

October 1989

# ARMY PROCUREMENT

## Commercial Activity Study for Food Services at Fort Knox May Not Include All Costs



National Security and  
International Affairs Division

B-236299

October 6, 1989

The Honorable Mitch McConnell  
The Honorable Wendell H. Ford  
United States Senate

This report responds to your requests of January 1989 that we review a proposed contract award to Colbar, Inc., for food services at Fort Knox, Kentucky. We examined Fort Knox's study to determine whether food services should be provided by government workers or contracted out.

The study was required by Office of Management and Budget (OMB) Circular A-76. As part of the study, Fort Knox made a cost comparison between government and contractor performance. This comparison showed an estimated savings of about \$6 million over a 55-month period by contracting for the required food service. Because of this potential savings, Fort Knox has awarded a "conditioned" contract for food services to Colbar, Inc. Fort Knox, however, has not issued the notice to proceed.

The results of our review are discussed more fully in appendix I.

---

## Results in Brief

Fort Knox's study contains a number of errors and unresolved issues that could materially affect the decision to convert the food service from a government to a contractor operation. The principal issue concerns how to account for the supervision of trainees commonly called "dining facility attendants." This issue needs to be satisfactorily resolved, and other elements of the cost comparison may need to be adjusted before the Army makes its final decision on whether the food service should continue to be performed in-house or contracted out.

---

## Background

To implement OMB's Circular A-76, each agency reviews its commercial activities once every 5 years to determine whether it is more economical to retain commercial work in-house or to contract it out. As part of this review, the agency prepares an estimate of the lowest number and classification of government employees required to perform the functions under study. The estimated cost of operating this organization is then compared to the estimated cost of having the functions performed under contract. The cost of contracting is determined in part by obtaining cost proposals for performing the work from private contractors.

---

If the cost comparison shows a savings through contracting out, the government work force is reassigned, or employees' positions are terminated. If it is determined that the functions can be performed at less cost by government employees, the activity performing the functions is required to realign itself to conform with the most efficient organization identified during the study.

Fort Knox announced its decision to conduct a study of maintenance and supply activities, including food services, in June 1981. Because of the many problems associated with this major study, Fort Knox later requested approval from the Training and Doctrine Command (TRADOC) to conduct a separate study for food services. TRADOC granted approval in August 1983.

Fort Knox requested firm fixed-price proposals on May 6, 1988, and received responses from 10 prospective contractors. In September 1988, after evaluating the responses, a Fort Knox source selection official determined that Colbar, Inc., offered the best overall value. On October 6, 1988, Fort Knox, as required by OMB guidance, compared contract and in-house costs. This comparison showed total in-house costs over a 55-month period of approximately \$33 million compared to total contracting costs of \$27 million, a difference of \$6 million. The contract performance period was March 1, 1989, through September 30, 1989, with four 1-year option periods. The contract calls for food services in 25 dining halls.

As of August 1989, about 200 government employees worked in the dining halls. If the food service is contracted out, the affected government employees will be reassigned to other work, or their employment will be terminated. However, the displaced workers have the right of first refusal on job openings under the contract if they are qualified for the positions.

---

## **Cost of Supervision Was Excluded From the Cost Comparison**

Army policy requires basic trainees to clean their own dining halls. Trainees perform such duties in 19 of the 25 dining halls covered by Fort Knox's commercial activity study. Army civilian cooks, as part of their overall duties, currently supervise seven or eight military dining facility attendants in each mess hall at no additional cost to the Army. Army guidance prohibits contractor personnel from supervising military dining facility attendants. Thus, civilian or military personnel would still be required to supervise the attendants even if food services were contracted out. At other Army bases the supervision is accomplished by

---

full-time military or civilian supervisors. The cost comparison did not include any amount for supervisory costs.

