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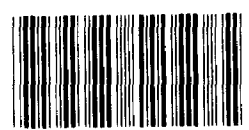
General Accounting Office

Stronger Controls Needed Over Federal Agency Contracting For Moving And Labor Services

Millions of dollars in contracts are awarded by the Federal Government every year to move furniture, supplies, and equipment from one Federal office location to another and for other labor services. Most agencies use a flexible contracting arrangement which enables the agency to order moving services when needed, paying based on the hours worked by contractor employees.

However, Federal agencies using these contracts did not provide adequate controls and contract management and, in many cases, paid higher prices for services than necessary. Furthermore, GAO found that in many instances Government employees were improperly supervising the contractor employees.

GAO's recommendations will enable the Government to take advantage of possible savings and to eliminate the potential for misuse and abuse of these contracts.



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WASHINGTON, D.C. 20548

PROCUREMENT AND SYSTEMS
ACQUISITION DIVISION

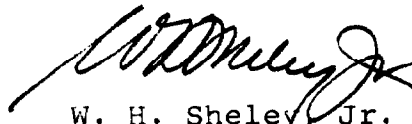
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Administrator of General Services
The Secretary of Transportation
The Attorney General of the United States
The Secretary of Labor
The Secretary of the Interior
Administrator, Environmental Protection
Agency
The Secretary of Agriculture

This report discusses our review of civilian agencies' efforts in the Washington, D.C., area to contract for moving and other related labor services.

We are recommending that the General Services Administration (GSA) expeditiously implement the proposed regulation change requiring mandatory use of GSA contracts for office relocations and establish procedures to better monitor agency use of these contracts. We are also recommending that the heads of civilian agencies, discussed in this report, emphasize more use of fixed-price contracts for these services, prevent or eliminate the misuse of the labor-hour contracts, and improve internal controls and contract management.

This report is also being sent to the Director, Office of Management and Budget; the Administrator, Office of Federal Procurement Policy; and the chairmen, House and Senate Committees on Appropriations, Senate Committee on Governmental Affairs, and House Committee on Government Operations.


W. H. Sheley, Jr.
Acting Director



D I G E S T

Federal contracting for moving (office relocation) and labor services is plagued by a lack of adequate controls and management over contract actions. Although the General Services Administration (GSA) can award moving contracts to meet agencies' needs, many agencies choose to contract on their own, often resulting in higher prices. It appears also that agencies use moving and labor service contracts improperly as personal service contracts and as a way to circumvent personnel ceilings.

The exact amount of expenditures for these moving and labor services is unknown; however, GAO estimates that in fiscal year 1979 the amount spent on civilian agency contracts may have exceeded \$10 million.

Agencies predominantly use indefinite quantity, labor-hour contracts to meet moving and labor service requirements. Payments under these contracts are made based on contractor labor hours furnished at fixed rates, which include the contractor's labor costs, overhead, and profit. When this type of contract is used, it is essential that agencies provide for adequate control over the contract to assure that services are performed efficiently.

GAO reviewed GSA and other agency moving and labor service contracts in the Washington, D.C., area. Contract expenditures on the contracts reviewed totaled over \$4 million. About 90 percent of these expenditures were made under the labor-hour-type contracts. (See p. 6.)

GAO found that agency control over contract actions under the labor-hour contracts was very weak, as evidenced by

--meaningless contract ceiling prices,

- overlooked discounts,
- limited independent records of hours worked,
- unseparated responsibilities, and
- questionable use of contractor employees.

Based on contract expenditures, GAO estimated that almost \$150,000 in possible discounts was lost at three agencies. (See ch. 2.)

GAO also found that many agencies in the Washington, D.C., area did not use GSA to meet moving and labor service needs, but instead contracted on their own. In doing so, many agencies paid higher hourly rates than were available on existing GSA labor-hour contracts. A comparison of the average hourly GSA rates with average rates paid by eight agencies that contracted on their own showed that the agencies paid an estimated \$173,000 more for labor alone than it would have using GSA contracts. Further, GAO found that fixed-price contracts showed the greatest savings potential for specific office relocations. (See ch. 3.)

The manner in which agencies used moving and labor service contracts in the Washington, D.C., area suggested the existence of improper personal service contracts. Contractors furnished laborers daily to agencies, and Government personnel provided direction and supervision of the laborers. The consistent and extensive use of contract laborers by some agencies indicates that these agencies may have used the moving and labor service contracts to circumvent personnel ceilings. (See ch. 4.)

CONCLUSIONS AND RECOMMENDATIONS

Increased Federal agency use of GSA term contracts and greater use of fixed-price contracts, where feasible, could result in savings to the Government. Also, improvements in control and management over the labor-hour contracts are needed to assure that only needed services are procured; contract provisions are enforced; and the potential for misuse, fraud, and abuse is eliminated.

The Administrator of General Services should

- expedite implementation of the proposed change to the Federal property management regulations, requiring mandatory use of GSA contracts for office relocation services;
- award all office relocation contracts for large numbers of agency personnel (75 to 100 or more) and, where feasible, any smaller office relocations on a fixed-price basis (competitive or Small Business Administration 8(a) negotiated); and
- establish procedures to monitor agency use of office relocation contracts, emphasizing the need for spot checks to assure that agencies are (1) using the labor-hour contract as intended, (2) providing for adequate control and management over contract actions, and (3) adhering to contract provisions.

The heads of agencies discussed in this report should, where appropriate:

- Place greater emphasis on defining requirements for moving and labor services so that fixed-price contracts can be awarded.
- Establish procedures to prevent or eliminate the misuse of GSA moving service contracts, which has led to improper personal service term contracts and possible circumvention of agency personnel ceilings.
- Establish adequate internal controls and contract management over present and future labor-hour moving service requirements to provide for, as a minimum,
 1. documented justification for services required, such as daily workload requirements with estimates of the number of people needed to satisfy the requirement,
 2. independent records of daily contractor-furnished hours to be maintained by agency personnel, and

3. separation of duties to ensure that different agency personnel are responsible for ordering, monitoring, and certifying services.

--Require discounts to be taken on current and future moving contracts offering discounts.

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ABBREVIATIONS

DOE	Department of Energy
DOL	Department of Labor
DOT	Department of Transportation
EPA	Environmental Protection Agency
GAO	General Accounting Office
GSA	General Services Administration
USDA	U.S. Department of Agriculture

CHAPTER 1

FEDERAL CONTRACTING TO MEET MOVING AND

LABOR SERVICE NEEDS

BACKGROUND

Office relocations are a common occurrence in the Federal Government. Changing administrations, reorganizations, and switching from old office space to new space are a few of the many reasons for office relocations. For our purposes, an office relocation is the physical movement of work stations (chairs, desks, tables, and so forth) from one point to another. While the frequency of office relocations varies, most agencies experience some office relocation needs each year.

