CIVILIAN AGENCY PROCUREMENT

Improvements Needed in Contracting and Contract Administration
The Honorable John Conyers, Jr.
Chairman, Legislation and National Security Subcommittee
Committee on Government Operations
House of Representatives

Dear Mr. Chairman:

This report discusses deficiencies in contracting and contract administration at the Departments of Education, Energy, Health and Human Services, and Housing and Urban Development. The report responds to the former Chairman's request that we analyze the administration of large contracts at civilian agencies.

As arranged with your office, unless you publicly announce the contents of the report earlier, we plan no further distribution until 30 days from the date of the report. At that time, we will send copies to the Secretaries of Education, Energy, Health and Human Services, and Housing and Urban Development; the Administrator, Office of Federal Procurement Policy; the Director, Office of Management and Budget; congressional committees having an interest in the subject; and other interested parties.

The major contributors to this report are listed in appendix II. Please contact me at 275-8676 if you or your staff have any questions concerning the report.

Sincerely yours,

L. Nye Stevens
Director, Government Business Operations Issues
Executive Summary

Purpose
Noting that GAO's past reports had identified weaknesses in contract administration at civilian agencies, the former Chairman of the House Government Operations Legislation and National Security Subcommittee asked GAO to assess how well large dollar value contracts are administered at civilian agencies. Specifically, he wanted GAO to determine if items were delivered at the time and cost agreed to in the original contract and to identify possible deficiencies in the administration of large contracts.

GAO examined 87 contracts worth a total of about $1.4 billion at the Departments of Education, Energy, Health and Human Services, and Housing and Urban Development. While the review concentrated on contract administration problems and causes, the report also discusses contractor problems revealed during the review.

Background
Contract administration at civilian agencies is a combined effort of program and contracting offices. While contracting officers award the contracts and are responsible for their administration, including any changes, the actual monitoring of contractor performance is normally done by individuals in program offices.

The Office of Federal Procurement Policy, located within the Office of Management and Budget, was created to simplify and bring consistency to federal procurement. The Office of Federal Procurement Policy is charged with providing overall procurement policy direction and leadership in developing executive branch procurement systems.

Results in Brief
In 59 of the 87 contracts (68 percent), GAO identified deficiencies that contributed to cost increases and delays. GAO found that the deficiencies resulted in (1) increases in contract costs ranging from several hundred dollars to over $1 million, (2) increases in contract time ranging from several days to 2 years, and (3) failure to complete a contract task or the entire contract. Although GAO was unable to quantify the effect of each deficiency due to a lack of documentation, it noted that delays of goods and services hindered the departments in accomplishing their missions. GAO found that the agencies (1) awarded contracts before they were ready to have the contractor start work, (2) failed to prepare clear work statements and contract clauses, (3) hindered contractors during contract performance, (4) allowed program officers to exceed their contract authority, and (5) improperly modified contracts.
Prior GAO reports have identified similar deficiencies that also have been the subject of decisions by the federal boards of contract appeals against the government. The deficiencies generally resulted from a failure by staff to properly carry out their responsibilities. While additional rules and regulations are not required, GAO believes that more emphasis is needed to help prevent these deficiencies from recurring.

GAO believes that the (1) frequency of deficiencies in the 87 contracts reviewed; (2) identification of similar deficiencies across departmental lines; (3) reporting of similar deficiencies in other GAO reports; (4) decisions of boards of contract appeals against civilian agencies for similar deficiencies; and (5) magnitude of civilian agency procurement, which annually totals about $30 billion, collectively demonstrate that a concerted effort by the Office of Federal Procurement Policy and by civilian agency heads is needed to improve contracting and contract administration.

Principal Findings

Poor Contracting Practices

Sixteen of the 87 contracts that GAO examined had deficiencies in planning the contract work or in writing the contract, which delayed delivery, increased costs, or kept agencies from receiving completed contract items. Additionally, GAO found questionable the use of cost-plus-fixed-fee contracts for 33 repetitive requirements. This type of contract provides only a minimum incentive to perform well and control costs.

GAO found that nine contracts were awarded before the agencies were ready to have the contractors do the work. For example, on two contracts to study the effects of Agent Orange on Vietnam veterans, the Department of Health and Human Services had to pay the contractors $1.9 million to wait about 8 months until it determined how to do the study. (See pp. 19 and 20.)

GAO found that eight contracts had defective work statements, specifications, or clauses. In one case, a contractor building a virology laboratory for the Department of Health and Human Services claimed that defective specifications increased its costs. To settle the claim, the Department paid the contractor $877,000. (See pp. 20 and 21.)
Executive Summary

GAO found that 49 of 87 contracts (56 percent) used the cost-plus-fixed-fee pricing arrangement. Because 33 of the 49 cost-plus-fixed-fee contracts were for repetitive requirements, GAO believes that the departments can reduce their reliance on cost-plus-fixed-fee contracts and use stronger pricing arrangements. Under repetitive type procurements, the departments should be able to gain sufficient knowledge of the contract requirements to permit them to use a stronger pricing arrangement. (See pp. 22 to 24.)

Contract Administration

Deficiencies

On 50 of the 87 contracts (57 percent), GAO identified government contract administration deficiencies that increased contract costs and delayed contract completion, prevented agencies from receiving completed contract items, and circumvented the internal control procedures in the contracting process. These deficiencies included program offices hindering contractors' performance, program officers exceeding their contract authority, and contracting officers improperly modifying contracts.

GAO found that program offices hindered contractor performance on 27 contracts. For example, a Department of Energy program office delayed a contractor that was developing a prototype steam generator by more than 2 years because it failed to provide the contractor with needed information and a facility to test the prototype. (See pp. 25 and 26.)

Only contracting officers are authorized to change the original contract. However, GAO found that program officers exceeded their authority on 12 contracts by directing contractors to work beyond the original requirements. For example, a Department of Housing and Urban Development program officer negotiated additional contract work worth $1.6 million without involving the contracting officer. Improper program officer actions prevented contracting officers from maintaining control over their contracts. (See pp. 26 and 27.)

When competition is possible, the Federal Acquisition Regulation prohibits sole-source contract extensions due to a lack of advance procurement planning. Also, GAO has determined that modifications to expired contracts are improper sole-source modifications when competition is possible. GAO found that contracting officers extended 10 service contracts because of a lack of advance procurement planning for replacement contracts and modified 21 contracts after their completion dates had expired. For example, (1) the Department of Education extended a repetitive 3-year contract for 6 months and increased its cost by...
$475,000 because it was not ready to award a competitive replacement contract and (2) the Department of Health and Human Services modified a contract after its completion date expired on 10 successive occasions. (See pp. 28 to 30.)

Recommendation

GAO recommends that the Administrator, Office of Federal Procurement Policy, initiate a concerted effort to improve civilian agency contracting and contract administration. To this end, GAO recommends that the Office work together with the heads of civilian agencies and issue specific guidance addressing the deficiencies identified in this report. (See chap. 5.)

