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

PROCUREMENT, LOGISTICS,
AND READINESS DIVISION

B-203146

JUNE 11, 1981

The Honorable Donald E. Sowle
Administrator-Designate For Federal
Procurement Policy
Office of Management and Budget



Dear Mr. Sowle:

Subject: Interagency Use of Field Contract Support
Services for Supply and Equipment Procurements
(PLRD-81-38)

We performed a survey to determine the extent agencies were duplicating field contract support services for supply and equipment procurements at manufacturing plants. These services include financial audits, engineering support, contract payments, quality assurance surveillance and inspections, production surveillance, and property administration. In a 1979 report to the Congress, 1/ we noted that some agencies had not complied with the Office of Federal Procurement Policy's (OFPP's), program to coordinate and promote interagency use of available services (cross-servicing) because of certain restraints. Our current survey indicated that certain factors beyond the control of the agencies still tended to restrain cross-servicing arrangements. The duplication of support services that does occur, however, appears limited, and the cost of some measures to reduce or eliminate the duplication would be difficult to justify.

Enclosure I provides details on the objective, scope, and methodology of the survey. Generally, our approach was to identify manufacturing plants in three States--California, New York, and Texas--where contracts were performed for more than one of the selected agencies, indicating that duplication of field contract support services may have occurred. We also reviewed procedures and interviewed officials at contract administration offices of selected agencies. At the conclusion of our survey, we presented our observations to OFPP officials and their comments were considered in this report.

1/"Recommendations of the Commission on Government Procurement: A Final Assessment" (PSAD-79-80, May 31, 1979).

Please refer to

(950636)

6/17/81

In response to the Commission on Government Procurement Recommendation 39, OFPP initiated a program in 1978 to coordinate and promote cross-servicing. The purposes of the program were to enhance the quality of procurements, expedite the procurement process, avoid overlap and duplication of effort, and enable the Government to present "one face" to contractors. OFPP's October 27, 1980, proposal for a uniform procurement system, which was required by Public Law 96-83 to reform and improve the Federal acquisition process, also addresses the need for coordinating or integrating contract support services, where practicable.

DUPLICATION OF FIELD CONTRACT SUPPORT SERVICES APPEARS LIMITED

Our survey indicated that few manufacturing plants worked on contracts for two or more agencies. As a result, the potential for duplication of field contract support services appears limited.

The primary field contract support services that could be assigned to another agency are those performed at manufacturing plants by quality assurance representatives. Audit services are generally performed in compliance with Office of Management and Budget Circular No. A-73, entitled "Audit of Federal Operations and Programs," which stresses the desirability of one agency with the predominant financial interest to conduct all audits at a given organization. As a result, the Defense Contract Audit Agency performs contract support services for Department of Defense (DOD) agencies and many civilian agencies.

To preclude the duplication of other field contract support services by DOD agencies, each military service has cognizance over certain munitions and weapons plants and assigns plant representatives who perform support services. These plants were excluded from the survey. The Defense Contract Administration Services (DCAS) has cognizance over the remaining plants with DOD contracts and has contract support responsibilities at approximately 20,000 plants. DCAS quality assurance representatives are usually the only staff members who routinely perform support services at these plants.

Contract support staffs at procuring offices of civilian agencies perform services at plants on a limited, as needed basis. Some civilian agencies have quality assurance representatives who routinely perform services at plants, while others have agencies perform services under cross-servicing arrangements.

Our review of supply and equipment contracts and contractors in three States for five selected agencies showed that less than 2 percent of the manufacturing plants did work for two or more agencies. Most of the plants where potential duplication existed were plants where DOD and one or more civilian agencies had contracts, not plants where two or more civilian agencies had contracts. This possible duplication is due to the number of contracts DCAS is assigned in relation to the number of contracts civilian agencies have, which is shown in enclosure I. The following table summarizes our findings.

