



Highlights of [GAO-03-932T](#), testimony before the Subcommittee on Energy, Committee on Science, House of Representatives

Why GAO Did This Study

DOE is the largest civilian-contracting agency in the federal government, and relies primarily on contractors to operate its sites and carry out its diverse missions. For fiscal year 2003, DOE will spend about 90 percent of its total annual budget, or \$19.8 billion, on contracts, including \$9.4 billion to operate 16 of its research laboratories (called federally funded research and development centers). Since 1990, GAO has identified DOE's contract management as high-risk for fraud, waste, abuse, and mismanagement. In 1994, DOE began reforming its contracting practices to, among other things, improve contractor performance and accountability. As part of that effort, DOE has at times used competition in awarding contracts to manage and operate its research laboratories. In September 2002, GAO reported on the status of contract reform efforts in DOE. (*Contract Reform: DOE Has Made Progress, but Actions Needed to Ensure Initiatives Have Improved Results*) [Sep. 2002, GAO-02-798]

This testimony discusses some of the findings in that report. GAO was asked to testify on DOE's rationale for deciding whether to compete a laboratory research contract, the extent to which DOE has competed these contracts, and the role of competition and other mechanisms in improving contractor performance.

www.gao.gov/cgi-bin/getrpt?GAO-03-932T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Robin M. Nazzaro (202) 512-3841 or nazzaror@gao.gov.

CONTRACT REFORM

DOE's Policies and Practices in Competing Research Laboratory Contracts

What GAO Found

DOE has competed its research laboratory contracts in three main situations—when the contractor operating the laboratory is a for-profit entity, when mission changes warrant a review of the capabilities of other potential contractors, or when the incumbent contractor's performance is unsatisfactory. DOE guidance requires that to extend a contract noncompetitively, the department must present a convincing case for doing so to the Secretary of Energy. Among other things, DOE must certify that competing the contract is not in the best interests of the government and must describe the incumbent contractor's past successful performance.

Of the 16 research laboratory contracts currently in place, DOE has competed 6. The remaining 10 contracts have not been competed since the contractors began operating the sites—in some cases, since the 1940s. DOE recently decided to compete 2 of the 10 contracts that had never before been competed—contracts to operate the Los Alamos National Laboratory in New Mexico and the Argonne West Laboratory, located at the Idaho National Laboratory. DOE decided to compete the Los Alamos contract because of concerns about the contractor's performance, and to compete the Argonne West contract as part of an overall effort to separate the Idaho National Laboratory's nuclear energy research mission from the environmental cleanup mission at the Idaho site.

Competing contracts is one of several mechanisms DOE can use to address contractor performance problems or strengthen contract management. However, just competing a contract does not ensure that contractor performance will improve. Other aspects of DOE's contract reform initiative intended to improve contractor performance included greater use of fixed-price contracts instead of cost-reimbursement contracts and establishing or strengthening performance-based incentives in existing contracts. In addition, GAO has reported that DOE must (1) effectively oversee its contractors' activities in carrying out projects and (2) use appropriate outcome measures to assess overall results and apply lessons learned to continually improve its contracting practices. GAO's recent evaluation of DOE's contract reform efforts indicates that DOE is still working to put these management practices and outcome measures in place.