Agency Comments

GAO discussed the findings and recommendations with representatives of the Office of Federal Procurement Policy, who agreed that the problems discussed in the report warrant serious attention.
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Contract Statistics

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Major Contributors to
This Report
General Government Division, Washington, D.C.
Atlanta Regional Office
Chicago Regional Office
Norfolk Regional Office

Related GAO Products

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Figure 1.1: Years Covered by Contracts

Abbreviations
CDC Centers for Disease Control
CPPF Cost-Plus-Fixed-Fee
DOE Department of Energy
DTP Diphtheria and Tetanus Toxoid Pertussis
HHS Department of Health and Human Services
HUD Department of Housing and Urban Development
NIEHS National Institute of Environmental Health Sciences
OERI Office of Educational Research and Improvement
OFPP Office of Federal Procurement Policy
OMB Office of Management and Budget
In the past, we have issued a number of reports that identified deficiencies in civilian agency contract administration. For the most part, these reports focused on individual contract administration issues or on the practices of a single agency. Noting our past reports of deficiencies in civilian agency contract administration, the former Chairman of the House Government Operations Legislation and National Security Subcommittee asked us to review contract administration at several civilian agencies.

Objectives of Contract Administration

The contract administration phase of the procurement process begins with contract award, continues through contract performance and completion, and ends with final settlement and payment to the contractor. Actions taken before contract award, however, can affect contract administration. For example, if a defective specification is not identified until after the contract is awarded, the defective specification would need to be corrected during contract administration. The government’s objectives during contract administration include:

- ensuring that the work is done according to contract requirements and
- paying the contractor for the work done.

Contract Administration Procedures

Federal procurement laws and regulations supply only broad guidelines for contract administration. As a result, much of the day-to-day guidance consists of legal precedent set by federal courts and boards of contract appeals.

The authority to write procurement regulations rests with federal agencies subject to the control of a four-member Federal Acquisition Regulatory Council within the Office of Federal Procurement Policy (OFPP). The Council consists of the OFPP Administrator and the heads of the Department of Defense, General Services Administration, and National Aeronautics and Space Administration. OFPP is located within the Office of Management and Budget (OMB) and is charged with providing overall procurement policy direction and leadership in developing executive branch procurement systems.
Civilian Agencies’ Contract Administration Process

The typical civilian agency contract administration process includes the combined efforts of its program and contracting offices. Assistance is available from the Department of Defense’s contract administration organizations and from the Defense Contract Audit Agency.

Program Office

A program office is an agency organization responsible for fulfilling a legislated mission or agency administrative function. For example, one program office may be responsible for determining if environmental chemicals are carcinogenic, while another may be responsible for processing an agency’s financial data. To fulfill their missions, program offices may identify needs that require contracting with private industry.

Program offices have several functions that affect the contract administration process. These include:

- developing the description of the work, called a specification or statement of work;
- providing funds for the contract work;
- cooperating with the contractor during contract performance;
- monitoring the contractor’s technical performance; and
- notifying the contracting office about any performance problems so that office can enforce the contract provisions.

The program office individual responsible for the oversight of the contractor’s technical performance has different titles depending on the agency. For example,

- government technical representative at the Department of Housing and Urban Development (HUD),
- contracting officer’s technical representative at the Departments of Energy (DOE) and Education, and
- project officers at the Department of Health and Human Services (HHS).

We use the title “program officer” in this report to identify the program office individual responsible for monitoring the contractor’s technical performance. The program officer does not have authority to change the contract work, completion date, or cost.
Contracting Office

The contracting office is responsible for ensuring the efficient functioning of the contracting process and enforcement of contract provisions. The contracting office has several functions that affect the contract administration process. These include

- reviewing the specifications and statements of work provided by the program office to ensure compliance with procurement principles;
- incorporating the required clauses, such as an option clause for additional periods of performance, in the contract;
- negotiating the contract's pricing structure;
- cooperating with the contractor during contract performance;
- modifying the contract to incorporate any changes; and
- enforcing all contract provisions.

The individual assigned responsibility for contract performance in the contracting office is the contracting officer. The contracting officer is a business agent of the United States and is the only individual authorized to make changes to the contract work, completion date, or cost.

Prior GAO Reports and Boards of Contract Appeals Decisions

Since 1980, we have issued 16 reports and have testified twice before Congress on civilian agency contracting and contract administration issues at the Departments of Energy, Justice, Labor, Interior, Transportation, Agriculture, Commerce, Education, Housing and Urban Development, and Health and Human Services and at the General Services Administration, Environmental Protection Agency, Veterans Administration, and the National Science Foundation. These reports discuss deficiencies in the

- contract description of work and measures of performance;
- pricing arrangements;
- program office monitoring, including program officers exceeding their authority; and
- contracting office monitoring, including improper contract modifications.

A brief description of each of these reports is included at the end of this report.

In addition to our reports, the civilian agencies' boards of contract appeals have issued decisions on disputes between contractors and agency contracting officers that arose during contract performance. Our review of 1987 and 1988 decisions identified 16 that were decided...
against the government and involved deficiencies we found. These cases involved the Departments of Agriculture, Interior, Labor, and Transportation; the Veterans Administration; and the General Services Administration. These decisions awarded the contractor money and/or time extensions due to

- defective government specifications,
- agencies hindering the contractors' performance, and
- program offices exceeding their authority.

Objectives, Scope, and Methodology

The Chairman of the House Government Operations Legislation and National Security Subcommittee requested that we analyze contract administration exercised over large contracts at various civilian agencies. He asked us to determine

- whether the agencies received the intended item within the original contract price and completion date;
- the effect of contract modifications to the original contract; and
- to the extent practicable, the reason for any weak contract administration practices noted.

While we concentrated on agencies' contract administration problems and causes, we also found specification and contractor problems that contributed to the government's not receiving full and timely contract performance.

Our work was done at the following agency contracting offices:

- Department of Education, Washington, D.C.;
- DOE, Chicago Operations Office, Argonne, Illinois;
- HHS Centers for Disease Control (CDC), Atlanta, Georgia, and National Institute of Environmental Health Sciences (NIEHS), Research Triangle Park, North Carolina; and
- HUD, Washington, D.C.

We selected these agencies and contracting offices in two steps. First, we eliminated agencies where we recently completed reviews or had ongoing reviews involving contract administration issues. Second, we identified large contracting offices from the top 21 of 60 civilian agencies ranked by annual contracting dollar volume. We did this using the latest available data, which were fiscal year 1985 contracting statistics from the Federal Procurement Data System.
Table 1.1 shows the relative rank of the departments we selected among all civilian agencies by fiscal year 1985 contracting dollar volume. It also shows the percentage amount of each department's contracting dollar volume purchased by the contracting offices we reviewed.