	State			Total	
	<u>California</u>	<u>New York</u>	<u>Texas</u>	<u>Number</u>	<u>Percent</u>
Total manufacturing plants	<u>9,297</u>	<u>3,258</u>	<u>2,206</u>	<u>14,761</u>	<u>100.00</u>
Plants performing contracts for two or more civilian agencies	2	2	1	5	.03
Plants performing contracts for a DOD agency and one or more civilian agencies	<u>108</u>	<u>65</u>	<u>37</u>	<u>210</u>	<u>1.42</u>
Total plants performing contracts for more than one agency	<u>110</u>	<u>67</u>	<u>38</u>	<u>215</u>	<u>1.45</u>

The actual duplication of services that occurred at plants where more than one agency had contracts would be even less than indicated by our comparison because procuring agencies determine the need for services based on the type of contract, specifications for the item, experience with the contractor, and other factors. For example, an item may be inspected when it is delivered, instead of prior to shipment from the plant and, few if any, contract support services would be performed at that plant. Furthermore, cross-servicing arrangements are made for some contracts. For example, the Federal Aviation Administration (FAA), in compliance with a Department of Transportation order on cross-servicing by agencies under its cognizance, occasionally performs services for the Coast Guard.

The results of our comparison corroborated, to some extent, observations made by DCAS. In 1975 DCAS reported that civilian agencies performed inspections at 243 plants throughout the United States where DCAS staff performed similar functions. This number of plants where civilian agencies performed

inspections represented less than 2 percent of the plants assigned to DCAS. Reports prepared by DCAS in 1979 and 1980 on the duplication of field contract support services observed in three regions provided comparable results. (See enc. II.)

One reason for the limited duplication of support services cited by agency officials was that some agencies procured all the Government's requirements for certain items. For example, each military service, the Defense Logistics Agency (DLA), and the General Services Administration (GSA) were assigned procurement responsibility for items classified under designated Federal supply codes. The proposal for a uniform procurement system addresses the benefits to be derived by assigning additional items or commodities to specified agencies.

We noted that savings to be achieved through cross-servicing arrangements are difficult to quantify when two or more agencies visit plants to perform contract support services. Under these circumstances, any savings through cross-servicing are dependent upon reductions in travel time required to make the visits and the feasibility of reducing the number of required visits. Savings from cross-servicing arrangements at plants where two or more agencies have staffs assigned on a full-time basis can be quantified if the extent of an overall staff reduction can be determined. Some savings should be realized in the long term when one agency, instead of two or more agencies, performs all contract support services at a plant, under either type of arrangement. The agency representatives become more familiar with the operation and can more readily determine the need for certain quality assurance measures when they are responsible for all work performed under Government contracts.

CERTAIN FACTORS RESTRAIN CROSS-SERVICING ARRANGEMENTS

Agency officials that we contacted cited several factors that tend to restrain cross-servicing arrangements. Some officials maintained that quality assurance representatives employed by other agencies may not be capable of ensuring compliance with the procuring agency's technical specifications. DCAS quality assurance representatives, for example, have to be certified to perform surveillance and inspection functions with certain commodities made to military specifications. DCAS officials maintained that, usually, they could not assign quality assurance responsibilities to another agency that did not have a similar level of expertise.

In addition, agency officials were concerned that the contract support services required by the procuring agency may not be performed on a timely basis under a cross-servicing arrangement because the performing agency would afford priority to its own requirements. Tennessee Valley Authority (TVA) officials described situations where the timing of required inspections at manufacturing plants was critical because shipping delays would have caused costly work stoppages at TVA construction sites. They maintained that only TVA staff could perform the necessary contract support services to avoid such delays.

Staffing limitations were also cited as a restraint to cross-servicing arrangements with some agencies. According to a Coast Guard official, the Coast Guard's relatively small quality assurance staff could not meet other agencies support service requirements and still meet its own requirements. DCAS announced that personnel limitations were making the acceptance of requests from civilian agencies increasingly more difficult and that its policy was to accept requests only when resources were available.

Another indication of restraints on cross-servicing arrangements is the Directory of Contract Administration Services Components, dated May 1980. Although the directory lists numerous components of the military services and DCAS, it specifies only three civilian agencies as being able to provide field inspection services to other agencies for food and drugs.