Some Federal agencies have daily labor service needs in addition to their office relocation needs. These needs may include such things as small office relocations or rearrangements, pickup and delivery of supplies and equipment, unloading of trucks, setting up of conference rooms, or other basically unskilled labor tasks.

To satisfy both types of service requirements, the General Services Administration (GSA) and other Federal civilian agencies contract with office moving firms. Agencies use the same firms, predominantly specialists in office relocations, and frequently the same contracts to meet their office relocation and daily labor service needs. The exact amount of Government expenditures for these contracts is unknown. However, based on our review, we estimated that the amount spent on civilian agency contracts may have exceeded \$10 million in fiscal year 1979.

GSA's ROLE AND THE TYPES OF CONTRACTS USED

Current Federal property management regulations provide that GSA will enter into office relocation contracts on behalf of Federal civilian agencies if requested to do so by the agency. These contracts are of two basic types: (1) term contracts for office relocations estimated to cost \$5,000 or less per order where requirements are indefinite and so that all Federal agencies can use the contracts when needs arise and (2) specifically requested contracts to meet an individual agency's moving requirement, usually estimated to exceed \$5,000 on single office moves. The term contracts are awarded on an indefinite quantity, fixed-rate, labor-hour basis, where payments are made based on applying

labor rates bid to the number of labor hours furnished. If agencies request GSA to enter into a moving contract specifically for their needs, these contracts are mandatory for the agency to use. (For our purposes, term contract and labor-hour contract are used interchangeably throughout the remainder of the report.) Based on data furnished to us by GSA, about \$4 million was spent in fiscal year 1978 on office relocation contracts awarded by GSA's 10 regional offices.

Federal regulations, however, permit civilian agencies to contract directly for moving services rather than request GSA to award the contract. In most cases, the agencies' contracts resemble GSA's term contracts in that quantities are indefinite, but the price for a labor hour is fixed. However, it appeared more common for agencies in the Washington, D.C., area to award their own contracts than in other cities where there was a concentration of Federal agencies.

Recent proposed regulation change

In July 1979, GSA proposed a change to the Federal property management regulation that would require civil agencies to use GSA exclusively to contract for office relocations. According to a GSA official, higher priority requirements and personnel changes delayed processing the proposed change. However, the changed regulation is currently scheduled to be published in October 1980.

Labor-hour term contract

The GSA labor-hour term contracts are competed on a restricted basis among small business firms. In discussing this type of contract, Federal Procurement Regulation 1-3.406-1 notes that it does not afford the contractor any incentive to manage its labor force efficiently and minimize costs. Therefore, it is essential that this type of contract be used only where provision is made for adequate controls, including appropriate surveillance by Government personnel to assure that inefficient or wasteful methods are not being employed. When using this type of contract, a ceiling price is to be established which the contractor exceeds at its own risk. The labor-hour contract should be used only after determining that no other type of contract will be suitable.

Fixed-price moving contract

In addition to the term contracts awarded for an individual agency's use in the National Capital region, GSA is frequently requested by agencies to award contracts to meet specific agency office relocation requirements.

The move accomplished under a fixed-price contract is well-defined, and the agency is quite certain as to when the move will take place. GSA competes these contracts on a restricted basis with small businesses. In contrast to the labor-hour contract, the contractor awarded the fixed-price contract has an incentive to efficiently and economically execute the contract. If price competition is obtained, the Government can expect a fair and reasonable price.

PERSONAL SERVICES CONTRACTING AND CIRCUMVENTION OF PERSONNEL CEILINGS

The Federal Government is prohibited from contracting for personal services except as specifically authorized by law. Improper personal services contracting, as applied to moving and other labor services, is the procuring of services by contract in such a manner that an employer-employee relationship is created between the Government and the contractor or the contractor's employees. Whether an employer-employee relationship exists depends upon several factors, the most important being the degree of supervision by Government employees.

Legislation introduced

A growing concern over agencies contracting out to circumvent personnel ceilings prompted Congressman Herbert E. Harris II to introduce House bill 4717 on July 10, 1979. At the close of our review, the proposed legislation which has been reported out of the House Committee on Post Office and Civil Service and the House Committee on Government Operations was

"* * * to provide for adjustments to Federal personnel ceilings based upon the extent that Federal functions are contracted out, to provide that performance in administering personnel ceilings and contracting-out requirements are taken into account in evaluating the performance of Federal executives and managers, and for other purposes."

PRIOR REPORT ON MOVING CONTRACTS

In a March 28, 1979, letter to the Secretary of the former Department of Health, Education, and Welfare (PSAD-79-60), we reported that the agency paid excessive prices because it awarded sole-source contracts and did not take advantage of available competition for its moving service requirements. Also, because of its lack of controls over moving services, we concluded that opportunities existed for

fraud and abuse. We recommended that actions be taken to obtain competition and tighten controls, and the agency took actions to accomplish these.

OBJECTIVES, SCOPE, AND METHODOLOGY

Because of the problems identified at the former Department of Health, Education, and Welfare, we reviewed other Federal agencies to see if similar situations existed.

The review was conducted from June 1979 to August 1979 in Los Angeles, California, and from June 1979 to February 1980 in the Washington, D.C., area. We examined GSA term and fixed-price moving contracts and individual agency contracting actions for moving and labor services. Our review included discussions with officials and examinations of procurement files, billing documents, and other pertinent contract records.

Seven agency locations in Los Angeles and 21 in Washington, D.C., were visited during our review. Although several of the locations reviewed were part of one agency, they each had separate procurement responsibility and, for our purposes, were treated as separate units. The expenditures on the fiscal year 1979 contracts that we reviewed were more than \$4 million.

Los Angeles and Washington, D.C., were chosen as review sites because of the concentration of Federal agencies in these cities. We reviewed GSA activities in both cities. Otherwise, agencies reviewed in Los Angeles were selected randomly, while those examined in Washington, D.C., were selected based on some knowledge as to whether they obtained moving and labor services through GSA or not. In Los Angeles, work was performed at five activities, and our purpose was to obtain comparable contracting information on different agency contracting methods used, such as extent of competition, price, contract administration, and internal controls. At the GSA National Capital region, we reviewed the contract files for the 11 labor-hour term contracts in the Washington, D.C., area. We selected three of these for indepth review at the agencies using these contracts.

Our Los Angeles work was limited to agencies that used the GSA term contracts to satisfy moving and labor services requirements because we found no evidence that agencies contracted on their own. At these Los Angeles locations, we reviewed agencies' internal controls and contract administration efforts pertaining to the office relocation contract.