<table>
<thead>
<tr>
<th>Department</th>
<th>Department's rank among civilian agencies</th>
<th>Contracting office</th>
<th>Percent of department's contract dollars purchased by contracting office</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>18</td>
<td>Washington</td>
<td>100%</td>
</tr>
<tr>
<td>DOE</td>
<td>1</td>
<td>Chicago</td>
<td>9</td>
</tr>
<tr>
<td>HHS</td>
<td>6</td>
<td>CDC</td>
<td>6</td>
</tr>
<tr>
<td>HHS</td>
<td>6</td>
<td>NIEHS</td>
<td>5</td>
</tr>
<tr>
<td>HUD</td>
<td>21</td>
<td>Washington</td>
<td>96</td>
</tr>
</tbody>
</table>

We judgmentally selected contracts to review from the listings of open contracts provided by the agencies' contracting offices. These open contracts included those on which the contractor had finished working, and the contract was awaiting final settlement between the contractor and the government; contractor was working, and the original completion date had passed; contract work was terminated for the government's convenience before the original work was done; and contractor was working and the original completion date had not arrived.

In selecting contracts for our review, we eliminated certain types for various reasons. These included the following:

- Six contracts awarded by DOE for the operation of government-owned contractor-operated facilities worth $14.9 billion were eliminated because of their complexity and because of the time and staff needed to review them. For example, DOE's contract to operate Argonne National Laboratories was worth $5 billion and entails operating a facility the size of a small city.
- Four requirements or task-type contracts from CDC worth $15 million were eliminated because the contracts would have required work at the individual state agencies that would have exceeded our staff resources or were for items that were intangible, such as support services for data processing.
Several support service contracts for computer services that had intangible end products that we could not evaluate were eliminated.

Basic research contracts were eliminated because of the intangible nature of the contracted effort.

Two contracts at NIEHS were eliminated, including one worth $108 million that was eliminated because it was the subject of one of our earlier reports on contract administration and one worth $70 million that was eliminated because it was under litigation due to problems arising during contract administration.

Contracts that were unavailable for review because the agency was using the files to process a contract action.

Also, we eliminated contracts that were awarded less than 2 years before we began to select contracts. We did this to allow for the accrual of experience under the contracts that we could evaluate.

Our universe of contracts included all open contracts that we did not eliminate for one of the above reasons. We selected large contracts from our universe at each contracting office, with a goal of reviewing 20 contracts at each contracting office, or as many as possible in the time allowed. This plan resulted in our review of 12 contracts at DOE because of the high dollar value of individual contracts, and from 17 to 20 contracts at the other locations. Table 1.2 shows the value of contracts in our universe and the percentage of the contract universe we reviewed.

Table 1.2: Sample Universe and Contract Value Reviewed

<table>
<thead>
<tr>
<th>Agency contracting office</th>
<th>Sample universe</th>
<th>Percent of universe</th>
</tr>
</thead>
<tbody>
<tr>
<td>DOE, Chicago</td>
<td>$2,292</td>
<td>31</td>
</tr>
<tr>
<td>Education, Washington</td>
<td>629</td>
<td>35</td>
</tr>
<tr>
<td>HUD, Washington</td>
<td>370</td>
<td>65</td>
</tr>
<tr>
<td>HHS, NIEHS</td>
<td>330</td>
<td>36</td>
</tr>
<tr>
<td>HHS, CDC</td>
<td>128</td>
<td>73</td>
</tr>
</tbody>
</table>

We reviewed 87 contracts valued at $1.4 billion at these contracting offices.

While the contracts we reviewed had start dates as early as 1952 and completion dates as late as 1993, the bulk of the years covered by the contracts were during the mid to late 1980s. Figure 1.1, which depicts the years covered by the 87 contracts, shows that the contracts we examined represent contract administration that was done in recent
years. Start dates and completion dates are listed for each contract in appendix I.

To address the questions raised in the request, we reviewed each contract to determine its original completion date and cost. We included options in the original contracts that were exercised during contract performance to calculate our original completion dates and costs. For example, a contract may have had an initial 1-year base period with four 1-year option periods. If the four option periods were exercised during contract performance, we calculated the original completion date as 5 years after the start of the contract. We used the same procedure for calculating original costs. In this way, our calculations show the originally intended completion dates and costs.

To determine whether the agencies received the contract item within the original contract price and completion date, we analyzed the effect of each contract modification on the original completion date, cost, and contract item. For each contract modification changing the original completion date, cost, or contract item, we reviewed supporting contracting and program office documents to determine if the change was caused by
a deficiency in contract administration or by the overall contracting process. Additionally, we interviewed program officers and contracting officers responsible for the contracts.

To supplement our contract review, we examined our reports on contract administration issued since 1980. We also reviewed decisions made by the civilian agency boards of contract appeals during 1987 and 1988 to see if the deficiencies we identified were occurring at other civilian agencies.

We did our review from June 1988 to March 1989 and in accordance with generally accepted government auditing standards. We discussed our findings with the departments' contracting personnel and considered their comments as appropriate; however, at the request of the former Chairman, we did not obtain official agency comments. We also discussed our findings and recommendations with OFPP representatives, who agreed that the problems discussed in the report warrant serious attention both by civilian agencies collectively and on an individual agency basis.
Chapter 2

Deficiencies in Contracting and Contract Administration and Their Effect on Contract Performance

Nearly all of the contracts we reviewed had either time increases, cost increases, or a contract item that was not completed. We identified deficiencies in 59 contracts that contributed to increased time or costs, or that prevented agencies from receiving completed contract items. Recurring deficiencies in the contracts were in planning contract work and writing the specifications and contract clauses, program and contracting office contract administration, and contractor performance.

Effect of Deficiencies in Contracting and Contract Administration

Seventy-nine of the 87 contracts had either time or cost increases or contract items that were not completed. We considered items as not being completed when a delivery date for a task or product had arrived but the task or product was not completed or was deleted from the contract. While in some, but not all, cases there were legitimate reasons, on 59 of the contracts we identified deficiencies that contributed to delays or cost increases.

Table 2.1 shows that the five agencies had contracts with time or cost increases or with contract items that were not completed.

