.C.
NASA	Goddard Space Flight Center Greenbelt, Maryland

Annual operating costs of the commercial or industrial activities inventoried by the agencies total about \$300 million.

LIST OF TYPICAL GOVERNMENT COMMERCIAL OR
INDUSTRIAL SERVICES ENCOUNTERED BY GAO

Audiovisual	General automobile repair
Laundry	Machine shop
Moving	Duplicating
Visual aids and graphic arts	Building maintenance
Printing	Warehousing
Guard	Commissary
Systems maintenance	Maintenance and operation of utility system
Motor pool	Garbage collection
Automatic data processing	Library
Sanitation	Repair, minor construction, and alteration of buildings
Craft shops	Mail and messenger
Ground maintenance and landscaping	Design and drafting
Engineering	Historian
Carpentry	Medical
Photography	Shipping and receiving
Cafeteria	Fire and/or crash rescue
Mapping	Office machine repair
Air transportation	Bus

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APPENDIX I

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Road construction
and maintenance

Installation of furniture and
office equipment

Communications

Training and consultant

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

MAY 25 1973

Mr. H. L. Krieger
Regional Manager
Washington Regional Office
U. S. General Accounting Office
803 West Broad Street
Falls Church, Virginia 22046

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Dear Mr. Krieger:

Reference is made to your letters to the Director dated March 6, 1973, and May 14, 1973, concerning your draft report entitled "Better Management+ Needed in Civil Agencies Over Selection of In-House or Contract Performance of Support Activities."

We welcome the review by the General Accounting Office of the implementation of OMB Circular A-76 in selected civil agencies and appreciated the opportunity to review the initial draft report with your staff. The revised draft overcomes most of the deficiencies which we noted in our discussion and in general we believe it is a fair and objective presentation of the situation.

The recommendations or suggestions which comprise Chapter 3 of the report are taken almost verbatim from the Report of the Commission on Government Procurement, Part A, Chapter 6. Since those recommendations will be evaluated in the course of carrying out the executive branch plans for the review and implementation of the Commission's report our comment at this time on the identical recommendations in your draft report would be premature.

We note on the third page of the Digest and on page 10 of the report a GAO observation that agency recommendations to continue in-house activities generally were based on considerations other than cost. That observation standing alone is not questioned and we understand from your staff that no criticism of agencies in that finding is intended. However, we believe its inclusion with three other observations, all of which reflect critically on agencies' performance, carries the implication that GAO considers cost savings to

APPENDIX II

be the preferred basis for a decision to continue in-house activities. Since that conclusion is not intended, other phrasing or additional explanation could be helpful in avoiding possible misinterpretation of the GAO view.

Thank you for the opportunity to comment on the draft report.

Sincerely,

A handwritten signature in cursive script that reads "Dudley C. Mecum".

Dudley C. Mecum
Assistant Director
Management and Organization

AGENCY OFFICIALS RESPONSIBLE FOR
ADMINISTRATION OF ACTIVITIES
DISCUSSED IN THIS REPORT

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	Tenure of office	
	From	To
<u>AEC</u>		
CHAIRMAN:		
Dixy Lee Ray	Feb. 1973	Present
James R. Schlesinger	Aug. 1971	Feb. 1973
Glenn T. Seaborg	Mar. 1961	Aug. 1971
DIRECTOR OF REGULATION:		
L. Manning Muntzing	Oct. 1971	Present
Harold L. Price	Sept. 1961	Oct. 1971
GENERAL MANAGER:		
Robert E. Hollingsworth	Aug. 1964	Present

DEPARTMENT OF THE INTERIOR

SECRETARY OF THE INTERIOR:		
Rogers C. B. Morton	Jan. 1971	Present
Fred J. Russell (acting)	Nov. 1970	Dec. 1970
Walter J. Hickel	Jan. 1969	Nov. 1970
Stewart Udall	Jan. 1961	Jan. 1969
COMMISSIONER OF RECLAMATION:		
Gilbert G. Stamm (acting)	Apr. 1973	Present
Ellis L. Armstrong	Nov. 1969	Apr. 1973
Floyd E. Dominy	May 1959	Oct. 1969

