

GAO

Briefing Report to the Chairman,
Subcommittee on Government Efficiency,
Federalism, and the District of Columbia,
Committee on Governmental Affairs, U.S.
Senate

July 1988

NAVY CONTRACTING

Contract Administration Staffing Requirements for Navy A-76 Studies



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National Security and
International Affairs Division

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July 26, 1988

The Honorable Jim Sasser
Chairman, Subcommittee on
Government Efficiency, Federalism,
and the District of Columbia
Committee on Governmental Affairs
United States Senate

Dear Mr. Chairman:

As you requested, we reviewed the procedures used at the Naval Amphibious Base, Little Creek, Virginia, and three other Navy installations to determine the required number of contract administration personnel if the installations' public works functions were contracted out under Office of Management and Budget (OMB) Circular A-76 rather than retained in-house. You were concerned that the Navy may be retaining functions in-house that should be contracted out because of overstated contract administration personnel requirements. The three other installations included in our review were the Naval Air Station, Oceana; the Fleet Combat Training Center, Atlantic; and the Naval Security Group Activity, Northwest--all located in Virginia. As agreed with members of your staff, these installations were selected because their A-76 studies included public works functions that were comparable to those functions studied at the Naval Amphibious Base, Little Creek.

Also at your request, we reviewed the administrative appeal process available to commercial bidders as it relates to the government's contract administration staffing and cost estimates developed for A-76 studies.

CONTRACT ADMINISTRATION
STAFFING REQUIREMENTS

The Navy developed and implemented comprehensive procedures for computing the number of contract administration personnel

needed to administer contracts resulting from its A-76 studies--a process to determine whether to contract out or to retain a function in-house. These procedures require that projected staffing levels that exceed OMB's authorized levels¹ be reviewed and endorsed through the appropriate chain of command and approved by the Office of the Chief of Naval Operations. The review and approval process is described in appendix I. The projected contract administration staffing levels for the four A-76 studies we reviewed were developed in accordance with these procedures and were reviewed and approved as required by appropriate Navy guidance.

Although the Navy's guidance provides standards for determining contract administration staffing levels, Navy officials stated that the individual quality assurance plans --which form the basis for the staffing levels--must be tailored to meet the installations' specific needs and missions. These officials stated that some installations have overstated contract administration staffing requirements, but that the review and approval process is intended to eliminate unnecessary staffing levels.

We found that contract administration staffing levels that exceeded the OMB-authorized levels did not significantly affect the outcome of the Navy's A-76 studies. Between October 1985 and February 12, 1988, the Navy made 146 cost comparisons for A-76 studies. (A cost comparison is only one element of an A-76 study.) Contract administration staffing levels for 105 of these cost comparisons were in accordance with the OMB-authorized levels, and 41 waiver requests were referred to the Office of the Chief of Naval Operations because staffing levels exceeded OMB-authorized levels. Eighteen of the 41 waiver requests were for A-76 studies that had been completed. Six of the 18 studies resulted in a contract being awarded and 12 resulted in the functions being retained in-house. For two of these 12 cases, the final decision to retain the functions in-house was directly affected by the higher contract administration staffing levels.

According to Navy officials and a Center for Naval Analyses report issued in April 1987, the OMB-authorized staffing levels are often insufficient to meet the contract

¹OMB's Circular A-76 specifies the maximum contract administration staffing levels for A-76 studies. The authorized levels depend on the size of the function being studied.

administration requirements for A-76 studies that involve multiple or technically complex functions. For example, while not all of the A-76 studies conducted from October 1985 through February 12, 1988, had been finalized, the Office of the Chief of Naval Operations had approved contract administration staffing levels that exceeded the OMB-authorized levels for 33 of the 146 cost comparisons.

CONTRACTOR APPEAL PROCESS

As you requested, we also reviewed the administrative appeal process available to commercial bidders as it relates to the government's staffing and cost estimates for contract administration. OMB and the Navy have established procedures that allow contractors to appeal contract administration and other cost items used in a cost comparison, but contractors cannot appeal contract administration staffing levels approved by the Office of the Chief of Naval Operations. For example, contractors can appeal the salaries and administrative costs associated with setting up the contract administration office but cannot appeal the number of staff approved. Contractor rights to appeal contract administration costs are discussed in greater detail in appendix II.