Table 2.1: Contracts With Time and Cost Increases and Incomplete Contract Items by Agency

<table>
<thead>
<tr>
<th>Agency</th>
<th>Time or cost increase or items not completed</th>
<th>Time increases</th>
<th>Cost increases</th>
<th>Items not completed</th>
</tr>
</thead>
<tbody>
<tr>
<td>HUD</td>
<td>18</td>
<td>12</td>
<td>15</td>
<td>6</td>
</tr>
<tr>
<td>Education</td>
<td>19</td>
<td>16</td>
<td>15</td>
<td>6</td>
</tr>
<tr>
<td>Energy</td>
<td>11</td>
<td>10</td>
<td>10</td>
<td>4</td>
</tr>
<tr>
<td>HHS/CDC</td>
<td>15</td>
<td>8</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>HHS/NIEHS</td>
<td>16</td>
<td>12</td>
<td>15</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>79</strong></td>
<td><strong>58</strong></td>
<td><strong>65</strong></td>
<td><strong>24</strong></td>
</tr>
</tbody>
</table>

*Column totals do not equal 79 because some contracts had a combination of time and cost increases and items were not completed.*

Table 2.2 shows that the 59 contracts with deficiencies were also distributed among the five agencies.
Deficiencies in Contracting and Contract Administration and Their Effect on Contract Performance

Table 2.2: Contracts With Deficiencies by Agency

<table>
<thead>
<tr>
<th>Agency</th>
<th>Reviewed</th>
<th>With deficiencies*</th>
</tr>
</thead>
<tbody>
<tr>
<td>HUD</td>
<td>18</td>
<td>16</td>
</tr>
<tr>
<td>Education</td>
<td>20</td>
<td>12</td>
</tr>
<tr>
<td>DOE</td>
<td>12</td>
<td>10</td>
</tr>
<tr>
<td>CDC</td>
<td>17</td>
<td>9</td>
</tr>
<tr>
<td>NIEHS</td>
<td>20</td>
<td>12</td>
</tr>
<tr>
<td>Total</td>
<td>87</td>
<td>59</td>
</tr>
</tbody>
</table>

*Some contracts had more than one deficiency.

We identified some individual contract deficiencies that

- increased contract time from several days to 2 years,
- increased contract costs from several hundred dollars to over $1 million, and
- resulted in uncompleted contract tasks or the entire contract.

We were able to identify the effects of the above deficiencies on contract performance because they were well documented in the contracting and program office files. However, we were unable to identify the specific effect of every deficiency because documentation was not always available. In addition, some contracts had more than one deficiency.

Deficiencies Occurred Both Before and After Contract Award

The effects of deficiencies we identified occurred after contract award. These generally were modifications to the contract that changed the original terms. Although these effects occurred after contract award, their causes sometimes occurred before contract award. This happened when a contract was awarded

- with a defective specification or
- before the agency was ready for the contractor to start work.

For example, a contract may be awarded with a defective specification that does not become evident until the contract is awarded and the contractor attempts to do the work according to the specification. When the defective specification is identified after contract award, the contract generally will be modified to adjust the original contract terms.

The deficiencies we identified in the 59 contracts included
Chapter 2
Deficiencies in Contracting and Contract Administration and Their Effect on Contract Performance

- contracts being awarded before the contract work was planned and with defects in specifications and contract clauses (see ch. 3) and
- poor contract administration by the program offices, contracting offices, or contractors (see ch. 4).

Not All Deficiencies May Have Been Identified

To identify deficiencies, we reviewed the effect of modifications to the original contract and then identified the cause of any modification that changed an original contract term. Although we identified 59 contracts with deficiencies that increased contract time or cost or that prevented the agencies from receiving completed items, we were unable at times to identify the cause for each time or cost increase or item not received. This was because

- documents supporting the time or cost increases were not available at the program and contracting offices;
- program and contracting officers familiar with the contracts had left the agency; and
- original statements of work were vaguely written, which made it impossible to identify changes and causes.

Some Increases Were Justified

Some of the time and cost increases were caused by factors beyond the control of agencies and contractors. These included valid increases in the agency's need for a contract item that did not change the original scope of the work, and increases required by specific new legislation. For example:

- Education awarded a contract for the processing of Pell Grant applications with a price of $29 million that was increased to $30.6 million. Part of the increase was for the processing of more grant applications than originally expected when the contract was signed.
- Education also awarded a contract to a regional educational laboratory to analyze the educational needs in the contractor's region for a cost of $11.7 million. Legislation enacted during contract performance required the inclusion of a rural education study that increased the original contract amount by $425,000.

In cases such as these, we did not conclude that a cost or time increase was caused by a deficiency.
Poor Contracting Practices

We found deficiencies at all five agencies in the planning of contract work and in the writing of specifications and contract clauses. These deficiencies contributed to increases in contract time and costs and kept agencies from receiving completed contract items. Additionally, we found that agencies' use of cost-plus-fixed-fee (CPFF) contracts did not provide an incentive to control costs and deliver contract items on time.

Responsibility for Contract Documents

As the writer and provider of contract documents, the government generally is held liable for any increased costs or delays to the contractor as a result of a defect in a contract document. The agency's program office writes the specification or statement of work because it has the agency's technical expertise in its program issues. The agency may supplement the program office's ability to write specifications and statements of work by contracting out these duties. Under these conditions, the government would be liable for increased costs and delays to a contractor caused by a defect in the contract document. However, it would have the right to seek a claim against the contractor that developed the defective contract documents.

The contracting office reviews the specifications and statements of work prepared by the program office and incorporates the appropriate business clauses, such as an option clause, to complete the contract document.

Deficiencies in Planning Contract Work and Contract Documents

Deficiencies in the planning of contract work and in the writing of contract specifications, statements of work, and business clauses on 16 contracts contributed to increases in contract time and costs and in agencies not receiving completed items.

Poor Contract Planning

Once the contractor is authorized to start work, it begins to spend the government funds obligated on the contract. The agency should know what it wants done and be ready to cooperate with the contractor once the contract is awarded. If the agency program office is not ready to work with the contractor, the contractor will still incur costs and government funds may be wasted.

Nine of the contracts we reviewed at the five agencies were awarded before the agencies were ready, which resulted in increased time and...
costs. This also prevented the completion of contract work. The following are examples of the results of poor contract planning:

- **CDC** awarded two contracts estimated to cost $43.4 million for studies of the (1) health of Vietnam veterans and (2) effect of Agent Orange on the veterans. The agency awarded the contracts before it refined its methodology for doing the Agent Orange study. As a result, **CDC** ordered the contractors to stop work but remain ready to resume it once the methodology was refined. The stop-work orders on the two contracts lasted an average of 8 months and cost $1.9 million. Both contracts were terminated for the government's convenience after **CDC** concluded that the effects of Agent Orange could not be evaluated.

- **NIEHS** awarded a contract at a cost of $3 million to determine if four chemicals caused cancer in laboratory animals. The agency was required to identify and supply the four chemicals for the contractor's analysis. However, **NIEHS** was late in identifying and supplying the chemicals and was required to modify the contract to increase time and costs and delete one of the chemicals.

- **DOE** awarded a contract to build an electronics facility for $5.3 million. After construction started, **DOE** redesigned the building to add motion picture and graphics art facilities. The redesign required the contractor to rip out completed work, which increased the cost of the contract by at least $24,467.

- **HUD** awarded a contract for data collection services at a cost of $5.8 million. The contractor was required to provide the services to **HUD** staff and a grantee. **HUD** and the grantee were required to define the contractor's statement of work within about 3 months after the contractor started work. However, it took about 8 months for **HUD** and the grantee to define the contractor's work. According to the contracting officer, this caused a delay in contract completion.