HEW

SECRETARY, HEW:		
Caspar W. Weinberger	Feb. 1973	Present
Frank C. Carlucci (acting)	Jan. 1973	Feb. 1973
Elliot L. Richardson	June 1970	Jan. 1973

APPENDIX III

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Tenure of officeFrom ToHEW (continued)

SECRETARY, HEW: (continued)

Robert A. Finch	Jan. 1969	June 1970
Wilbur J. Cohen	Mar. 1968	Jan. 1969
John W. Gardner	Aug. 1965	Mar. 1968

DIRECTOR, NIH:

John F. Sherman (acting)	Jan. 1973	Present
Robert Q. Marston	Sept. 1968	Jan. 1973
James A. Shannon	Aug. 1955	Aug. 1968

DEPARTMENT OF LABOR

SECRETARY OF LABOR:

Peter J. Brennan	Feb. 1973	Present
James D. Hodgson	July 1970	Feb. 1973
George P. Shultz	Jan. 1969	June 1970
W. Willard Wirtz	Sept. 1962	Jan. 1969

DEPARTMENT OF TRANSPORTATION

SECRETARY OF TRANSPORTATION:

Claude S. Brinegar	Feb. 1973	Present
John A. Volpe	Jan. 1969	Feb. 1973
Alan S. Boyd	Jan. 1967	Jan. 1969

ADMINISTRATOR, FAA (note a):

General William F. McKee	July 1965	July 1968
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GSAADMINISTRATOR OF GENERAL
SERVICES:

Arthur F. Sampson (acting)	June 1972	Present
Harold S. Trimmer (acting)	Apr. 1972	June 1972
Rod Kreger (acting)	Jan. 1972	Apr. 1972
Robert L. Kunzig	Mar. 1969	Jan. 1972
Lawson B. Knott, Jr.	Nov. 1964	Feb. 1969

Tenure of office

From To

GSA (continued)

COMMISSIONER, PUBLIC BUILDINGS
SERVICE:

Larry F. Roush (acting)	Jan. 1973	Present
John F. Galuardi (acting)	June 1972	Jan. 1973
Arthur F. Sampson	Mar. 1970	June 1972
Arthur F. Sampson (acting)	Dec. 1969	Mar. 1970
Raymond F. Myers	June 1969	Dec. 1969
William A. Schmidt	Sept. 1966	June 1969
William A. Schmidt (acting)	Aug. 1966	Sept. 1966
Casper F. Hegner	Oct. 1965	Aug. 1966

NASA

ADMINISTRATOR:

James C. Fletcher	Apr. 1971	Present
George M. Low (acting)	Sept. 1970	Apr. 1971
Thomas O. Paine	Apr. 1969	Sept. 1970
Thomas O. Paine (acting)	Oct. 1968	Apr. 1969
James E. Webb	Feb. 1961	Oct. 1968

DIRECTOR, GODDARD SPACE FLIGHT
CENTER:

John F. Clark	May 1966	Present
John F. Clark (acting)	July 1965	May 1966

OMB (note b)

DIRECTOR, OMB:

Roy L. Ash	Feb 1973	Present
Caspar W. Weinberger	June 1972	Feb. 1973
George P. Shultz	July 1970	June 1972

APPENDIX III

Tenure of office

From To

OMB (continued)

DIRECTOR, BUREAU OF THE BUDGET:

(note b)

Robert P. Mayo	Jan. 1969	June 1970
Charles J. Zwick	Jan. 1968	Jan. 1969
Charles L. Schultze	June 1965	Jan. 1968

^aIn April 1967 the Federal Aviation Agency became the Federal Aviation Administration as part of the Department of Transportation.

^bUnder the President's Reorganization Plan No. 2, effective July 1, 1970, the Bureau of the Budget was incorporated into the newly established Office of Management and Budget.

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