CONCLUSIONS

The projected contract administration staffing levels for the A-76 studies we reviewed were based on specific work load data identified in the quality assurance plans and were reviewed and approved as required by appropriate Navy guidance. The objectives of the review and approval process were to eliminate any unnecessary staffing levels and to ensure that the staffing levels requested by the installations were adequately justified. Contract administration staffing levels that exceed the OMB-authorized levels have not significantly affected the outcome of the Navy's A-76 studies. While we did not review the appropriateness of OMB's guidelines, Navy contract administration experience indicates the OMB-authorized staffing levels may not be sufficient to administer A-76 contracts that involve multiple functions and technically complex tasks.

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The results of our work at the four Navy installations are discussed in appendixes I and II, and our objectives, scope, and methodology are described in appendix III.

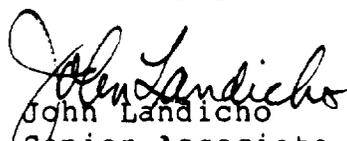
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As you requested, we did not obtain official comments from the Department of Defense. However, we provided a draft of this report to Department of Defense and Navy officials and discussed our findings and conclusions with them. Their comments were incorporated as appropriate.

Unless you publicly announce its contents earlier, we plan no further distribution of this report until 7 days from the date of issuance. At that time, we will send copies to interested parties and make copies available to others upon request.

If you have any questions, please call me on 275-6504.

Sincerely yours,


John Landicho
Senior Associate Director

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ABBREVIATIONS

LANTDIV	Atlantic Division, Naval Facilities Engineering Command
OMB	Office of Management and Budget
QAE	quality assurance evaluator
QAP	quality assurance plan

CONTRACT ADMINISTRATION STAFFING
REQUIREMENTS FOR NAVY A-76 STUDIES

When the government purchases services from the private sector, it must be able to confirm and document that the quantity and quality of services received conform to contract requirements. Thus, in accordance with the Federal Acquisition Regulation, government contracting offices are responsible for developing and implementing contract administration procedures to assure that the government is receiving the contracted services. This includes preparing a quality assurance plan (QAP) for A-76 studies when contracting out is being contemplated.

The OMB Circular A-76 established guidelines in 1979 which require that government costs associated with staffing a contract administration office be added to the bid price of commercial firms competing against the government's in-house bid. OMB defined contract administration costs as those incurred by the government in assuring that a contract is faithfully executed by both the government and a contractor. Contract administration includes reviewing contractor performance and compliance with the terms of the contract, processing contract payments, negotiating change orders, and monitoring the termination of contract operations.

On the basis of a sample of agencies' actual contract administration costs, OMB established guidelines for contract administration staffing levels to be used in the cost comparison. These guidelines define the authorized contract administration staffing levels based on the size of the function under study, but allow each agency, on a case-by-case basis, to approve higher staffing levels if the authorized levels are considered insufficient.

The Navy's experience has shown that the contract administration staffing levels approved by the Office of the Chief of Naval Operations and used in the cost comparisons often exceed the OMB-authorized levels, particularly for large, multi-function or base operating support contracts. While higher staffing levels may be justified, the increase in contract administration cost estimates can affect the outcome of the cost comparison and the decision to retain the functions in house or to have a contractor perform them.

DEVELOPING THE QUALITY ASSURANCE PLAN
AND THE CONTRACT ADMINISTRATION
STAFFING REQUIREMENTS

Using the contract requirements specified in the performance work statement, installation officials develop a QAP that is the foundation for computing contract administration staffing requirements. On the basis of contract requirements, installation

officials compute the quality assurance work load and the number of hours required each month to implement a QAP. The total projected annual work hours in the QAP is the basis for determining the required number of quality assurance evaluators (QAEs). Personnel classification specialists determine QAEs' grade levels and qualifications based on the nature and complexity of the functions included in the contract.

In addition to QAEs, contract administration staffing requirements include other positions such as contract specialists, procurement clerks, or clerk typists. The availability of existing contract administration personnel is considered in determining overall staffing requirements.

One key factor in determining contract administration personnel requirements is to identify how contractor performance will be monitored and evaluated. Therefore, a QAP identifies the inspection method to be used in monitoring each of the contract tasks and specifies the acceptable quality level for each requirement, which is the minimum level at which contractor performance is considered satisfactory. A QAP generally includes a combination of the following five inspection methods:

- 100 percent inspection;
- random sampling;
- planned sampling, based on a subjective or predetermined sample selection;
- validated customer complaints; and
- unscheduled inspections.