Related reports

Our limited examination in Los Angeles disclosed some minor problems, which we reported on November 30, 1979, to the Regional Commissioner, GSA Transportation and Public Utilities Service, region 9, and regional offices of the U.S. Customs Service, Internal Revenue Service, and Veterans Administration. We found weaknesses in the agencies' controls over payments made to contractors furnishing office relocation services. We identified almost \$3,000 in overpayments made during a 7-month period on the GSA Los Angeles term contract. We recommended that actions be taken to correct the problems identified and recover any overpayments made. GSA and the other agencies involved responded and took appropriate corrective actions. Accordingly, the work done in the Los Angeles area is not discussed in the following chapters of this report which deal only with our work in the Washington, D.C., area.

During our review, we also reported to the Secretary of Energy on our work done at the Department of Energy (DOE) in the Washington, D.C., area (PSAD-80-26, Feb. 20, 1980). Because of the large amounts being spent by DOE for moving and labor services and the serious weaknesses in controls found, we recommended immediate actions be taken to correct the situations that existed. DOE responded to our recommendations stating that efforts were underway to remedy the serious problems we disclosed. The problems identified at DOE and discussed in this report are included to provide a complete picture of the expenditures and controls over these types of services in the Washington, D.C., area.

CHAPTER 2

INADEQUATE AGENCY CONTROL AND MANAGEMENT

OVER CONTRACTS HAS CONSEQUENCES

Our review of GSA and agency labor-hour contracts revealed that some civil agencies failed to provide adequate control and management over contract actions. This failure resulted in uneconomical and questionable practices and increased the potential for fraud.

Of the over \$4 million spent on fiscal year 1979 contract awards for moving and labor services in the Washington, D.C., area that we reviewed, about \$3.6 million was attributable to labor-hour, indefinite quantity contracts. About 90 percent of the total contract expenditures were made in four agencies--DOE, the Department of Transportation (DOT), the Department of Labor (DOL), and the Environmental Protection Agency (EPA). The table below shows this information for the agencies reviewed in the Washington, D.C., area.

Moving and Labor Service
Contract Expenditures (note a)
in Agencies Reviewed
(Washington, D.C., only)

<u>Agency</u>	<u>No. of agency activities reviewed</u>	<u>Expenditures</u>		<u>Total</u>	<u>Percent of total</u>
		<u>Labor-hr. contract</u>	<u>Fixed-price contract</u>		
DOE	1	\$2,010,075	-	\$2,010,075	50.2
DOT	3	480,430	\$167,000	647,430	16.2
EPA	1	287,738	210,163	497,901	12.4
DOL	1	445,552	-	445,552	11.1
Interior	4	148,808	6,101	154,909	3.9
Justice	3	120,869	17,142	138,011	3.4
National Science Foundation	1	59,428	-	59,428	1.5
Agriculture	4	50,652	-	50,652	1.3
Total	<u>18</u>	<u>\$3,603,552</u>	<u>\$400,406</u>	<u>\$4,003,958</u>	<u>100.0</u>

a/Expenditures reviewed covered a contract period of 1 year except in the Departments of Agriculture and the Interior, which include only a 9-month period.

Reasons for the wide range of expenditures for moving and labor services varied. DOE paid excessive prices and used contractor employees in various capacities other than moving services. Other agencies such as the U.S. Department of Agriculture (USDA), the Interior, and Justice used the contracts only to supplement an already existing agency labor force performing these services.

WEAKNESSES IN CONTROLS AND MANAGEMENT OVER CONTRACTS

We found weaknesses in agency controls and management over contract actions for moving and labor service contracts. The inadequacies were evidenced by meaningless contract ceiling prices, overlooked discounts, limited independent records of hours worked, responsibilities not separated, and questionable use of contractor employees.

Adequate controls and contract management are a necessity when using a labor-hour contract to assure that inefficient or wasteful methods are not being used. The Federal procurement regulations, in discussing interagency use of term contracts, delineates the responsibilities of both the contracting and using agencies. GSA, as the contracting office for term moving contracts, is responsible for (1) arranging with participating offices for submission of estimated requirements, (2) soliciting and analyzing bids and awarding and executing contracts, (3) exercising general contract administration, except followup and expediting, and (4) making available to the participating office such contract data as is required for placing orders, payment of invoices, and so forth.

On the other hand, the using agency (the agency for which GSA awarded the contract) is responsible for (1) placing orders directly with the contractor, (2) arranging for inspection and acceptance, and (3) arranging for billing and paying the contractor. These responsibilities require the using agency to establish adequate controls to assure that contract actions are carried out effectively and properly. Similarly, when an agency awards a contract for its own use, that agency is responsible for providing adequate control over the contract activity.

On moving and labor service contracts, the responsibility for requesting, using, and monitoring these contracts was delegated to the administrative and support services division in the agencies we reviewed. Tasks required in contract management were further delegated to the agencies' supply offices.

Meaningless contract ceiling prices

Although a ceiling price was to be established when labor-hour contracts were awarded, these ceiling prices were meaningless as an expenditure control mechanism on the moving and labor service contracts. A ceiling price is the maximum amount of money an agency could spend for various services furnished under the contract.

On the contracts awarded by DOE, DOT, and EPA, initial contract cost estimates totaled \$1.3 million. However, the actual expenditures totaled \$3.16 million, almost 250 percent of the initial contract estimates. Most of this increase was at DOE, where the initial contract estimate went from \$600,000 to actual expenditures of \$2.01 million. Reasons given for the increase in costs were added requirements and responsibilities levied on the responsible agency administrative support offices. The contracts were subsequently modified to raise the dollar amounts to be spent on the contracts. The initial contract estimates or ceilings were nothing more than the dollars obligated for these contracts; and, if they were exceeded, the agency obligated additional money.

These initial contract estimates provided no risk to the contractor because he was paid for all the hours of work furnished without any limits on the number of hours to complete a task or group of tasks. In essence, agencies ordered contractor employees to perform labor functions as it became necessary, rather than providing the contractor in advance with a description of the tasks that needed to be done and agreeing on the effort (labor hours) required. This estimate could then become a firm ceiling price as agreed through negotiation between the agency and the firm. The total freedom and flexibility agencies had on the moving and labor service contracts encouraged little or no agency planning.

Discounts overlooked

Some contractors in bidding on moving contracts proposed prompt payment discounts; however, agencies failed to take advantage of the discounts offered. At three agencies we reviewed, the failure to take discounts cost the Government about \$150,000.

