

GAO Highlights

Highlights of [GAO-16-529](#), a report to the Ranking Member, Permanent Subcommittee on Investigations, Committee on Homeland Security and Governmental Affairs, U.S. Senate

Why GAO Did This Study

In fiscal year 2015, the federal government spent almost \$19 billion on 22 DOE M&O contracts—a form of contract that traces its origins to the Manhattan Project. DOE uses M&O contracts to operate sites to carry out missions such as maintaining nuclear weapons and conducting energy and science research. Regulations require agencies to perform acquisition planning to ensure that the government meets its needs in the most effective, economical, and timely manner.

GAO was asked to review DOE's use of M&O contracts. This report examines (1) why DOE uses M&O contracts and key attributes associated with them, (2) the extent to which M&O contractors carried out mission-support activities and used subcontracts in fiscal year 2015, and (3) the extent to which DOE considered alternatives during acquisition planning for M&O contracts. GAO reviewed acquisition planning documents and other information on the 22 M&O contracts in place at the end of fiscal year 2015 and DOE regulations and procedures. GAO also interviewed DOE headquarters and M&O site office officials, contractors, and other federal contracting officials.

What GAO Recommends

GAO recommends that DOE's acquisition planning documents for M&O contracts discuss alternatives beyond extending the M&O contract or competing a similar contract, and that DOE establish a process to analyze and apply its experience with contracting alternatives. In commenting on a draft of this report, DOE generally concurred with GAO's recommendations.

View [GAO-16-529](#). For more information, contact David Trimble at (202) 512-3841 or trimbled@gao.gov.

August 2016

DEPARTMENT OF ENERGY

Actions Needed to Strengthen Acquisition Planning for Management and Operating Contracts

What GAO Found

Management and operating (M&O) contracts represented almost three-quarters of the Department of Energy's (DOE) total spending in fiscal year 2015 and were used extensively to support its missions. According to DOE officials, the agency uses M&O contracts for a number of reasons. For example, they said that the complex and unique nature of DOE's missions makes M&O contracts a good fit, and these contracts are less burdensome to manage than other types of contracts, requiring fewer DOE personnel. GAO identified three key attributes associated with DOE's M&O contracts:

- **Limited competitive environment.** About half of DOE's fiscal year 2015 M&O contract spending was on contracts that were awarded noncompetitively or that received one offer—situations that the Office of Management and Budget identified as high-risk contracting activities. In addition, M&O contracts include longer terms than other federal contracts, so they are competed less frequently.
- **Broad scopes of work.** DOE officials said that M&O contracts have broad scopes of work and use a work authorization system that allows DOE to quickly add or change requirements—sometimes within weeks.
- **Closer relationship.** M&O contracts and DOE management practices contribute to a closer relationship between M&O contractors and the government. M&O contractors often develop a vision and strategy for a site, according to DOE officials, and the agency uses contractors' internal audits and other contractor-generated information for oversight.

DOE also used M&O contractors for mission-support activities that accounted for a sizable portion of contractors' total costs in fiscal year 2015—generally about 25 to 50 percent. Mission support activities included managing infrastructure, facilities, and grounds; security; and the internal audit function. In addition, M&O contractors used subcontracts to acquire goods and services to perform both mission and mission-support activities. Subcontracts generally accounted for about 30 to 50 percent of contractors' total costs in fiscal year 2015.

During acquisition planning for its 22 M&O contracts in place at the end of 2015, DOE did not routinely consider alternatives beyond extending the current M&O contract and conducting a competition for a similar scope of work. Planning documents for 6 M&O contracts discuss broader alternatives, including using separate non-M&O contracts for some activities. For 16 M&O contracts, DOE did not consider broader alternatives, and these contracts represented about \$13.9 billion in fiscal year 2015 spending, about 70 percent of total M&O contract spending. Federal acquisition regulations and DOE policy call for M&O acquisition planning teams to consider broader alternatives. Without doing so, DOE cannot ensure that it has selected the most effective contract alternative, raising risks for contract competition, performance, and costs. In addition, DOE has experience with a variety of alternatives to using a single M&O contract for all activities at a site—such as using multiple contracts for a site or consolidating contracts—but has not fully analyzed these experiences to identify lessons learned. Federal acquisition regulations underscore the importance of analyzing lessons learned, which could be applied during planning for future M&O acquisitions.