**Contracts Contained Defective or Vague Specifications and Clauses**

Eight contracts at **HUD**, **Education**, **DOE**, and **CDC** had defective or vague specifications, statements of work, or contract clauses that either increased costs or made it difficult to control them. The following are examples:

- **CDC** awarded a $21.5 million contract for the construction of a virology laboratory and contracted with an architect and engineering contractor to design the laboratory. The construction contractor, using the design specifications supplied by **CDC**, had problems pouring the foundation and installing technical equipment. As a result, the contractor filed claims
for increased costs that it claimed were caused by defective specifications. CDC settled the claim for $877,000, which increased the contract costs. We did not determine whether CDC or its architect and engineer contractor was at fault for the specification. However, the CDC contracting officer explained that the agency was considering taking action against the architect and engineering contractor.

- Education awarded an educational services contract for $4.7 million that had two different completion dates. We used the contract's order of precedence clause, which settles inconsistencies in contract clauses, to determine the correct completion date and found that the contracting officer had used the wrong completion date to extend the contract. As a result, the contract amount was increased by at least several hundred dollars for work that was actually required by the original contract.

- DOE awarded a contract for the conceptual design and related services of the Superconducting Super Collider for $7 million. The contract requirements were vague because the statement of work was not explicit. The program officer noted that the vague statement of work contributed to the contractor's "wheel spinning" in the beginning of the contract.

- HUD awarded a contract for a computer system with a base price of $17.7 million. The contract contained vaguely worded option and engineering change provisions that authorized HUD to buy more equipment under the contract. Two contracting officers interpreted the provisions differently. One thought that the provision allowed a maximum ordering limit of $32 million, while the other believed that there was a maximum ordering limit of $38 million. The contract was modified to increase the price to $35.7 million. However, because the option provision was vague, we could not determine if the contract modification exceeded the maximum ordering limit.

Conclusion

Weaknesses in the planning of contract work and defects in contract specifications, statements of work, and contract clauses contributed to increases in contract time and costs, agencies not receiving completed items, and a lack of control over contract costs.
The two basic pricing arrangements the government uses to allocate cost risk between itself and its contractors are fixed-price and cost-reimbursement contracts. The objective in choosing a pricing arrangement is to select one that will result in reasonable contractor risk and provide the contractor with the greatest incentive for efficient and economical contract performance.

Fixed-price contracts should be used when the government can fairly describe the item it needs and limit the cost risk placed on the contractors. Cost-reimbursement contracts are used when uncertainties in contract performance do not permit costs to be estimated with sufficient accuracy to award some type of fixed-price contract. Both fixed-price and cost-reimbursement contracts provide a range of contract pricing relationships to distribute cost risk. These range from firm-fixed-price contracts in which the contractor has full responsibility for performance costs to CPFF contracts in which the contractor has a minimal responsibility for performance costs. Between the two are various incentive type contracts that can be used to control costs and improve performance.

The contract types used on the 87 contracts included 21 fixed-price; 62 cost-reimbursement; and 4 other types, such as a labor-hour contract. The 21 fixed-price contracts included 3 firm-fixed-price contracts and 18 fixed-unit-price contracts with various quantities of services or items. We believe that the fixed-price arrangements were applied correctly. Additionally, we believe that the four other types were appropriate for the circumstances.

The 62 cost-reimbursement contracts included 49 CPFF contracts; 11 cost reimbursement contracts with no fee; and 2 cost-plus-award-fee contracts, which provide an incentive for excellence in contract performance and cost control.

Under a CPFF contract, a fee is negotiated at the time of contract award. The contractor is entitled to the costs it incurs doing the work and to the full negotiated fee if the work is satisfactorily done. CPFF contracts are suitable for use when there is a high degree of uncertainty in the work to be done during contract performance. They are appropriate for contracts for research or preliminary exploration and study. However, the Federal Acquisition Regulation explains that as more is known about a requirement, contracting officers should use a firmer pricing arrangement. A firmer pricing arrangement could include a cost-plus-incentive-fee or cost-plus-award-fee contract or some form of fixed-price contract.
We found that 33 of 43 CPFF contracts awarded by HUD, Education, CDC, and NIEHS were for repetitive requirements. (Six CPFF contracts awarded by DOE were for new requirements.) Since the 33 contracts were for repetitive requirements, we believe that the agencies could use more incentive or award-fee contracts to manage contract performance and costs. Although we did not categorize the use of CPFF contracts as a deficiency that directly increased contract time and costs, we do know that they provided little incentive for the agencies and contractors to control costs and improve performance.

We also found that 35 of 49 CPFF contracts had reached their original completion dates. Eighteen of these 35 contracts were extended by using no-cost extensions. Under a no-cost extension, the contract completion date is extended without obligating additional funds to the contract. The contractor is paid from the funds that were previously obligated to the contract and not expended. We believe that some no-cost extensions occur because CPFF contracts provide little or no incentive to complete work in accordance with the contract completion schedule. For example, two contracting officers at CDC and Education said that they believe that contractors request no-cost extensions simply to use the rest of the obligated contract funds regardless of whether the original work remains to be done. Contract documents on the following two contracts we reviewed support this:

- A HUD program office document justifying a contractor's request for a no-cost extension to the contracting officer said, "The extension of this contract will allow the Housing Systems Division to liquidate the remaining amount of the current funding authority."
- A contractor for Education's Office of Educational Research and Improvement (OERI), in requesting a 1-year no-cost extension from the contracting officer, wrote, "At this point I anticipate that we will have $100,000 - $200,000 of unexpended funds by the end of September 1988.... Being able to disburse these funds during the following year will allow us to better serve OERI's interests."

We believe that a better way to manage contract performance and costs is to provide contractors with some type of incentive or award to improve contract performance and control costs.

### Conclusions

The contracts we reviewed at HUD, Education, CDC, and NIEHS frequently were CPFF contracts that provided little incentive to reduce contract costs and improve performance. We believe that the agencies can
improve contract performance and cost control by providing incentives to the contractors for improved performance and cost control.
Deficiencies in Contract Administration

Fifty of 87 contracts had government contract administration deficiencies that contributed to contract time and cost increases and to agencies not receiving completed contract items. These deficiencies also violated contracting internal controls, which are designed to protect the public interest. These deficiencies included (1) agencies, primarily program offices, delaying contractors by supplying defective items or failing to supply required items; (2) program officers exceeding their contract authority by directing contractors to do work not covered in the original contract; (3) program officers not communicating contract performance problems to contracting officers for appropriate action; (4) loss of contract administration continuity because of program officer turnover; (5) contracting offices extending service contracts beyond their original completion dates because of inadequate planning for competitive replacement contracts; and (6) contracting offices modifying expired contracts.