We found that agencies considered these discounts in determining the lowest bidders; hence, the discounts influenced which contractor was chosen. The discounts proposed on the three agencies' moving and labor service contracts

were: DOE, 5 percent for 20 days; DOL, 10 percent for 20 days; and the National Science Foundation, 4 percent for 20 days. The agencies and the amounts of discounts lost based on contract expenditures amounted to

DOE	\$100,504
DOL	44,555
National Science Foundation	<u>2,377</u>
Total	<u>\$147,436</u>

DOE finance office personnel claimed no knowledge of the discount or the potential savings. DOL officials claimed that the flow of paperwork through the approval channels prevented the timely receipt of certified invoices in the finance office. In many cases, the time limit had almost expired or had expired by the time invoices were received in the appropriate finance office sections. Thus, a discount could not be taken.

The impact of not taking these prompt payment and other discounts is apparent in the dollar amounts lost. Also, it is inconsistent and wasteful for agencies to consider discounts in selecting the lowest bidder and then not to take them. Unless agencies actually take these discounts, they should not be considered in determining the most favorable contract price. The discounts offered here are economical and far exceed the Government's cost of money.

Limited independent record
of hours worked

We found that most agencies made at least marginal efforts to maintain independent records of hours worked by contractor employees. However, we found that some agencies did not provide adequate controls over contractor hours worked and, consequently, had little or no assurance that laborer charges billed represented actual hours worked.

Four agencies in the Washington, D.C., area maintained some independent record of contractor hours worked. For instance, DOT and DOL maintained records of timesheets that it matched against invoices when submitted. The Department of the Interior's Office of Administrative Finance kept records using a logbook. Agency personnel at the Interior's National Park Service used a desk calendar to maintain a record of the hours worked. While the latter method provided limited control, at best, each of the above methods shows that most agencies attempted to provide assurances

that hours claimed to have been worked by contractor employees were, in fact, provided.

DOE and EPA in Washington, D.C., however, maintained no independent record or timesheets on contractor employees' hours worked on their moving and labor service contracts. Each of these agencies used contractor laborers daily and contract expenditures were \$2.01 million for DOE and \$0.29 million for EPA. These agencies relied on the contractor to maintain and provide records of the laborers' hours worked each day. We found no evidence of any agency-maintained sign-in or sign-out sheets or other agency-maintained record of contractor hours worked. The more serious problem existed at DOE where agency personnel were unable to determine the number of contractor employees who reported to work each day and yet certified the contractor invoices for about 80 contract workers per day.

Responsibilities not separated

In most agencies the responsibility for requesting and overseeing services provided under labor-hour contracts, as well as receiving and approving invoices for payment to contractors, was usually assigned to one person. This lack of separation of duties was a weakness in internal controls.

Good internal control procedures require that responsibilities be separated to assure that no one person has total control over a function or contract. Normal contracting procedures would find one person awarding the contract or ordering services, another person certifying that goods or services were received, and another checking to be sure that the prices and terms agreed to in the contract were met.

In 11 out of the 17 agency locations reviewed where labor-hour contracts were used, one person, for the most part, was responsible for ordering moving and labor services, verifying that services were furnished, and certifying invoices for payment. This condition existed in the agencies that had sizable expenditures, such as DOE and DOL, as well as those with small amounts of expenditures, such as USDA.

Questionable use of contractor employees

Office relocation contracts awarded by GSA provide for transportation of furniture, supplies, equipment, and related moving services. The contracts further state that the contractor shall furnish all supervision, labor, materials, and equipment necessary to perform all of the services contemplated under the solicitation. The scope of the contracts

awarded by agencies also includes these services, as well as some other labor services.

We found that some agencies used contractor employees improperly for purposes outside the scope of the contract. While most of the labor-hour contracts were to provide moving services (office relocations), agencies used the contracts to have laborers available to do many different types of tasks.

We found that the GSA office relocation contract used by DOE was being used improperly to operate its self-service supply stores and other administrative service requirements, such as secretarial help. For example, of the 80 contractor employees used daily under the contract, about 25 were being used in 6 DOE self-service supply stores. The work performed consisted of stocking and cleaning shelves, cleaning floors, and delivering paper supplies. Contractor employees used in four of these stores were either directly or indirectly supervised by an agency store manager.

Another GSA contract was used improperly by the National Science Foundation. In this case, contractor employees worked with agency employees to accomplish daily administrative service requirements and to operate a warehouse. At least three contract laborers were used daily, and their tasks included delivering supplies and equipment and rearranging furniture.

We also found that agencies that awarded their own labor-hour contracts used them improperly. For example, the Department of Justice's, Law Enforcement Assistance Administration used contractor employees to supplement in-house capability. The duties of the contractor employees included administrative tasks, mailroom work, and other minor duties such as setting up conference rooms for meetings and parties.

DOL's contract required the contractor to furnish the necessary labor and equipment to perform moving services, as it required, beyond available Government capability from time to time during the period of the contract. Little else was in the contract which described the services or limited the work to be performed by the contractor employees. During our review, we found that DOL had an average daily requirement for 32 contractor employees. These employees accomplished tasks ranging from warehouse duties to furniture repair.

Finally, EPA was using contractor employees on its labor-hour contract as shuttle bus drivers. The scope of the contract stated that the firm was to operate EPA's warehouse and supply store and provide moving services, as necessary.

Even with a broad interpretation of the scope of the EPA contract, we believe it would be difficult to justify warehouse laborers as shuttle bus drivers.

Sound procurement principles provide that work should not be performed outside the scope of the contract. The dangers in using service contracts and contractor employees for any and all types of work raise questions as to whether personnel rules are violated and agencies are using improper personal service contracts. This matter is discussed in more detail in chapter 4.

POTENTIAL FOR FRAUD BECAUSE OF
INADEQUATE CONTROLS AND MANAGEMENT

The lack of adequate internal controls and contract management increases the opportunities for fraud. Inadequate independent records of hours furnished; responsibility for ordering, certifying, and approving services confined to one person; and use of contractor employees for purposes not intended add to the possibility for misuse or abuse of the moving and labor service contracts. While our review was not specifically designed to identify fraud, we found indications that fraud may have occurred.

At several agencies in the Washington, D.C., area, we performed indepth reviews of contractor or agency timesheets and payment records. At three of these agencies, the same contractor furnished moving and labor services. On at least nine occasions, contractor laborers showed up on timesheets at two different agencies for the same days and same times. For example, on one July date, eight contractor laborers showed up on timesheets at two different agencies as working 8:30 a.m. to 5:00 p.m. Payment records indicated that the contractor was paid for the hours claimed at the three agencies. This matter has been referred to the GAO Fraud Task Force.

We believe the situation existed because at least one agency lacked control over its moving and labor service contracts.