Finally, a lack of funds to reimburse another agency for field contract support services was also considered a restraint. A DCAS official related one instance when a cross-servicing arrangement with GSA was feasible, but DCAS could not reimburse GSA for the services. We noted that to justify funding requests for cross-servicing arrangements, the procuring agency has to determine how often another agency could perform the services more economically than its own staff at a particular plant. The place of performance for many contracts, however, is not known until the contracts are awarded.

CONCLUSION

Duplication of field contract support services at plants for supply and equipment procurements appears relatively limited. While measures could be taken to reduce or eliminate the duplication that does occur, those that entail additional costs would be difficult to justify.

The current voluntary coordination process would more effectively reduce duplication, if cross-servicing restraints were overcome and a central referral point or clearinghouse were established for agencies to determine the availability of support services at particular plants, when contracts are awarded. The integration of field contract support staffs is another measure that would overcome cross-servicing restraints and eliminate duplication. However, this measure would entail establishing a separate contract support organization. The savings that could be achieved by either measure are difficult to estimate and have to be offset by the cost of establishing and administering a clearinghouse to coordinate requirements or an integrated contract support organization to meet all requirements.

Expansion of the centralized acquisition process would further reduce duplication of field contract support services because the probability of one manufacturer performing contracts for more than one agency would be reduced. In addition, this measure does not entail establishing and administering a separate activity. Centralized acquisitions also improve the economy and efficiency of other aspects of the procurement process by consolidating management expertise and requirements for assigned items or commodities. OFPP's proposal for a uniform procurement system includes expansion of the centralized acquisition process.

We are not making any formal recommendation as a result of our survey, but we believe that under current circumstances, the most practicable means to reduce the duplication of field contract support services that does occur is through expansion of the centralized acquisition process.

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We are sending copies of this report to the Director of the Office of Management and Budget and to agencies visited during the survey.

Sincerely yours,



Donald J. Horan
Director

OBJECTIVE, SCOPE, AND METHODOLOGY OF SURVEY

The objective of our survey was to determine the extent field contract support services for supply and equipment procurements were being duplicated at manufacturing plants. As shown by the following tables, we selected agencies and departments which had large supply and equipment expenditures. Then, we determined whether these agencies and departments had field contract support services performed at manufacturing plants by their own quality assurance representatives or by other agencies under cross-servicing arrangements. Next, we identified three States where the largest expenditures were made under Federal contracts. Finally, we reviewed lists of supply and equipment contracts and contractors in the three States for the agencies that performed field contract support services and identified manufacturing plants where contracts had been performed for (1) two or more civilian agencies and (2) a DOD agency, under DCAS cognizance, and one or more civilian agencies.

The survey did not include an assessment of the need for certain civilian agencies to maintain separate staffs of quality assurance representatives. Therefore, we did not reach any conclusions on the appropriateness of either assigning additional support services responsibilities to DCAS or establishing an integrated contract support organization.

According to Federal Procurement Data System statistics, Federal contract actions over \$10,000 by all departments and agencies, worldwide, totaled \$84.6 billion during fiscal year 1979, and \$45.1 billion of the total were for actions under supply and equipment contracts. The following table shows departments and agencies which made large supply and equipment expenditures during fiscal year 1979.

<u>Department/agency</u>	<u>Amount</u>	<u>Percent</u>
	(000,000)	
Total supply and equipment contracts for all departments and agencies	<u>\$45,142</u>	<u>100.00</u>
Supply and equipment contracts for selected departments and agencies:		
Coast Guard	\$ 330	.73
DOD (Contracts under cognizance of DCAS)	<u>a/ 23,135</u>	51.25
Department of Energy	1,612	3.57
FAA	269	.60
GSA	1,558	3.45
National Aeronautics and Space Administration	304	.67
TVA	1,109	2.46
Veterans Administration	<u>324</u>	<u>.72</u>
Total for selected departments and agencies	<u>\$28,641</u>	<u>63.45</u>

a/All DOD supply and equipment contracts for fiscal year 1979 amounted to \$38 billion, or about 85 percent of the total for supply and equipment contracts. The DOD total included munitions and weapons contracts administered by the military services, and these types of contracts were excluded from our survey.

