United States General Accounting Office

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Report to the Chairman, Committee on Government Operations, House of Representatives

May 1990

ARMY PROCUREMENT

Status of Commercial Activities Study at White Sands Missile Range

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United States
General Accounting Office
Washington, D.C. 20548

National Security and
International Affairs Division

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May 3, 1990

The Honorable John Conyers, Jr.
Chairman, Committee on Government
Operations
House of Representatives

Dear Mr. Chairman:

This responds to your October 11, 1989, request and subsequent discussions with your office regarding the status of the ongoing commercial activities study at the White Sands Missile Range. You had expressed concern about the prolonged nature of this study. On February 26, 1990, we briefed your office on the results of our work. The purpose of this letter is to summarize the information discussed at that meeting.

Results in Brief

The commercial activities study at White Sands has been ongoing for over 6 years and has been in a test mode for the past 2 years. Regardless of the decision to keep the functions in-house or contract them out, White Sands officials do not believe that it can accomplish the body of work that needs to be performed with the expected funding level. Additionally, it does not appear that White Sands will be able to make a decision on whether or not to contract out the functions by August 1990, as directed by the fiscal year 1990 Appropriations Conference Committee.

Background

Office of Management and Budget Circular A-76—"Performance of Commercial Activities"—requires agencies to study their existing commercial activities to determine whether it is more economical to perform these activities in-house or under contract with commercial sources.

An initial step in this study is to define and describe the government's work requirements in a performance work statement, which serves as the basis for soliciting contractor bids. In addition, the agency must conduct a management study of its existing activity to determine the most efficient organization needed to accomplish the performance work statement tasks with in-house personnel. The resulting organizational plan is used to develop the in-house cost estimate, which is compared to bids received from contractors. The comparison of in-house and contractor costs serves as the basis for deciding whether to retain the activities in-house or to award a contract. Before in-house activities can be converted

to commercial contracts, the contractor's proposal must indicate at least a 10-percent savings in personnel costs.

Events Affecting the White Sands Commercial Activities Study

In August 1983, the Department of the Army notified the Congress of its intent to conduct a commercial activities study of installation support activities at White Sands to determine whether functions such as maintenance of real property and equipment and supply and transportation services might be performed more economically under contract. Since its announcement, a reduction-in-force, personnel hiring freezes, and constrained funding levels have taken effect at White Sands. As a result, White Sands has not been able to complete the commercial activities study. Table 1 shows the schedule White Sands established for conducting the study and making a decision on whether to keep the work in-house or contract it out. White Sands has been unable to meet this timetable. It does not favor continuing the study, but it has not been successful in convincing higher headquarters of the need to cancel the study.

Table 1: Key Events in the White Sands Study

Event	Date
White Sands study announced to the Congress	August 1983
Performance work statement and most efficient organization completed	January 1987
Pilot test approved for testing the most efficient organization	March 1987
Most efficient organization and pilot test implemented	September 1987
Test extended	December 1988
Bids solicited	April 1990[a]
Solicitation closed	August 1990
Proposals evaluated	September 1990
Best and final offers received	April 1991
Cost comparison completed	July 1991
Decision announced	October 1991
Contract awarded	November 1991

[a]Event had not yet occurred as of April 6, 1990.

Recent Appropriations Conference Committee Direction

A matter that needs to be considered is the recent direction by the fiscal year 1990 Appropriations Conference Committee in response to concerns regarding the length of time required to complete commercial activities studies. In this regard, the conferees directed that commercial activities studies that exceed 2 years for a single function or 4 years for a multifunction study must reach an initial decision by August 31, 1990,

or be terminated and the activity converted to the most efficient organization. The White Sands' study, which is a multifunction study, has been ongoing for over 6 years, and a decision is not anticipated until late 1991.

The Department of Defense (DOD) plans to issue a policy statement on its interpretation of the conference report language regarding the termination of ongoing commercial activities studies. At the time we completed our review on April 6, 1990, DOD had not issued its policy statement.

