

GAO Highlights

Highlights of [GAO-19-5](#), a report to congressional requesters

Why GAO Did This Study

In fiscal years 2006 through 2016, the federal government spent almost \$193 billion on DOE's M&O contracts—a form of contract that traces its origins to the Manhattan Project. Six DOE offices use M&O contracts to manage and operate federally owned sites that perform work to fulfill DOE's diverse missions, such as conducting scientific research and maintaining nuclear weapons.

GAO was asked to review DOE's performance management of its M&O contracts. This report examines, among other things, (1) how DOE offices evaluated M&O contractor performance in fiscal years 2006 through 2016; (2) the extent to which DOE's fiscal year 2016 M&O contractor PERs provide information on contractors' technical, administrative, and cost performance; and (3) the results of DOE's M&O contractor performance evaluations for fiscal years 2006 through 2016.

GAO reviewed performance evaluation documents for 21 of the 22 DOE M&O contracts; analyzed DOE policies, procedures, and guidelines, and federal regulations; analyzed technical, administrative, and cost aspects of M&O contracts' 2016 PERs; and interviewed DOE officials.

What GAO Recommends

GAO is making seven recommendations to DOE, including to each of the six DOE offices to update their policies requiring that PERs include quality information to enable an overall assessment of M&O contractor cost performance. In commenting on a draft of this report, DOE generally agreed with these recommendations.

View [GAO-19-5](#). For more information, contact Allison Bawden at (202) 512-3841 or bawdena@gao.gov.

February 2019

DEPARTMENT OF ENERGY

Performance Evaluations Could Better Assess Management and Operating Contractor Costs

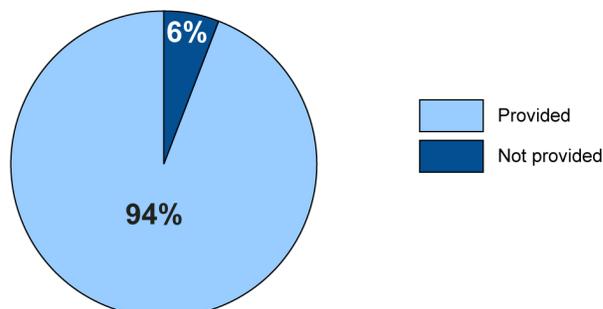
What GAO Found

In fiscal years 2006 through 2016, six offices within the Department of Energy (DOE) generally used one of three different approaches to evaluate management and operating (M&O) contractor performance. Although these approaches varied in the performance criteria and methodologies used for determining contractor ratings and incentives, all the offices annually set expectations for contractors and assessed performance.

In analyzing DOE's fiscal year 2016 Performance Evaluation Reports (PER), GAO found that these reports provided less information on M&O contractors' cost performance than on contractors' technical and administrative performance. The cost information provided in the PERs often was not detailed, did not indicate the significance of the performance being described, and applied only to specific activities. Further, the information is of limited use for acquisition decision-making, such as deciding whether to extend the length of a contract, because it does not permit an overall assessment of cost performance. A key reason PERs did not include more cost performance information is that the DOE offices' policies do not require specific assessments of cost performance or discuss how to ensure cost information is useful for future acquisition decision-making. By updating policies to require inclusion of quality cost performance information in PERs, DOE offices could better assess M&O contractors' costs, improve acquisition decision-making, and ensure performance evaluations fully address required elements.

Based on GAO's review of DOE M&O contractor performance evaluations from fiscal years 2006 through 2016, DOE generally provided high performance ratings and more than 90 percent of available performance incentives (see figure). Ratings for some areas of contractor performance, as well as ratings for contractor performance at specific DOE sites, varied from this trend. For example, three times during this period contractors received 50 percent or less of available award and incentive fees due to a major accident and safety and security issues.

Median Annual Percentage of Available Award Fee Provided to Management and Operating Contractors, Fiscal Years 2006 through 2016



Source: GAO analysis of Department of Energy documentation. | GAO-19-5