The amount shown for DOD was the value of goods shipped under contracts assigned to DCAS. The amounts shown for the Coast Guard and FAA were obligations under contracts. All other figures were contract actions over \$10,000, worldwide, as reported to the Federal Procurement Data System.

The following table shows those agencies and departments with large supply and equipment expenditures that performed field contract support services at manufacturing plants and those that had other agencies to perform the services under cross-servicing arrangements.

<u>Department/agency</u>	<u>Quality assurance representatives</u>	<u>Cross-servicing arrangements for field contract support services</u>
Coast Guard	36	Limited services are also performed by DCAS and FAA.
DCAS	6,500	Performed services equivalent to 365 staff-years for 13 civilian agencies during fiscal year 1979.
Department of Energy	-	Most services are performed by DCAS and the military services.
FAA	62	Performed limited services for the Coast Guard and others.
GSA	137	Limited services are also performed by DCAS.
National Aeronautics and Space Administration	25	Most services are performed by DCAS.
TVA	57	No services performed for or by other agencies.
Veterans Administration	-	Most services are performed by the Food and Drug Administration. Limited services are also performed by DCAS.

GSA quality assurance representatives visit a number of assigned plants, and National Aeronautics and Space Administration representatives are assigned to three plants. The other agencies have some representatives who visit a number of plants and some who are assigned to plants on a full-time basis.

Of the 365 staff-years, DCAS primarily performed services for two civilian agencies under cross-servicing arrangements-- the Department of Energy, 39 staff-years and the National Aeronautics and Space Administration, 307 staff-years. DCAS performed the remaining 19 staff-years for 11 civilian agencies.

The following table shows the three States where the largest expenditures were made under Federal contracts.

	<u>Contracts</u>	
	<u>Amount</u>	<u>Percent</u>
	(000,000)	
Total contracts for all States	a/ <u>\$77,815</u>	<u>100.0</u>
Contracts for selected States:		
California	\$15,384	19.8
New York	5,185	6.7
Texas	<u>5,155</u>	<u>6.6</u>
Total for selected States	<u>\$25,724</u>	<u>33.1</u>

a/Contract actions under \$10,000 and contracts performed outside the United States were not included in the total.

We reviewed lists of contracts performed in the three States for the Coast Guard, FAA, GSA, and TVA during fiscal year 1980 and lists of manufacturing plants assigned to DCAS in each State. Our review disclosed plants where duplication of field contract support services may have occurred because contracts were performed for (1) two or more civilian agencies and (2) a DOD agency, under DCAS cognizance, and one or more civilian agencies.

We reviewed contract administration procedures and interviewed procurement officials at the following locations.

Headquarters, Coast Guard	Washington, D.C.
Headquarters, DCAS	Alexandria, Va.
DCAS Region, Dallas	Dallas, Tex.
Headquarters, FAA	Washington, D.C.
GSA, Federal Supply Services, Headquarters	Arlington, Va.
GSA Region 7	Fort Worth, Tex.
Headquarters, TVA	Knoxville, Tenn.
TVA Purchasing Division	Chattanooga, Tenn.
Veterans Administration Marketing Center	Hines, Ill.

DCAS REPORTS ON DUPLICATION OF FIELD
CONTRACT SUPPORT SERVICES OBSERVED IN THREE REGIONS

<u>Region</u>	<u>Date of report</u>	<u>Total</u>	<u>Plants assigned to DCAS</u>	
			<u>Services performed by civilian agencies</u>	
			<u>Number</u>	<u>Percent</u>
Dallas	March 1979	1,161	15	1.3
Los Angeles	December 1980	4,124	90	2.2
Philadelphia	December 1980	4,099	26	0.6
Total		<u>9,384</u>	<u>131</u>	1.4

Note:

DCAS Region, Dallas, includes Arkansas, Arizona, Louisiana, New Mexico, Oklahoma, and Texas.

DCAS Region, Los Angeles, includes California, Idaho, Montana, Nevada, Oregon, and Washington.

DCAS Region, Philadelphia, includes Delaware, Maryland, part of New Jersey, Pennsylvania, Virginia, and West Virginia.