Contractors also contributed to contract deficiencies. We found that 27 of the 87 contracts had a deficiency caused by a contractor that contributed to contract time and cost increases and to agencies not receiving completed contract items. Deficiencies were in contract administration and personnel management.

Program Office Contract Administration

During contract performance, program offices are responsible for monitoring the performance of the contractor, providing technical assistance to the contractor that is required for contract performance, and notifying the contracting officer about any contract performance problems. Program offices are not authorized to change contract work, costs, or completion dates or to enforce contract provisions. Only contracting officers have the authority to do that. This concentration of authority in the contracting officer is an integral part of internal control within the contracting process.

Actions Hindered Contract Performance

A basic rule in contracting is the requirement for the government to cooperate with the contractor during contract performance. This rule, which is enforced through legal decisions, makes the government liable for the time and cost effects of delays to the contractor that the government causes or are under its control. Provisions for time and cost increases are included in various contract clauses.

We found 30 contracts at the five agencies where the agencies delayed the contractors' performance and incurred increased contract time or
costs or did not receive the completed contract item. Of these deficiencies on 30 contracts,

- 27 were caused by the program offices and their contractors or grantee,
- 2 were caused by decisions of the head of a department, and
- 1 was caused by the contracting office’s delay in processing contract modifications.

Since the program office delays occurred most often and in all five agencies, we focused on them. These delays resulted from the program offices (1) supplying defective items, (2) not supplying information required by the contracts, and (3) having internal management problems. The following are some results of program offices hindering contractors’ performance:

- **DOE** awarded a contract for the design, development, construction, and evaluation of a prototype steam generator for breeder reactor plants. The contract had an original cost of $20.7 million and a completion date in 1983. The current cost is $51.1 million, with a completion date in 1993. DOE delayed the contractor for 1 year while it decided on generator requirements and for an additional 2 years by not having a test facility available for evaluation of the prototype. These delays contributed to the increased time and costs to complete the contract.

- **CDC** awarded a contract to develop a surveillance system for pelvic inflammatory disease for $1.2 million. The agency did not provide the contractor with a data collection instrument in accordance with the contract terms, which delayed the contractor from 5 to 9 months. As a result, the contract was extended for 1 year to complete the work.

- **HUD** awarded a financial services contract for $4.1 million. The program office provided the financial services contractor with defective data prepared by a second contractor. The cost to HUD to correct the defective data exceeded $50,000.

- Education awarded a computer services contract for $22.8 million. Five of the specific contract tasks were delayed and required time extensions because the program office supplied defective or incomplete information.

**Program Offices Exceeded Their Contract Authority**

Although program officers may provide technical direction to contractors during contract performance, they may not make changes to the contract affecting the required work, cost, or completion dates.
We found 12 contracts at Education, DOE, HUD, and NIEHS that failed to follow these procedures. Program officers, without contract authority, directed contractors to work overtime, past the original completion date, and on items not included in the contract. The following are some results of program officers exceeding their authority:

- NIEHS awarded a contract to determine the effects of asbestos on rats at a cost of $1.9 million. After the contract completion date had passed, the program officer directed the contractor to do new work. As a result, the contracting officer extended the contract by 11 months and increased the cost by $49,368.
- Education awarded a contract for data preparation services for $6.7 million. During the course of the contract and without contractual authority, the program officer approved over $20,000 in contractor overtime.
- HUD awarded a contract for inspection services under the National Manufactured Home Construction and Safety Standards Act for $5.7 million. During contract performance, the program office and the contractor negotiated work for a new quality assurance program without involving the contracting officer. As a result, the contracting officer modified the contract for new work costing $1.6 million.

These unauthorized actions by the program officers violate the basic internal control in contracting because they bypass the contracting officer. This provides opportunities for collusion between the program officer and the contractor and interferes with the contracting officer's responsibility for negotiating a fair cost for the work before it is started.

Other Contract Administration Deficiencies

Program officers are the eyes and ears of the contracting officer. They are required to monitor the technical progress of the contractor and when a problem arises notify the contracting officer, who can enforce the contract provisions.

We found 18 contracts at the five agencies that were affected by general deficiencies in program offices' contract monitoring, communications with the contracting officers, and loss of continuity in contract monitoring because of staff turnover. For example:

- An NIEHS program officer monitoring a chemical testing contract did not notify the contracting officer about the contractor's late delivery of reports as he was required to do. The program officer told us that he thought he could do a better job enforcing the contract provisions. The late reports caused delays of 5 and 6 months in other chemical studies.
Chapter 4
Deficiencies in Contract Administration

- A HUD program officer monitoring a computer service contract told the contractor to terminate work on a contract task because of the contractor's performance problems. However, the contracting officer was not notified and did not have an opportunity to enforce the contract.

- Education awarded a contract for $6.4 million to study high school students' experiences after graduation. During contract performance, the program officer realized that his funds to complete the contract were short by $561,670. He found that the shortage occurred because items that were no longer needed had not been deleted from the contract and the contractor had incurred the costs for the items. The program officer believes that this happened because the paperwork was not initiated because of staff turnover in the program and contracting offices. As a result, needed items were deleted from the contract to cover the shortage in funds.

- A CDC program officer monitoring a data collection contract told us that he was the second or third program officer assigned to monitor the contract. He explained that personnel turnover affected his contract monitoring because his predecessors did not keep good records on contractor performance.

Conclusions

Increases in contract costs and time and items not delivered were affected by program officers' delaying contractors' performance and exceeding their authority, as well as by general deficiencies in contract monitoring. These actions demonstrate a breakdown of existing controls within the procurement process.

Contracting Office

The contracting office, through its contracting officers, is responsible for (1) ensuring performance of all necessary actions for effective contracting, (2) ensuring compliance with the terms of the contract, and (3) safeguarding the interests of the United States in its contractual relationships.

Twenty-six contracts had deficiencies in contract administration caused by contracting officers. This included extending service contracts beyond their original completion dates due to inadequate planning for competitive replacement contracts, modifying expired contracts, and poor contract monitoring.
Modifications of Service Contracts

Time extensions granted on service contracts that were originally written to cover a specified period of time frequently constitute improper sole-source awards. Improper sole-source contract extensions occur when an agency fails to plan adequately for a successor contract and must modify the existing contract. Sole-source contract extensions based on a lack of advance planning are prohibited by the Federal Acquisition Regulation. Additionally, in our bid protest decisions we have decided that sole-source contract extensions are improper when they result from a lack of advance planning.