The specific inspection method for each contract requirement is determined by the installation officials preparing the QAP and is based largely on the type of work and the size, location, and criticality of the function being inspected. For example, if a contractor frequently performs the same task, one of the sampling methods may be more suitable than the others. On the other hand, contract requirements critical to an installation's mission may require 100 percent inspection. The inspection methods providing the higher level of oversight can increase the work load of the QAE staff and thus the number of QAEs needed to implement the QAP.

SOME INSTALLATIONS OVERESTIMATE STAFFING REQUIREMENTS

Navy headquarters officials stated that some installations overestimate contract administration staffing requirements. These officials believe the installations are not attempting to bias the

cost comparison, but, because they are responsible for contractor performance, they are concerned about assuring that work previously done in-house is performed properly by a contractor. This concern often results in an initial QAP that includes a higher level of oversight or a more intense inspection method than may be necessary.

We found some differences among the inspection methods used to determine the quality assurance work load for similar functions at the four installations visited. For example, the Fleet Combat Training Center, Atlantic, QAP proposed 100 percent inspection of the contractor's operation of waste water collection, whereas the other three installations proposed planned sampling as the inspection method for the same function. The Naval Air Station, Oceana, QAP proposed 100 percent inspection of the contractor's cement pavement repair work, while the Naval Security Group Activity, Northwest, proposed planned sampling as the inspection method for this function. Navy officials stated that such differences may be justified by dissimilarities among the sizes or missions of the installations.

Another possible cause of overestimated staffing requirements is the installation officials' interpretation of the role of a QAE. Officials at two of the installations we visited stated that the role of a QAE is similar to the role of a foreman on the government's in-house staff. As a result, they believed that the number of QAEs included in the staffing requirements should be roughly equal to the number of foremen on the in-house staff. These officials also believed that QAEs need the same qualifications and professional certifications as the contractor personnel performing the work. Navy headquarters officials disagreed with this analogy, noting that a foreman performs quality control for the in-house work, which is a more intensive monitoring of the work output than is the quality assurance role of a QAE. They added that a contractor is responsible for establishing its own quality control mechanisms and that a QAE's role is not the same as an in-house foreman's.

REQUESTS FOR WAIVER TO EXCEED OMB-AUTHORIZED STAFFING LEVELS

When an installation's contract administration staffing requirements exceed the OMB-authorized levels, the Office of the Chief of Naval Operations can grant a waiver allowing an installation to use a staffing level above the OMB-authorized levels. All waiver requests must be substantiated by the installation and endorsed through the appropriate chain of command. The objectives of the endorsement and approval processes are to eliminate any unnecessary staffing levels and to ensure that the staffing levels requested by the installations are adequately justified. Requests for waivers for the A-76 studies we reviewed

were based on specific QAP work load data and were reviewed and approved as required by appropriate Navy guidance.

Navy officials said that requests for waivers are primarily limited to multi-function or multi-site, complex tasks for which the OMB-authorized level is inadequate to effectively monitor contractor performance. These tasks normally include such areas as public works maintenance (facilities and utilities), entire base operating support services, or aircraft maintenance performed at different activities.

Reviews and endorsements by the
Naval Facilities Engineering Command

The six Engineering Field Divisions of the Naval Facilities Engineering Command assist installations with developing performance work statements, QAPs, and contract administration staffing requirements for service contracts. These six divisions also provide the first level of review and endorsement for the requests for staffing waivers that installations have submitted. Our analysis of the Naval Facilities Engineering Command's review and endorsement procedures was limited to the Atlantic Division (LANTDIV), which used the standard guidance provided by the Naval Facilities Engineering Command to perform its reviews.

According to LANTDIV officials, their reviews of the installations' QAPs and contract administration staffing requirements begin early in the A-76 process when performance work statements and QAPs are initially drafted. At this stage, before any formal staffing waiver request is made, LANTDIV works with an installation to refine the plan and staffing levels. For example, the Naval Amphibious Base, Little Creek, identified an initial staffing requirement of 19 positions, whereas the OMB-authorized level was 5 positions. (The installation's requirement was based on an analysis made by a private engineering firm hired to assist with developing the performance work statement and the QAP.) Before the request for a waiver was submitted, LANTDIV worked with the installation's Public Works Office to reduce the staffing requirement to 15 positions. Similarly, LANTDIV officials stated that the Naval Air Station, Oceana, identified an initial staffing requirement of 20 positions, whereas the OMB-authorized level was 4 positions. Through discussions with the air station officials, LANTDIV reduced the requirement to 16 positions before the installation submitted the request for waiver.