CHAPTER 3

IMPROVEMENTS IN AGENCY CONTRACTING PROCEDURES

COULD LOWER COSTS FOR MOVING AND LABOR SERVICES

Most civilian agencies we reviewed paid higher hourly rates when contracting directly for moving services than they did when using GSA contracts because some agencies did not take advantage of available competition and others failed to negotiate prices effectively. Also, agencies failed to use fixed-price arrangements whenever possible for specific office relocations, and one agency paid more than double the amount paid by other agencies using fixed-price contracts. These conditions demonstrate the potential for savings that exists if changes are made in contracting for these services.

GSA TERM CONTRACT AVAILABILITY

Federal Property Management Regulation 101-40.109-2 provides that GSA will award term office relocation contracts for Government agency use in cities where warranted. GSA's National Capital region (Washington, D.C., area) awards these labor-hour contracts for individual agency use as well as for multiple agency use.

In fiscal year 1979, GSA awarded a term contract for use by all Federal agencies in the Washington, D.C., commercial zone. Also, the GSA National Capital region awarded 10 labor-hour contracts for specific agencies to use. The services to be furnished under these contracts were transportation and related moving services for the relocation of furniture, supplies, and equipment.

CONTRACTING METHODS USED BY CIVIL AGENCIES

Of the 18 civil agency procuring activities reviewed in the Washington, D.C., area, 3 used GSA term moving contracts specifically awarded for their daily use. Fourteen contracted individually for the services, while 1 used its own Government laborers. The following table shows the variety of methods agencies used to procure moving and labor services.

Acquisition Methods Used by
18 Agencies Reviewed

<u>Agency reviewed</u>	<u>Acquisition method</u>	<u>Procuring agency</u>	<u>Hourly services performed</u>
USDA:			
Office of Secretary for Administration	a/8(a) BPA	b/SBA	Moving
Agricultural Marketing Service	c/PO	USDA	Labor
Forest Service	In-house	-	-
Soil Conservation Service	BPA	USDA	Labor
DOE	Advertised	GSA	Moving
Department of the Interior:			
Office of Administrative Services	PO	Interior	Labor
Geological Survey	8(a) contracts	SBA	Moving/ warehousing
National Park Service	BPA	Interior	Moving
Fish and Wildlife Service	PO	Interior	Labor
Department of Justice:			
Property and Material Management Division	BPA	Justice	Moving
Drug Enforcement Administration	Advertised	GSA	Moving
Law Enforcement Assistance Administration	BPA	Justice	Moving/labor
DOL	Advertised	DOL	Moving
DOT:			
Office of the Secretary	8(a) contracts	SBA	Moving/ warehousing
National Highway Traffic Safety Administration	Same contracts	SBA	-
Federal Highway Administration	Same contracts	SBA	-
EPA	Noncompetitive	EPA	Labor (warehouse, self-service stores)
National Science Foundation	Advertised	GSA	Moving

a/Basic purchase agreement (BPA) (also referred to as blanket purchase arrangement)—This is a type of small purchase contract arrangement that enables agencies to satisfy day-to-day supply or service requirements. These agreements are used when specific quantities of supplies or services needed are not known in advance of the agreement, but there is sufficient knowledge that orders will be placed against the agreement on numerous occasions to satisfy needs that arise.

b/Small Business Administration (SBA).

c/Purchase order (PO)—This is a standard and simplified form of contracting for small purchases of supplies of nonpersonal services that are immediately available. It is a method used when judged to be economical and efficient.

PRICE ADVANTAGES EXIST
ON GSA TERM CONTRACTS

The procurement methods used by agencies, when obtaining moving services on their own, resulted in higher hourly rates paid than those paid under GSA term moving contracts. The average rates paid by agencies using purchase orders, blanket purchase agreements, 8(a) contracts, and one noncompetitive contract exceeded the average \$7.41 labor rate on the GSA term moving contracts by 11.9 percent, 6.6 percent, 24.7 percent, and 49.9 percent, respectively. The following table compares the average hourly rates of all the categories of services.

Comparison of Average Hourly Rates
Paid on Different Labor Hour Moving Contracts

Procurement method used	Number of agencies	Regular time average hourly rate and percent rates exceed GSA rates					
		Laborer		Supervisor		Truck & Driver	
		Rate	Percent	Rate	Percent	Rate	Percent
Purchase orders	3	\$ 8.29	11.9	\$ 9.37	41.5	\$15.70	16.5
Blanket purchase agreements	a/1	7.90	6.6	-	-	16.50	22.4
Small Business Administration 8(a)	3	9.24	24.7	9.19	38.8	15.76	16.9
Noncompetitive	1	11.11	49.9	11.73	77.2	18.23	35.2
Total	<u>8</u>						
GSA term contracts	10	7.41	-	6.62	-	13.48	-

a/Blanket purchase agreements used at three agencies were not included in this comparison because two agencies used temporary labor pools and the other contracted directly with individuals. This table compares only those activities that contracted with moving firms.

The biggest difference was between the rates paid on the non-competitive contract and the average GSA term contract rates. In addition to the large variance on the labor rate, EPA was charged about 77 percent more for a supervisor and 35 percent more for a truck and driver.

A review of contractor invoices and discussions with GSA and other agency officials showed that the bulk of expenditures on these moving and labor service contracts was for labor. We estimated that between 80 and 85 percent of the costs incurred on the moving and labor service contracts,

excluding the noncompetitive contract, was for labor hours furnished. On EPA's noncompetitive labor-hour contract, an average of nine laborers were used in fiscal year 1979 at a cost of \$97,590. Based on the difference between GSA's average hourly labor rates and the eight agencies' rates shown on the previous chart, we estimated that these agencies paid about \$173,000 more for labor than they might have, had they used a GSA labor-hour term contract. The following table shows the results of our calculations.

Agency procurement method	Total agencies' expenditures	Amount of total attributed to laborers furnished	Percent agency hourly laborer rates exceeded GSA rates	Higher cost of laborers
Purchase orders	\$ 64,589	\$ 51,671	11.9	\$ 6,149
Blanket purchase agreements	33,182	26,545	6.6	1,752
Small Business Administration 8(a)	589,263	471,410	24.7	116,438
Noncompetitive	<u>287,738</u>	<u>97,590</u>	49.9	<u>48,697</u>
Total	<u>\$974,772</u>	<u>\$647,216</u>		<u>\$173,036</u>

Not all agency procurement methods resulted in paying higher labor rates than those paid under GSA labor-hour contracts. DOL, which awarded a small business restricted advertised contract, obtained a contractor labor rate of \$7.04, which was 5 percent lower than the average GSA rate. Similarly, two agencies contracted directly with temporary labor pools, rather than moving contractors, and paid \$5.40 and \$4.65 per labor hour furnished. Finally, one agency contracted directly with two individuals and paid \$5.50 per labor hour furnished. In the last two instances, questions arise as to the propriety of the agency methods used because of the possibility of the existence of improper personal service contracts.