We found improper sole-source contract extensions on 10 contracts at CDC, Education, HUD, and NIEHS because advance planning was not done by the program and contracting offices for the award of a competitive successor contract. Each of these contracts had services procured for 2- to 5-year periods, which should have provided adequate time for the planning of a replacement contract. Under these conditions, the contract extensions were improper sole-source extensions. For example:

- Education competitively awarded a contract for support services to the Pell Grant Program with an original contract period of 3 years, including two 1-year option periods, and an original cost of $3.6 million. While the successor contract was planned as a competitive one, the program office was still working on the successor contract’s specification with less than 2 months remaining on the contract. As a result, Education needed to extend the contract for 6 months and to increase the cost by $475,000 to provide time to award the replacement contract.
- HUD awarded a competitive contract for financial services for 5 years, which included three 1-year option periods, for $6 million. The agency extended the contract an additional year for $2 million because the program office did not provide the contracting office with adequate time to award the replacement contract.
- CDC awarded a contract for the analysis of chemicals for a 3-year period with an original cost estimate of $3.7 million. The contract was extended by about 6 months, with a cost increase of $362,519, to permit the award of a new competitive contract.

During our review, we found that Education and HUD recently initiated management information systems to help prevent these sole-source modifications. The systems identify contracts that need replacement so that there is adequate time available for the award of a new contract. We believe that using such systems will reduce the number of these improper modifications.
### Modifications to Expired Contracts

In a bid protest decision, GAO determined that once a contract expires, the contractual relationship that existed is terminated and the issuance of a modification attempting to revive the expired contract is a new procurement without competition. The issuance of contract extensions to expired contracts can result in improper sole-source extensions or in renegotiation of the previously covered contractual items.

We found that 21 contracts were modified after the contracts had expired. The following are examples of modifying expired contracts:

- Education awarded a contract for automated data processing support services for a 5-year period, including five option periods, with an original cost estimate of $18.2 million. When the agency exercised its first option period, the contractor submitted a claim for additional contract costs because, it claimed, the option was not exercised in accordance with the contract terms. As a result, the contract had expired. Education and the contractor settled the claim by increasing the contract cost by $2.6 million. As part of the settlement, the contractor agreed to a plan for improved contract performance.
- HUD awarded a contract for the lease of computer equipment for $2.4 million. The contract expired nine different times and HUD modified and extended the expired contract nine times.
- NIEHS awarded a chemical testing contract for $4.8 million. The contract expired 10 different times and NIEHS modified and/or extended the expired contract 10 times.

### Poor Contract Monitoring

Deficiencies in the contracting offices' monitoring affected 11 contracts at HUD, Education, and DOE. These included contracts in which the contracting officers were not enforcing contract provisions or updating contract documents. The following are some results of poor contract monitoring:

- A HUD contracting officer responsible for a contract to lease computer systems worth $2.4 million was required to delete the contract's original delivery dates after the agency caused a delay. The modification deleting the delivery dates advised the contractor that a revised schedule for installations was forthcoming. However, no future modifications contained the revised completion dates. As a result, the contract document did not contain performance criteria needed to determine contractor compliance.
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Deficiencies in Contract Administration

An Education contract to distribute books to children covered a 5-year period at $31.9 million and contained a special requirement for the contractor to complete all subcontracts by the end of the contract period because the subcontracts were not completed by the end of the prior contract. However, Education did not monitor the contractor's compliance with this special provision. As a result, the contractor had the same problem with completing its subcontracts as it had on its earlier contract, and the contract was extended for 2 years to allow the contractor to complete the subcontracts.

A DOE contracting officer responsible for a contract involving energy storage systems worth $8 million allowed the contractor to submit contract reports that were from 12 to 30 months late. The contracting officer told us that there was an informal agreement between the program officer and the contractor for late delivery of the items. The contracting officer explained that if the program officer does not have an urgent need for a contract report, he does not get upset about late deliveries.

Conclusions

Although contracting officers are responsible for ensuring efficient contracting practices, we found that they were modifying contracts because of a lack of advance planning for competitive replacement contracts. Additionally, there were deficiencies in contracting officer oversight, such as (1) improperly extended contracts, (2) modified expired contracts, and (3) poor contract monitoring.

Contractor Deficiencies

On 27 contracts, the contractor contributed to the deficiencies. These deficiencies affected contract costs, time, or the completion of contract items. The contractor deficiencies involved an inability to perform, overall contract management, and personnel management. For example:

- CDC awarded a contract for the Nation's stockpile of Diphtheria and Tetanus Toxoid with Pertussis (DTP) vaccine that required the contractor to stockpile 3.96 million doses of DTP by January 31, 1986, at a total price of $3.3 million. As of August 1988, more than 30 months after the required contract delivery date, the contractor had supplied 65 percent of the required amount. For most of the 30 months, the contractor had supplied less than 29 percent of the required amount. Although CDC closely monitored the contract, the contractor was unable to complete its obligation, and the Nation did not acquire its required stockpile for over 2 years.
Chapter 4
Deficiencies in Contract Administration

- HUD awarded a contract for a telecommunications network for its offices in the 50 states, the District of Columbia, and Puerto Rico for $41.6 million. The contract required the contractor to complete network installations at 102 HUD facilities by May 1981. However, the installations were not completed until about the middle of 1983. As a result, HUD was unable to use the service for a 2-year period. Although HUD closely monitored the contract and began the process of terminating it for default, the contractor still was unable to perform for the 2-year period. We believe that the assignment of inexperienced contractor staff contributed to the late delivery.

- An NIEHS chemical testing contractor working on a contract worth $2.3 million was late in submitting its test reports because it had difficulty in adding to its report writing staff and because it had personnel productivity problems.

- A DOE contractor, constructing an electronics facility building for $5.3 million, incorrectly installed a heating unit that caused the unit to use a lot of energy and a cooling system that made the building too hot for the occupants for its first 10 months.

- An Education contractor providing data processing services for $18.2 million caused serious defects in Education’s financial reporting because it had assigned inexperienced staff to do the work and had a high rate of staff turnover.
Our review of 87 large civilian agency contracts disclosed that basic internal controls, such as assigning a program officer who reports to the contracting officer, were met. Nevertheless, we regularly identified weaknesses that occurred in contract administration. Recent contract dispute decisions and the findings contained in our 16 prior reports and congressional testimony on civilian agency contract administration confirmed that the deficiencies we identified were widespread. The government contracting deficiencies we identified are the responsibility of the program offices and the contracting offices.

We identified the following deficiencies that are the responsibility of program offices:

- poor planning of the contract requirement,
- poor development of specifications and statements of work,
- delays to contractors because required items or information were defective or not furnished,
- program officers not notifying contracting officers about problems with their contractors,
- program officers not monitoring contractor performance, and
- program officers exceeding their authority.

Deficiencies and weaknesses that are the responsibility of contracting offices include

- overusing the CPFF contract for repetitive requirements,
- extending contracts beyond their original completion dates due to a lack of advance procurement planning for competitive replacement contracts, and
- modifying expired contracts.

