

GAO Highlights

Highlights of [GAO-14-593](#), a report to the Chairman, Subcommittee on Financial and Contracting Oversight, Committee on Homeland Security and Governmental Affairs, U.S. Senate

Why GAO Did This Study

Federal agencies sponsor 40 FFRDCs for research and development tasks that are integral to their missions. DOE, DOD, and NSF sponsor the largest number of FFRDCs—16, 10, and 4 centers, respectively. Federal agencies sponsor FFRDCs by contracting with nonprofit, university-affiliated, or private industry operators. Federal statute and regulations provide for reimbursements for compensation for FFRDC contractor employees and require that sponsoring agencies evaluate the use and need for their FFRDCs.

GAO was asked to review the management and oversight of FFRDCs. This report (1) describes funding for FFRDCs sponsored by DOE, DOD, and NSF for fiscal years 2008 through 2012; (2) examines compensation for FFRDC employees and these agencies' processes for review of compensation; and (3) determines how these agencies assess FFRDC performance. GAO surveyed the agency sponsors for the 30 FFRDCs, analyzed agency policies and reviews of these FFRDCs, and interviewed agency officials and contractor representatives.

What GAO Recommends

GAO is not making recommendations in this report. DOE, DOD, and NSF reviewed a draft of this report and did not provide formal comments. Technical comments provided by DOE, DOD, and NSF were incorporated, as appropriate.

View [GAO-14-593](#). For more information, contact John Neumann at (202) 512-3841 or jneumann@gao.gov.

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FEDERALLY FUNDED RESEARCH CENTERS

Agency Reviews of Employee Compensation and Center Performance

What GAO Found

The 30 federally funded research and development centers (FFRDC) sponsored by the Department of Energy (DOE), Department of Defense (DOD), and National Science Foundation (NSF) received nearly \$84 billion in total funding for fiscal years 2008 through 2012. Of these 30 centers, the 16 sponsored by DOE received about 79 percent of this funding according to GAO's analysis of sponsoring agencies' responses to a GAO survey on FFRDC funding and compensation. During this time, DOE obligated about 34 percent of its budget to the FFRDCs it sponsored, and DOD and NSF devoted less than 1 percent and 4 percent of their budgets, respectively. FFRDCs sponsored by these agencies received approximately \$15 billion of their total funding from sources other than the sponsoring agency—specifically other federal agencies, nonfederal entities such as state or local governments, and private entities.

Many FFRDCs sponsored by DOE, DOD, and NSF spent over half of their total funding on employee compensation, and the three agencies had processes in place to review such compensation. For example, the agencies reviewed senior executive compensation to ensure that they do not reimburse FFRDC contractors in excess of the cap set in statute. All three agencies also have processes in place to document the total reimbursed compensation for senior executives against the cap, although DOE changed its policy during the course of GAO's work. In May 2014, DOE updated its policy on executive compensation to require documentation of compensation subject to the cap—a requirement that was not in place prior to this date. DOE officials noted that this change was due, in part, to the recent action by Congress in December 2013 to reduce the cap from \$952,308 to \$487,000.

DOE, DOD, and NSF assess performance of FFRDCs through three types of reviews: (1) comprehensive reviews—which the Federal Acquisition Regulation (FAR) requires at least every 5 years, (2) annual performance reviews, and (3) other review activities such as day-to-day oversight. DOE, DOD, and NSF conducted timely comprehensive reviews of the use and need for the FFRDCs they sponsored in most cases and, in all cases, the agencies recommended the continuance of the FFRDCs they sponsor. The FAR describes five elements the review should include, and DOE, DOD, and NSF generally included these elements, with varying levels of detail in keeping with the flexibilities the FAR provides. These agencies also have procedures to annually review and document the performance of the FFRDCs they sponsor, and many of these reviews use surveys of federal officials who interact with the centers. In addition, officials from DOE, DOD, and NSF told GAO that they engage in other day-to-day oversight activities to help them assess FFRDC performance, such as observing work and meeting with contractor employees.