AGENCIES DID NOT RELY ON PRICE COMPETITION

One reason for the differences in rates, as discussed on page 15, is that the contracting method selected by GSA encouraged price competition, while those used by the agencies typically did not. Agencies awarded contracts as minority business set-asides, on a negotiated noncompetitive basis, and as small purchases. One exception existed at DOL, where the most competitively priced of all labor-hour contracts reviewed was a small business restricted, advertised award, as were the GSA contracts.

GSA competed term
moving contracts

Federal Procurement Regulation 1-1.301-1 requires that all contracts, whether by formal advertising or negotiation, be awarded on a competitive basis to the maximum practicable extent. We found that GSA's office relocation contracts, except one which was an 8(a) award, were competed on a restricted basis as small business set-asides. GSA National Capital region contract files showed that GSA received from 4 to 10 bid proposals on each of the 6 competed labor-hour contract awards where this information was obtained. The lowest responsive and responsible bidder was determined by applying established weight factors to the hourly rates quoted and then considering any discount offered by the contractor. On the 11 GSA contracts awarded during fiscal year 1979, 7 different contractors were awarded contracts.

8(a) contracts were not competed
between available firms

The Small Business Administration's 8(a) program is designed to provide Government contracts to capable minority or disadvantaged contractors to help them achieve a competitive position in the marketplace. Agencies award prime contracts to the Small Business Administration, which in turn awards subcontracts to qualified 8(a) firms.

Three agencies we reviewed awarded contracts to the Small Business Administration under the 8(a) program, which in turn were subcontracted noncompetitively, although there was more than one 8(a) firm in the area. The rates paid on these contracts were higher than those on the GSA-awarded labor-hour contracts.

We found at least four qualified 8(a) moving firms in the Washington, D.C., area at the time of our review. However, the moving and labor service contracts used by the three agencies reviewed, were not competed among them. The Small Business Administration made the decision as to which contractor received the contract based on the contractor's (1) projected business plans for the year, (2) operating funds, and (3) capacity to deliver what was required. Small Business Administration officials said that, although the moving and labor service contracts were not competed, agencies could and did negotiate prices with the firm selected. We found indications that prices were negotiated at two of the three agencies we reviewed that had made 8(a) awards.

Price competition nonexistent or
questionable on other agency methods

EPA awarded a noncompetitive labor-hour contract to operate its warehouse and supply store and to satisfy daily labor needs as they arose. While three offers were received and evaluated for technical competence, only one contractor was determined to be in the competitive range. One firm had no previous experience in this type of business and was found to be technically inadequate. A second firm (the lowest bidder) was a moving contractor who, while having experience in satisfying moving and warehouse needs, had no experience in operating a retail store operation similar to an agency's supply store. The third contractor was the incumbent contractor and had the necessary qualifications because he was already performing these functions at the agency. The incumbent contractor was awarded the contract as the only firm falling in the competitive range. This firm's price was almost twice as much as the lowest bidder's price.

In our opinion, had the agency separated its requirement to operate the supply store from the moving service and warehouse operation requirement, it would have obtained increased competition and lower prices. For example, the winning contractor's price for labor alone was 49.9 percent higher than the average of those received on the GSA labor hour term contracts. The estimated price for the EPA labor-hour contract was \$275,067.

Seven other procuring activities we reviewed used small purchase procedures and awarded purchase orders or blanket purchase agreements to procure moving or labor services. Four of these procuring activities contracted with moving firms, two contracted with temporary labor pools, and the last contracted directly with individuals. In the last two cases, we believe that these activities entered into improper service contracts, as discussed in more detail in chapter 4.

The four activities dealing with moving contractors ordered services from these firms intermittently. Agency contract records showed, for example, that two agencies used contractor laborers up to three times a week, and the other two, once or twice a week. Usually at least two laborers were requested by each activity, but as many as six were used on 1 day at three of the activities. The annual agency expenditures using purchase agreements exceeded \$10,000 at all but one location.

Contract files contained little or no evidence to indicate that three of the four procuring activities obtained

any price competition in contracting for moving and labor services. Some agency officials said they called different firms for hourly rates. However, there was nothing in their contract file to indicate any oral or written offers were received by other than the contractor that was used. The rates obtained through the basic purchase agreements and purchase orders were not fixed for a definite period of time as they were in the term moving service contracts, and on the average they were higher than those obtained by GSA.

FIXED-PRICE CONTRACTS SHOW GREATEST SAVINGS
POTENTIAL FOR SPECIFIC OFFICE RELOCATIONS

Two agencies used the labor-hour payment basis for office moves and paid more than agencies that established fixed prices for moves. We believe that, had these two agencies competed their office moves on a fixed-price basis, the costs for the services would have been lower.

GSA generally awards competitive fixed-price contracts for individual moves expected to exceed \$5,000. The GSA term contract is used for moves costing less than this amount. The fixed-price contract establishes the incentive for contractors to maximize their profits by exercising effective cost control and contract performance. The labor-hour contract does not because contractors recover overhead and increase their profits on every additional hour furnished. Therefore, for major moves involving large Government expenditures, agencies are encouraged to award fixed-price contracts.

We found several instances where the cost of agencies' moves exceeded \$5,000. Some of these moves were completed under the labor-hour contract, and others were completed under a fixed-price arrangement. We found some agencies who used fixed-price contracts for specific office moves costing as little as \$585.

DOE, for example, used its GSA term moving contract for large moves in excess of \$5,000 and paid higher prices. The agency used the labor-hour contract to accomplish moves for large numbers of people and paid premium overtime rates for this work because most of the moves were accomplished after normal working hours and on weekends. According to our estimates, DOE paid between \$75 and \$100 per station for some of its moves. The following table shows the cost for some DOE moves of more than 150 stations.

<u>1979 dates of moves</u>	<u>No. of people moved</u>	<u>Payments made at overtime premium rate</u>	<u>Average cost per station moved</u>
Jan. 12, 13, and 14	220	\$16,871.25	\$ 76.69
Jan. 26, 27, and 28	281	28,210.50	100.39
Feb. 23, 24, and 25	190	14,985.00	78.87

In comparison, GSA-advertised fixed-price contracts for large agency moves average between \$40 and \$50 per person moved.

We also found that the Property and Material Management Division at Justice headquarters obtained moving services for large moves using both fixed-price and labor-hour contracts. For example, 1 fixed-price move of 161 stations was completed for \$5,825, or \$36.18 per station. Another move of 125 stations was completed for \$2,930, or \$23.44 per station. Using a labor-hour contract, a third move of 98 stations was completed for \$5,065, or \$51.68 per station.

Another large move was completed at DOT's U.S. Coast Guard, where 3,600 stations were moved. At the time, DOT had a labor-hour contract for moving and labor services. However, agency officials negotiated a fixed-rate arrangement with the contractor and paid \$38.05 per station moved. The move was completed over several months at a cost of \$137,000.