According to LANTDIV officials, LANTDIV uses a standard process to review all contract administration staffing requirements even if they are in line with OMB guidelines. These officials said that they review the inspection methods identified in the QAP for each specific function to ensure that the method being proposed for each function is consistent with the methods that have been

historically recommended for that function. For example, these officials said that, based on historical experience, random sampling is the preferred inspection method for monitoring custodial services.

After approving the QAP and the contract administration staffing requirements, LANTDIV forwards its endorsement through the chain of command to the Office of the Chief of Naval Operations. This chain of command includes the installation's next higher administrative command and the installation's appropriate second level command immediately subordinate to the Chief of Naval Operations. These commands are referred to as the type command and the major claimant, respectively.

Reviews and endorsements by
type commands and major claimants

According to Navy officials, the second and third levels of review and endorsement are made by the appropriate type command and major claimant, respectively. The type commands and the major claimants for the installations reviewed are shown in table I.1.

Table I.1: Type Commands and Major Claimants For Four Installations

<u>Installation</u>	<u>Type command</u>	<u>Major claimant</u>
Naval Amphibious Base, Little Creek	Commander, Naval Surface Force, U.S. Atlantic Fleet	Commander in Chief, U.S. Atlantic Fleet
Naval Air Station, Oceana	Commander, Naval Air Force, U.S. Atlantic Fleet	Commander in Chief, U.S. Atlantic Fleet
Fleet Combat Training Center, Atlantic	Commander, Training Command, U.S. Atlantic Fleet	Chief of Naval Education and Training
Naval Security Group ^a Activity, Northwest		Commander, Naval Security Group Command

^aThe Naval Security Group Activity, Northwest, reports directly to its major claimant, the Commander, Naval Security Group Command.

Because the Engineering Field Divisions are experienced in developing specifications for service contracts, LANTDIV officials said that the type commands and the major claimants rely heavily on these divisions' reviews and endorsements.

After the type command and the major claimant review the QAPs and the waiver requests, they forward their endorsements to the Office of the Chief of Naval Operations for final approval along with any recommended changes or disagreements. Waiver requests lacking adequate justification are returned to the originating installations.

Reviews and endorsements by the
Office of the Chief of Naval Operations

The Office of the Chief of Naval Operations reviews the installations' justifications for waiver requests and evaluates the QAPs and the contract administration staffing requirements. Navy headquarters officials said that they review the proposed inspection methods and compare staffing requirements with those that have been previously submitted by other installations for cost studies of similar scope and size.

Upon completion, the office approves the package as submitted, reduces the number of positions, or rejects the request and returns the package to the installation for revision. The number of positions approved by the office is then used by the installation to calculate personnel costs for the cost comparison between the contractors' bids and the government's in-house bid.

Results of the review,
endorsement, and approval processes

Three of the four installations we visited requested contract administration staffing levels that exceeded the OMB-authorized levels. Two of the installations received approval from the Office of the Chief of Naval Operations for staffing levels that were less than originally requested but still in excess of the OMB-authorized levels. The third installation's request was denied by the Office of the Chief of Naval Operations and was being revised by the installation and LANTDIV officials at the completion of our fieldwork. The results of the review, endorsement, and approval processes for these four installations' staffing levels are summarized in table I.2.

Table I.2: Disposition of the Requested Contract Administration Staffing Levels For Four Installations

<u>Installation</u>	<u>Original request</u>	<u>OMB-authorized</u>	<u>Command endorsements</u>		<u>CNO approved</u>	
			<u>LANTDIV</u>	<u>Type command</u>		<u>Major claimant</u>
----- (Staffing levels) -----						
Naval Amphibious Base, Little Creek	19	5	15	15	15	14
Naval Air Station, Oceana	20	4	16	16	16	a
Fleet Combat Training Center, Atlantic	8	4	7	7	6	6
Naval Security Group Activity, Northwest	2	2	2	N/A	b	b

^aThis installation's request was denied by the office and was returned to the installation. At the completion of our fieldwork in February 1988, the QAP and the staffing levels were being revised by the installation and LANTDIV officials.

^bBecause no waiver request was necessary, the major claimant and the Office of the Chief of Naval Operations were not required to review the staffing request.