We found that agency procedures governing contracting practices contained appropriate internal controls. The contracting deficiencies that we identified generally resulted from people failing to coordinate or to properly carry out their responsibilities, rather than from a need for additional rules and regulations governing what should be done when writing or administering contracts. The deficiencies resulted in additional costs and delays to the government, but often it was not possible to quantify the effect of an item not being received by the contract delivery date. In general, the late receipt of items hindered the agencies in accomplishing their missions.
Conclusions

We believe that the (1) frequency of deficiencies in the 87 contracts reviewed, (2) identification of similar deficiencies across departmental lines, (3) reporting of similar deficiencies in our other reports, (4) decisions of boards of contract appeals against civilian agencies for similar deficiencies, and (5) magnitude of civilian agency procurement collectively demonstrate that a concerted effort by the Office of Federal Procurement Policy and civilian agency heads is needed to improve contracting and contract administration. While additional rules and regulations are not required, we further believe that the deficiencies identified will continue to occur unless specific action is taken to strengthen civilian agency contracting practices.

Recommendations

We recommend that the Administrator, OFPP, encourage civilian agencies to strengthen their contracting practices. Specifically, we recommend that OFPP work together with the heads of civilian agencies and initiate a concerted effort to improve civilian agency contracting and contract administration. To this end, we recommend that OFPP issue guidance addressing the deficiencies identified in this report and see that the guidance is carried out. Weaknesses that should be addressed by this effort include:

- planning contracts,
- writing specifications and statements of work,
- using cost-plus-fixed-fee contracts for repetitive requirements,
- hindering contractor performance by failing to comply with contract terms,
- exceeding authority when program officers direct contractors to do work not covered by the contract,
- extending contract completion dates because of poor planning for replacement contracts,
- modifying contracts that have expired, and
- monitoring contracts and communication between program and contracting officers.
## Appendix I

### Contract Statistics

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$1,421,901,034$

*a Guide to contract status codes:
1 = Contractor had finished work, and the contract was awaiting final settlement
2 = Contractor was working, and the original completion date had passed
3 = Contract was terminated for the government's convenience, before the work was finished
4 = Contractor was working, and the original completion date had not arrived

*Data were not available to accurately determine values for these items*
## Major Contributors to This Report

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Sound Contract Management Needed at the Environmental Protection Agency (GAO/T-RCED-89-8, Feb. 23, 1989). Deficiencies noted in this testimony included the agency's inadequate contract monitoring and its rewarding of inadequate contractor performance.

The Environmental Protection Agency's Use of Consultants (GAO/T-GGD-89-5, Feb. 3, 1989). Deficiencies noted in this testimony included the lack of receipt or questionable value of contract products and agency contract management weaknesses.

Superfund Contracts: EPA Needs to Control Contractor Costs (GAO/RCED-88-182, July 29, 1988). Deficiencies noted in this report included inadequate monitoring of costs by the program office and inadequate contractor performance.

Energy Management: DOE Controls Over Contractor Expenditures Need Strengthening (GAO/RCED-87-166, Aug. 28, 1987). The deficiency noted in this report was the department's lack of control over its contractors' procurement activities.

GSA Procurement: Quality Assurance for Common-Use Items Should Be Improved (GAO/GGD-87-65, June 29, 1987). A deficiency noted in this report included GSA contracting officers not monitoring the contractors' replacement of defective items under the contracts.

Contracts: Status of EPA's Contract Management Improvement Program (GAO/RCED-87-68FS, Jan. 12, 1987). In response to our report (see GAO/RCED-85-12 described below), EPA has implemented changes, including (1) increasing the contracting office staff for contract administration, (2) increasing training for contract administration staff in the contracting office, and (3) requiring notification and approval before reassignment of project officers to ensure continuity of project officers assigned to contracts.

The Environmental Protection Agency Should Better Manage Its Use Of Contractors (GAO/RCED-85-12, Jan. 4, 1985). Deficiencies noted in this report included a failure to prepare detailed statements of work, which caused problems in evaluating the contractors' work; inadequate contract monitoring by both the contracting and program offices; and program officers directing contractors to do work outside the scope of the contract.
### Related GAO Products

**Social Security Administration's Data Communications Contracts With Paradyne Corporation Demonstrate the Need for Improved Management Controls** (GAO/IMTEC-84-15, July 9, 1984). Deficiencies noted in this report included an inadequate specification and inadequate testing of equipment.

**Corrective Actions Taken Or In Process To Reduce Job Corps' Vulnerability To Improper Use of Contracting Authority** (GAO/HRD-83-66, July 15, 1983). The contract deficiency discussed in this report on the Department of Labor was the modification of existing contracts to avoid competition.

**Award And Administration Of Contracts To Recruitment And Training Program, Inc., During Fiscal Years 1978-1981** (GAO/HRD-82-125, Sept. 29, 1982). Deficiencies noted in this report on the Department of Labor included insufficient documentation for evaluation of contractor performance.

**Job Corps Should Stop Using Prohibited Contracting Practices and Recover Improper Fee Payments** (GAO/HRD-82-93, July 2, 1982). Deficiencies noted in this report on the Department of Labor included (1) the use of the prohibited cost-plus-a-percentage-of-cost system method of contracting because of improper contract modifications and (2) inadequate training of contracting office staff.

**Flaws In Contractor Support for the Department of Labor’s Black Lung Program** (PLRD-82-43, Apr. 2, 1982). Deficiencies noted in this report include inadequate communication between the contracting and program offices, which resulted in a failure to exercise an option on time and no standards to measure performance.

**EPA's Use Of Management Support Services** (CED-82-36, Mar. 9, 1982). Deficiencies noted in this report included contract modifications that added contract work beyond the original scope and resulted in increased costs and time extensions, inadequate contract monitoring by the program office, products not received or of questionable value, and poor evaluation of contractor performance.

**VA Needs To Improve Its Quality Assurance Program For Medical Supply and Equipment Items** (PLRD-82-44, Feb. 23, 1982). Deficiencies noted in this report included (1) contract items not tested to determine their compliance with contract requirements and (2) unclear specifications.
Still No Progress In Implementing Controls Over Contracts and Grants With Indians (CED-81-122, September 10, 1981). This report on the Department of the Interior noted such weaknesses as inadequate contract criteria for measuring the contractor's performance, contract modifications that increased the contract amount without an increase in services, and poor contract monitoring by program officers.

Improvements Needed in Managing Federal Coal Mapping Contracts (EMD-81-38, May 7, 1981). This report on the Department of the Interior noted such deficiencies as unclear specifications, improper modifications that added work beyond the original contract scope, program officers exceeding their authority by directing the contractor to do work beyond the original scope, and no measurable contract criteria to use for evaluating performance.

Stronger Controls Needed Over Federal Agency Contracting For Moving And Labor Services (PSAD-80-76, Sept. 29, 1980). This report on the Departments of Energy, Labor, Transportation, Agriculture, the Interior, and Justice; the Environmental Protection Agency; the National Science Foundation; and the General Services Administration noted such deficiencies as inadequate contract monitoring and work authorized beyond the scope of the original contract.