The above examples demonstrate a definite cost savings potential by using fixed-price contracts. Although the agencies had labor-hour contracts in effect, they obtained fixed-price arrangements when specified amounts of work were to be completed. The GSA term office relocation contract also provides for and encourages using fixed-price arrangements with the contractor, whenever feasible. Therefore, we believe that the flexibility of the labor-hour contract should not be used as a substitute for proper planning and management, and agencies should use competitive fixed-price arrangements for moves to the maximum practicable extent.

CHAPTER 4

FEDERAL SUPERVISION OF CONTRACTORS' EMPLOYEES

SUGGESTS IMPROPER SERVICE CONTRACTS

Over half of the procuring activities that we reviewed in the Washington, D.C., area used moving and labor service contracts in ways that created improper personal service contracts. This was because agency employees regularly supervised contractor laborers, an improper arrangement. Also, agencies may have used these contracts to circumvent personnel ceilings. Indications are that tight agency personnel ceilings prevented them from obtaining needed services other than by the daily use of contract laborers to perform any and all types of laborer functions. Although Federal personnel rules prohibit contracting work outside the Government to circumvent personnel ceilings, there is growing concern that Federal agencies are doing this more and more. The recently introduced legislation discussed in chapter 1 deals directly with some of the problems discussed in this chapter.

SEVERAL AGENCIES SUPERVISE CONTRACTOR EMPLOYEES

Evidence indicated that Government personnel supervised contractor employees at 12 out of the 18 activities we covered in the Washington, D.C., area. Government supervision existed on both agency and GSA-awarded labor-hour contracts.

An acceptable contract for services is one in which the relationship between the Government and contractor personnel is not that of employer and employee. The question of whether contractor personnel are functioning in an employer-employee relationship with the Government depends upon several factors, the most important being the degree of supervision of contractor personnel by Government employees. If contractor personnel are supervised by a Federal officer or employee on a regular basis, without special statutory authority, the contract involves the procurement of services in a manner not authorized by civil service laws and regulations. The test devised by the Office of Personnel Management to determine whether contract personnel are being improperly supervised by Government supervisors is as follows:

--Performance is onsite.

--Principal tools and equipment are furnished by the Government.

- Services are applied directly to integral effort of agencies or an organizational subpart in furtherance of assigned function or mission.
- Comparable services, meeting comparable needs, are performed in the same or similar agencies using civil service personnel.
- The need for the type of service provided can reasonably be expected to last beyond 1 year.
- The inherent nature of the service, or the manner in which it is provided, reasonably requires, directly or indirectly, Government direction or supervision of contractor employees in order to
 1. adequately protect the Government's interest, or
 2. retain control of the function involved, or
 3. retain full personal responsibility for the function supported in a duly authorized Federal officer or employee.

The absence of any one or a number of these elements would not mean that supervision does not exist, but only that there is less likelihood of its existence. Moreover, any single element may not be significant unless its presence is felt to a substantial degree.

The following examples illustrate improper personal service contract situations at some of the Federal locations we reviewed.

DOT

The agency awarded a labor service contract through the Small Business Administration 8(a) program for the necessary labor, materials, and equipment to perform any task order issued under the contract. The contract stated that the contractor was responsible for proper supervision of all employees assigned. Under this contract, the contractor furnished several employees daily to various DOT offices.

We found no evidence that contractor supervision was furnished. A review of contract documents and discussions with agency officials and contractor employees revealed that contractor supervisors were neither requested from nor provided by the contractor, and contractor employees were under the supervision of agency personnel in performing the tasks

assigned. They reported to the DOT offices and were given specific tasks to accomplish by agency personnel.

We also found that nine contractor employees had worked continuously at DOT since 1975 through successive awards of contracts to at least two moving firms. We were told that agency personnel specifically requested the contractor to hire many of these individuals because of past performance on previous contracts. Most of the laborers with whom we discussed supervision said that agency employees supervised them, and others said the contractor had not furnished supervisors as far back as 1975.

USDA

At three of four USDA offices we reviewed, evidence suggested personal service contracts. The fourth used in-house labor only for daily labor and moving services. We found that contractor employees were furnished to USDA to supplement an already existing labor force at the three locations. Although the number of laborers furnished varied, at least two were supplied daily at two of the offices. Contractor personnel performed tasks similar to those of USDA employees and were supervised by agency personnel.

At one USDA location, two laborers were used to supplement an already existing agency labor force. The arrangements with these laborers were accomplished under separate purchase orders made out directly to the laborers. The laborers were paid on an hourly basis for working generally between 32 and 40 hours per week. The responsible USDA office, however, prepared the invoices submitted by the laborers for the hours worked. The workers performed tasks similar to those of agency employees and were supervised by a supply office person.

Another USDA office was furnished laborers from a temporary labor pool. Although this location spent only \$3,120 for these services through the first 9 months of fiscal year 1979, the contract laborers worked with agency employees and were supervised by a USDA employee. Use of this type of contract arrangement for temporary labor has been found to violate personal service contracting restrictions on prior occasions when instructions and supervision are provided by Government personnel.

National Science Foundation

Under this GSA-awarded term contract, at least three contractor employees were furnished daily. Even though a contractor employee was listed on daily timesheets as a

supervisor, an agency official provided supervision over all the contract laborers. The agency official said he assigned duties to the contract laborers, monitored their progress, and provided whatever specific directions were needed.

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In our opinion, the circumstances involving the agencies' use of these contracts, specifically the manner in which the laborers were used and who provided supervision, indicate that improper personal service contracts existed.

USE OF CONTRACT EMPLOYEES COULD
CIRCUMVENT AGENCY HIRING CEILINGS

Agencies' daily use of contract laborers to perform a wide variety of tasks, our discussions with agency officials, and the mere presence of improper personal service contracts suggest that agencies are circumventing personnel ceilings by contracting for this work. Use of these contracts in this manner undermines the agency hiring ceilings imposed by the Office of Management and Budget.

We found that an average of 163 contractor employees were furnished daily under the agency and GSA term labor-hour contracts we reviewed. These employees accomplished numerous tasks, including setting up conference rooms, delivering bulk and small supplies, moving typewriters and office equipment to new locations, unloading and loading shipments, repairing furniture, hanging pictures, preparing a room for a Christmas party, operating and managing self-service stores, operating warehouses, driving shuttle buses, cleaning offices, and relocating offices. A review of several months of timesheets and invoices at DOE, DOT, DOL, and EPA showed that an average of 80, 24, 32, and 9 laborers, respectively, were being furnished each day to various agency locations. The remaining agencies reviewed accounted for the other 18 laborers that were used daily at the agencies.