As shown in table I.2, the Naval Security Group Activity, Northwest, originally identified a contract administration staffing requirement of two QAEs. However, after the cost comparison was completed and the decision was made to contract out the functions, installation officials reviewed the contract administration staffing plan and determined that they needed three additional positions: a service contract manager, a contract specialist, and one additional QAE. Navy officials stated that all five positions should have been identified initially and should have been reflected in the cost estimate used in the cost comparison. These officials also said that these three additional staff will perform contract administration duties for all of the installation's service contracts and will not be devoted solely to administering the A-76 contract. In April 1988, subsequent to completion of our fieldwork, LANTDIV officials stated that these positions had been funded.

Between October 1985 and February 12, 1988, the Navy made 146 cost comparisons for A-76 studies of which the Office of the Chief of Naval Operations processed 41 waiver requests for contract administration staffing levels that exceeded the OMB-authorized levels. The remaining 105 cost comparisons included contract administration staffing levels that were in accordance with the OMB-authorized levels. Of the 41 waiver requests,

-- 17 were approved at levels less than that requested but in excess of the OMB-authorized level,

-- 16 were approved at the levels requested,

- 3 were denied and the OMB-authorized staffing level was used,
- 3 were returned to the installations because the justifications were inadequate, and
- 2 were not acted on because the cost studies were either canceled or completed before a decision was made.

Eighteen of the 41 waiver requests were for cost studies that had been completed. Of these 18 cost studies, 6 resulted in contracts being awarded and 12 resulted in the functions being retained in-house.

Overall, contract administration staffing levels that exceeded OMB-authorized levels have not significantly affected the outcome of the Navy's A-76 cost comparisons. In 8 of the 12 completed A-76 studies that resulted in the functions being retained in-house, the higher contract administration staffing levels had no effect on the outcome of the initial cost comparison. For two of the four initial cost comparisons that were affected by the higher contract administration staffing levels, the final decision to retain the functions in-house resulted from other factors. In one of these studies (the public works A-76 study at the Naval Amphibious Base, Little Creek), the contractor's bid did not address all contract requirements, and in the other (a transportation A-76 study at the Naval District, Washington), the contractor's estimates for material and supply costs had to be increased during the administrative appeal process. Therefore, the final decision to retain the functions in-house for 2 of the 12 completed A-76 studies was directly affected by contract administration staffing levels that exceeded the OMB-authorized levels. These 2 studies were the public works A-76 studies at the Naval Training Center, Orlando, and the Naval Air Station, Chase Field.

OMB-AUTHORIZED STAFFING LEVELS
MAY BE INSUFFICIENT
FOR MULTI-FUNCTION A-76 STUDIES

Navy officials believe that the OMB-authorized staffing levels are often insufficient to meet the contract administration requirements for commercial activities that involve multiple functions. These officials said that the OMB-authorized staffing levels were developed when the functions being contracted out were primarily single functions and nontechnical tasks such as laundry services, food services, and custodial services. They said, however, that within the past 5 years the military services have had to contract out more multi-function and technically complex tasks and that OMB-authorized levels do not reflect the more recent contract administration experience. According to these officials, OMB is studying the need to revise its guidelines.

Installation officials said that the quality assurance tasks for multiple function contracts can require more staff hours than single function contracts because different functions require different inspection methods and that the time to complete quality assurance checks for technically complex operations may be more than those for nontechnical operations. For example, the quality assurance checks of a contractor's repair and maintenance of heating and air-conditioning plants may require that a QAE check lubricant and refrigerant levels inside the equipment, read various gauges, and review the contractor's maintenance log books. On the other hand, QAE checks of a contractor's custodial services can normally be done by using visual observations of a representative sample of the contractor's work.

Installation officials also said that the staff hours and the number of staff required to complete similar quality assurance tasks at different installations need to be tailored to meet the installations' needs and missions. For example, the size of an installation and the geographical dispersment of facilities can affect the QAE's travel time to and from inspection sites. In addition, the criticality of functions to an installation's mission can be a major factor in determining the inspection method and the amount of time devoted to quality assurance. Finally, the size of an installation's existing contracts office can be a factor in determining the contract administration staffing requirements. If an installation has a large contracts office that is administering a number of large contracts, the requirement for administrative personnel may not be as great because the existing support personnel and QAES can often assume some of the additional contract administration work load.

A report by the Center for Naval Analyses, Commercial Activities Study, dated April 16, 1987, stated that for contracts in excess of \$1 million, OMB-authorized levels were lower than the required staffing levels they observed in their study. Based on limited data, the center concluded that the OMB-authorized levels did not reflect actual practice at the installations.

