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

ENERGY AND MINERALS  
DIVISION

April 24, 1981

B-203023

The Honorable James B. Edwards  
The Secretary of Energy

*AGC00912*



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Dear Mr. Secretary:

Subject: [Need for \$200,000 Subcontract Apparently  
Eliminated by Reagan Administration  
Proposal] (EMD-81-81)

During an ongoing review of the Department of Energy's (DOE) procurement practices, we became aware of a situation requiring your immediate attention. Specifically, we are referring to a proposed DOE-sponsored subcontract which appears to be unneeded and to have been processed in an unorthodox manner. The situation involves the transfer of \$250,000 in DOE funds to the Los Alamos Scientific Laboratory in Los Alamos, New Mexico, which, in turn, has been authorized by DOE to issue a \$200,000 subcontract to the MIL Corporation in Bethesda, Maryland. We are bringing this matter to your immediate attention because DOE's timely reconsideration of the need for this subcontract could result in substantial monetary savings to the government.

BACKGROUND

In June 1980, the Energy Security Act (P.L. 96-294) required DOE to establish an Office of Energy from Municipal Waste, and to initiate new and expanded programs to commercialize technologies for converting municipal wastes to energy. Prior to this Act, DOE's Urban Waste Technology Branch was responsible for the waste-to-energy programs but at substantially lower funding levels. For example, shortly after being authorized by the Act, an additional \$220 million was appropriated for the Office's fiscal year 1981 and 1982 commercialization activities. This compares to a total of \$13 million that was appropriated in fiscal year 1980 for municipal waste programs--primarily for research and development activities.

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To meet the requirement of the Act, DOE upgraded and renamed the Urban Waste Technology Branch to the Office of Energy from Municipal Waste, but did not provide a substantial increase in personnel. According to DOE officials, the Office is inadequately staffed to handle the increased scope of responsibilities mandated by the Act and plans to contract with the MIL Corporation to provide certain administrative and planning services.

NEED FOR MIL CORPORATION CONTRACT  
NOT APPARENT AT THIS TIME

In January 1981, DOE transferred \$250,000 in fiscal year 1981 funds to the Los Alamos Scientific Laboratory, and authorized \$200,000 for a sole source subcontract with the MIL Corporation. This was done even though Los Alamos will not have any major responsibility for monitoring the contractor's performance. According to the proposed scope of work, MIL is to assist the Office of Energy from Municipal Waste in developing the planning systems and documentation necessary to comply with DOE needs and to allow for the proper management of energy from waste programs and projects. As of April 23, 1981, the subcontract was not yet awarded, although a Los Alamos official indicated it should be in a few days.

According to DOE officials, however, the Administration favors the eventual elimination of the Office of Energy from Municipal Waste and has recommended to Congress that the additional \$220 million already appropriated for the Office's fiscal year 1981 and 1982 commercialization program be rescinded; that the fiscal year 1981 and 1982 appropriations be limited to \$5.7 and \$7.1 million, respectively, for research and development; and that the program not be funded at all in fiscal year 1983. Given this position, we believe that DOE should reconsider the need for the MIL Corporation contract and any other contracts once thought necessary to meet the requirements of the expanded municipal waste program--at least until decisions are finalized on the future direction of the Office.

NORMAL DOE CONTRACTING  
PROCEDURES CIRCUMVENTED

Because the Office of Energy from Municipal Waste decided to obtain MIL's services by contracting through the Los Alamos Scientific Laboratory, DOE's Office of Procurement Operations did not have an opportunity to review the proposed \$200,000 expenditure. A DOE official told us that the Office purposely by-passed DOE's Office of Procurement Operations

to expedite the contract awarding process. A review of DOE's records revealed that this is not the first time the Office has circumvented normal procurement practices. In September 1980, the Office authorized the transfer of \$55,000 in DOE funds to Los Alamos also for the purpose of quickly obtaining a subcontract for MIL's services.

#### CONCLUSIONS

The current Administration's desire to reduce the scope of DOE's responsibilities in the municipal energy waste area and to eventually terminate the program appears to negate the need for DOE to contract for support services at the same level originally requested for the expanded program. We believe, therefore, that the proposed subcontract should not be awarded until DOE reevaluates its need in light of the Administration's proposed actions.

We are also concerned by the Office of Energy from Municipal Waste's desire to use, and its obvious success in using, the Los Alamos Scientific Laboratory to circumvent normal DOE procurement procedures. While this may be an indication of DOE's Office of Procurement Operations' inability to respond to procurement requests in a practical manner, it may also be an indication of procurement regulation abuses and inadequate oversight.

#### RECOMMENDATION TO THE SECRETARY OF ENERGY

We recommend that the Secretary of Energy review the transfer of \$250,000 in DOE funds to Los Alamos Scientific Laboratory, and determine whether the services of the MIL Corporation are still needed in light of the Administration's proposed rescission and budget reductions. Because the subcontract is currently being finalized, we also recommend that the Secretary take immediate action to stop the award until DOE adequately reevaluates this situation. If such services are later determined to be needed, however, we recommend that the contract be awarded in accordance with established Federal and DOE procurement regulations.

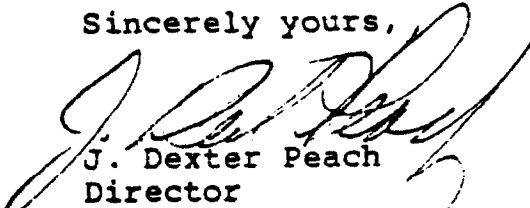
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As you know, section 236 of the Legislative Reorganization Act of 1970, requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the Senate Committee on Governmental Affairs and the House Committee on Government Operations not later than 60 days after the date of the report, and to the House and

Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

We are sending copies of this report to the four committees mentioned above and to the Chairmen of the energy-related congressional committees. We are also sending copies to the Director, Office of Management and Budget.

Sincerely yours,



J. Dexter Peach  
Director