At these and the other agencies reviewed, the laborer function was the responsibility of the agencies' administrative support groups. Within these groups, the responsibility was generally delegated to the supply office. Agency officials said their personnel levels were such that personnel ceilings prevented them from hiring Government employees to accomplish the work performed by the contract laborers. They said this was the predominant reason these services were contracted out rather than done in-house.

Although we did not perform indepth reviews of agency personnel levels and hiring ceilings, we found two examples, one at DOE and another at DOT, which indicated that offices were at or near their personnel hiring ceilings. DOE's supply office, for instance, was authorized 28 people, and 27 of these positions were filled. Similarly, at DOT two of three offices responsible for labor services we reviewed were also at their hiring ceiling at the time of our review.

Further indications that these contractor employees were looked upon as extensions to the agencies' personnel levels were demonstrated at DOT and EPA. Here, the contractors billed the agencies and were paid for Federal employee holidays although the laborers did not actually work on these days. EPA contracting officials were unaware of this and referred the matter to their internal auditors. At the close of our review, the auditors were conducting a review of this situation. At DOT contracting officials were aware of the payments to the contractor for nonworking holidays and were led to believe from superiors that these payments were allowable under the contract. We believe that immediate action should be taken to eliminate paying the contractor for nonworking Federal holidays.

In our opinion, the situation that existed at these two locations raises questions as to whether the contractor employees were treated as if they were agency employees. Holiday payments to employees are a part of contractor overhead and should have been included in the hourly rate charged the agency.

Finally, the employer-employee relationship created in a personal service contract, of itself, indicates that the laborers are an extension of Federal personnel roles. The fact that contract laborers worked side by side with Federal employees, were supervised by agency personnel, and in some agencies were accepted or rejected for work by Federal employees supports this contention.

We believe that, at least partly because of the opportunities for abuse in the labor-hour type of contract used to procure moving and labor services, agencies may be using these contracts to augment administrative support staffs and circumvent established agency personnel hiring ceilings.

DILEMMA FACING AGENCIES--CONTRACTOR
SUPERVISION MEANS INCREASED COSTS

Contractor-provided supervision reduces the risk of an agency's having an improper personal service contract, but a distinct disadvantage of increased contract costs could occur.

The mere presence of someone called a contractor supervisor, however, does not, of itself, discount the existence of a personal service contract as was the case at the National Science Foundation.

At the agencies reviewed, one problem which led us to believe that personal service contract situations existed was that the agency retained control over the functions in which contract laborers were used. At EPA, however, almost total control of the moving and labor services was placed in the hands of the contractor. Also, the supervisory rates charged by the contractor were by far the highest of any of the agencies reviewed.

Under the EPA contract, the contractor was responsible for operating the agency's self-service supply store and warehouse and providing other moving and labor needs. Based on the hourly rates charged the agency for a contract supervisor and foreman, the annual charges under the agency's contract for these two supervisors would be \$40,000 and \$24,400, respectively. These annual contract charges are almost equivalent to the annual salaries of a GS-15 and a GS-12 without taking fringe benefits into account. Similarly, the combined total for the two supervisors, \$64,400, could support the total annual pay of six Federal laborers paid on a WG-2 wage basis.

This creates a dilemma for the agency. It seems to be an economic advantage not to have contractor-furnished supervision; however, this may put the agency in the position of awarding improper personal service contracts.

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS

Currently, there is widespread use of contractors to satisfy agency moving and labor service needs. The predominant use of labor-hour contracts, while allowing the agency flexibility to use various numbers of contractor employees almost at will, encourages inefficient or wasteful methods to be employed. Adequate controls and management are necessary, therefore, to assure that the Government's interests are protected.

We believe that almost all of the agencies we reviewed failed to provide adequate controls and contract management over moving and labor service contracts. In so doing, some agencies could not be certain if the services requested were actually needed or if those claimed to have been furnished were actually provided. Thus, agencies had little or no protection against fraud and abuse.

We believe that there is potential for agencies to save on contract expenditures by making greater use of GSA moving contracts. Also, more attention should be given to using competitively awarded fixed-price contracts for specific office relocations of a substantial size and, where feasible, smaller moves also. We believe the availability of the labor-hour contract permits agencies to operate without planning and managing labor service needs.

We agree with GSA's awarding of these contracts as small business set-asides and 8(a) minority awards and encourage it to do so on future moving service contracts. Other than GSA and DOL, however, agencies did not take advantage of price competition. In this connection, we believe that increased efforts are needed to assure that price competition is obtained when practicable and feasible and, in the case of those contracts awarded to 8(a) minority firms, that fair and reasonable prices are negotiated.

Finally, we believe that use of the moving and labor service contracts by many agencies may have violated personnel rules because they improperly used the service contracts and possibly circumvented personnel ceilings. The problems inherent in the labor-hour contract and the type of work for which the contractor employees are used add to these potential violations. We believe that more use of fixed-price contracts could remedy this situation because the contractors would be compelled to monitor and supervise

their employees closely to assure that the most efficient methods are employed.

While our report is based on work done at agencies in the Washington, D.C., area, we believe that the findings could also apply to other geographical areas. Also, other service contracts similar to the moving and labor service contracts reviewed, and particularly if payments are made on a labor-rate basis, are susceptible to the problems discussed in this report.

RECOMMENDATIONS

We recommend that the Administrator of General Services require the appropriate GSA officials to

- expedite implementation of the proposed change to the Federal property management regulations requiring mandatory use of the GSA contracts for office relocation services;
- award all office relocation contracts for large numbers of agency personnel (75 to 100 or more) and, where feasible, any smaller office relocations on a fixed-price basis (competitive or Small Business Administration 8(a) negotiated); and
- establish procedures to monitor agency use of office relocation contracts, emphasizing the need for spot checks to assure that agencies are (1) using the labor-hour contract as intended, (2) providing for adequate control and management over contract actions, and (3) adhering to contract provisions.

We also recommend that those heads of agencies mentioned in our report, where appropriate, require the responsible agency officials to:

- Place greater emphasis on defining requirements for moving and labor services so that fixed-price contracts can be awarded.
- Establish procedures to prevent or eliminate the misuse of GSA moving service term contracts, which has led to improper personal service contracts and possible circumvention of agency personnel ceilings.
- Establish adequate internal controls and contract management over present and future labor-hour moving service requirements to provide for, as a minimum,

1. documented justification for services required, such as daily workload requirements with estimates of the number of people needed to satisfy the requirement,
 2. independent records of daily contractor-furnished hours to be maintained by agency personnel, and
 3. separation of duties to ensure that different agency personnel are responsible for ordering, monitoring, and certifying services.
- Require discounts to be taken on current and future moving contracts offering discounts.

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