CONTRACTOR RIGHTS TO APPEAL
CONTRACT ADMINISTRATION COSTS

As requested, we reviewed the administrative appeal process available to commercial bidders as it relates to the government's contract administration staffing and cost estimates. We found that OMB and the Navy have established specific procedures for contractors to follow in appealing contract administration cost estimates; however, Navy officials told us that contractors cannot appeal decisions made during the A-76 process regarding organization and staffing levels. For example, contractors can appeal the salaries and administrative costs associated with setting up a contract administration office, but not the staffing levels approved by the Office of the Chief of Naval Operations.

The objective of the administrative appeal procedures is to ensure that the Navy's A-76 decisions are equitable and in accordance with the established policy. Circular A-76 states that these procedures are used only to resolve questions of a cost comparison or of the decision to convert directly to contract without doing a cost comparison study. It further states that these procedures will not be used to question an award to one contractor in preference to another or to question the government's decision about organizing and staffing the most efficient organization.

During the time allowed for filing appeals, which is generally 15 days, any directly affected party may appeal any allowable issue relating to the decision to contract out or to retain the functions in-house. Directly affected parties include the federal employees and their representatives and the commercial firms bidding on the solicitation. These parties are to be given a full explanation of the appeal process and access to the necessary information. For cost comparisons, the documentation includes the in-house cost estimate with detailed supporting data, the completed cost comparison form, and the name and price of the apparent successful offeror/bidder. All other pertinent information about cost comparisons is made available upon request.

The appeal period begins with the release of the cost comparison tentative results and can be as long as 30 working days for unusually complex cost studies. An appeal must be filed with an installation's commanding officer and must contain specific objections with the supporting factual basis for each objection. An installation's major claimant or designated representative is responsible for appointing an official to review the decision under appeal. This reviewing official, who must be independent of the installation under study, reviews each question and objection

and decides if they are acceptable under the procedures. Reviewers are responsible for submitting their decisions in writing within 30 days of the conclusion of the appeal period to the appealing party, the commanding officer, the contracting officials, the offeror/bidder, the representatives of the affected federal employees, and the Office of the Chief of Naval Operations.

OBJECTIVES, SCOPE, AND METHODOLOGY

Our objectives were to determine how Navy installations compute contract administration staffing requirements and the extent to which approved staffing levels have affected the outcome of cost comparisons for recent A-76 studies. As requested by the Chairman, Subcommittee on Government Efficiency, Federalism, and the District of Columbia, Senate Committee on Governmental Affairs, our work included reviewing

- several comparable A-76 cost studies to identify the procedures used to develop the contract administration staffing estimates,
- the Navy's policies and procedures for granting waivers to installations for contract administration staffing levels that exceed OMB's authorized levels, and
- the administrative appeal process available to commercial bidders as it relates to the government's staffing and cost estimates for contract administration.

As requested, we reviewed the A-76 study of the public works functions at the Naval Amphibious Base, Little Creek, Norfolk, Virginia. For comparability purposes, we also reviewed the A-76 studies of the public works functions at

- the Naval Air Station, Oceana, Virginia Beach, Virginia;
- the Fleet Combat Training Center, Atlantic, Dam Neck Naval Activity, Virginia Beach, Virginia; and
- the Naval Security Group Activity, Northwest, Chesapeake, Virginia.

Our review also included work at the Naval Facilities Engineering Command, Atlantic Division, Norfolk, Virginia; and the Office of the Chief of Naval Operations, Washington, D.C., because of the significance of their roles in the waiver review and approval process.

For each of the four A-76 studies we reviewed, we verified that the projected contract administration staffing levels were computed, reviewed, and approved in accordance with appropriate Navy guidance. The scope of our review did not include, however, an analysis of the calculations and assumptions used to determine the projected staffing requirements.

At each location, we interviewed cognizant Navy officials and obtained information and supporting documentation relevant to our objectives. For example, where applicable, we obtained copies of the QAPs, the initial computations for contract administration staffing requirements, the waiver request letters, and the endorsement and approval documents generated through the waiver review process. We also reviewed OMB Circular A-76 and the Navy's implementing instructions for determining contract administration staffing requirements and cost estimates. As agreed with the Chairman, we gathered data on the extent to which contract administration staffing waivers were requested and approved for all Navy A-76 studies.

We provided a draft of this report to Department of Defense and Navy officials and met with them to obtain their comments. Their comments have been considered and incorporated, as appropriate.

We conducted our work from January 1988 through April 1988 in accordance with generally accepted government auditing standards.

(394255)

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