Resource Constraints Affected Testing the Most Efficient Organization and the Performance Work Statement

After reviewing the 1987 most efficient organization and performance work statement, White Sands was concerned that the documents did not adequately capture the staffing and work load requirements and that implementation of the most efficient organization would not support the mission. Because of these concerns, it was decided to conduct a 1-year test of the organization to refine it, as well as the performance work statement, based on the actual experience gained during the test period.

According to White Sands officials, it has not been able to fully implement and test the organizational plan and performance work statement because it has not had the necessary resources—personnel and funds—to accomplish the identified work. Before the most efficient organization was implemented, a reduction-in-force took effect at White Sands to bring the staffing level in line with it. Then a hiring freeze was instituted, which prevented White Sands from hiring personnel with the needed skills. As a result, it has not been able to fill the positions. Furthermore, the hiring freeze and budget constraints have continued during most of the pilot test period. Therefore, in December 1988, the Army agreed to extend the test period for an additional year.

White Sands officials also told us that constrained budgetary resources during the second year of the test continued to prevent it from staffing up to the 1987 level and performing the work identified in the work statement. One official said that, during the 2-year test period, White Sands was operating at 85 to 95 percent of the 1987 staffing level.

Milestones for Completing the Study and Soliciting Bids Cannot Be Met

At the time the test period was extended, an April 1990 milestone for soliciting bids from outside sources was established. White Sands officials now say that this milestone cannot be met because the current hiring freeze prevented it from filling 11 vacant positions that are needed to complete the in-house cost study. At the time we completed our work, White Sands officials had not yet revised the milestones for completing the study or soliciting bids. Furthermore, the officials do not believe that an initial decision to keep the work in-house or contract it out can be made by the August 1990 deadline established in the conference report.

Officials also told us that the 1987 work statement and organizational plan have been updated to reflect the fiscal year 1989 work load performed by the Directorate of Engineering, Housing and Logistics. Additionally, in certain cases the work load has been adjusted to reflect an increase in the frequency of some tasks—such as the maintenance of vehicles, heaters, and boilers—over what is currently being performed[1] by the Directorate of Engineering, Housing and Logistics.

The revised work statement has been approved by White Sands officials but has not been submitted to the U.S. Army Test and Evaluation Command or the Department of Army for approval. The revised organizational plan is expected to be submitted to White Sands officials for its approval in mid-April.

Objectives, Scope, and Methodology

Initially, the Chairman of the Committee on Government Operations asked us to determine the status of the study and to evaluate whether White Sands was properly defining the scope of work for which it planned to solicit bids from outside sources. However, because the study is still ongoing and had not reached the point of approval for soliciting bids, we cannot state an opinion on whether the scope of the work will properly reflect the work for which bids will be sought.

To address the status of the study and the progress being made to complete it, we held discussions with officials at the Office of the Secretary of Defense; Headquarters, Department of the Army; and the White Sands Missile Range, New Mexico. We reviewed documents, regulations, and other pertinent records related to the activities and functions included in the White Sands study. We also interviewed union officials

[1]The frequency of these tasks was reduced because of insufficient funding and personnel levels.

at White Sands and at the union's headquarters in Washington, D.C., to obtain their views of the study.

As requested, we did not obtain official agency comments on this report. However, we discussed its contents with Army Headquarters and DOD officials and incorporated their views where appropriate.

We conducted our review between November 1989 and April 1990 in accordance with generally accepted government auditing standards.

We are sending copies of this report to interested congressional committees, other Members of Congress, and the Secretaries of Defense and the Army. Copies will be made available to other parties upon request.

If you or your staff have any questions concerning the information presented in this letter, please call me at (202) 275-4141. Other major contributors are listed in appendix I.

Sincerely yours,

Richard Davis

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Director, Army Issues

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