OMB Circular A-76 requires that costs incurred solely as a result of contracting out be included as part of contract costs. Because cooks provided by the contractor will not be permitted to supervise military personnel, additional personnel will likely have to be provided by Fort Knox to supervise. We estimate that if Fort Knox uses full-time supervisors, the cost of providing the required supervision will range from \$4.6 to \$5.6 million over the 55-month contract period, depending on whether all Army civilian personnel, all military personnel, or a combination of Army civilian and military personnel are used (see app. II). In theory, part-time supervision might be feasible at some locations under certain conditions. The Army, however, has not specifically analyzed the conditions at Fort Knox to determine whether part-time supervision of dining facility attendants would be acceptable.

---

## Other Errors Could Affect the Cost Comparison

Fort Knox made other errors during the cost comparison that either understate the cost of contracting out or overstate the cost of in-house performance. Errors were made (1) in determining the cost of wages for intermittent employees, (2) in adjusting salaries for increases, (3) by including unnecessary personnel costs in the in-house estimate, and (4) in accounting for extended service hours. While the exact extent of the errors will not be known until a thorough evaluation is made, we estimate that the net cost of contracting out could be understated by about \$1.5 million. Appendix II shows our adjustment of Fort Knox's comparison to compensate for these errors.

In addition, labor hours in the in-house estimate might have been excessive for some dining facilities, but we could not determine the effect of these overestimations on the in-house costs.

---

## Recommendation

We recommend that the Secretary of the Army direct the Commanding General of Fort Knox to develop a specific plan for providing supervision of military dining facility attendants in light of this report. Such a plan should identify the types and number of personnel to be used, the cost that would be incurred solely as a result of contracting out, and if appropriate, the operational impact of reassigning personnel from other duties. The estimated supervision cost should then be factored into the cost comparison, along with the adjustments necessary to resolve the other issues discussed in this report. Unless this analysis indicates that

---

the cost of contracting out the food service will be less than the cost of performance by government workers, the service should continue to be performed in-house.

---

## Objective, Scope, and Methodology

Our objective was to evaluate Fort Knox's OMB Circular A-76 commercial activity study for food services. Specifically, we evaluated Fort Knox's comparison of estimated in-house costs with proposed contractor costs to perform food service functions at 25 dining halls.

We interviewed Fort Knox personnel responsible for the management study and cost comparison, local union representatives, employees, and Army Audit Agency officials. We also reviewed documentation at Fort Knox, including the management study, the performance work statement, the cost comparison, the proposed contract, and Army Audit Agency working papers.

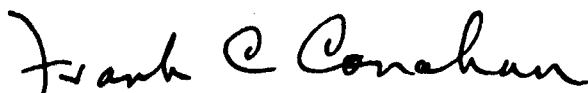
As requested, we did not obtain official agency comments on this report. However, we discussed its contents with officials of Fort Knox, Army Headquarters, and the Department of Defense and incorporated their views where appropriate.

We conducted our review between March and August 1989 in accordance with generally accepted government auditing standards.

---

We are sending copies of this report to interested congressional committees, other Members of Congress, and the Secretaries of Defense and the Army. Copies will be made available to other parties upon request.

This report was prepared under the direction of Richard Davis, Director, Army Issues, who may be reached on (202)275-4141 if you or your staff have any questions. Other major contributors are listed in appendix IV.



Frank C. Conahan  
Assistant Comptroller General



# Contents

---

Letter		1
Appendix I		8
Fort Knox's Cost Comparison Contains Errors and Unresolved Issues	Supervision Costs Eliminated From the Cost Comparison	9
	Intermittent Employees' Wages Overstated	12
	Computer Error Erroneously Inflated In-House Personnel Costs	12
	Unnecessary Positions Included in the In-House Estimate	13
	Extended Service Hours Estimate Unsupported	14
	Labor Hour Estimates in Some Dining Halls Appear Excessive	15
Appendix II		16
GAO's Adjustment of Fort Knox's Cost Comparison		
Appendix III		17
Comparison of In-House and Contractor Weekday Labor Hours		
Appendix IV		18
Major Contributors to This Report	National Security and International Affairs Division, Washington, D.C.	18
	Cincinnati Regional Office	18
Table	Table I.1: Fort Knox's Revised Cost Estimates of Extended Service Hours	14

---

---

**Contents**

---

---

**Abbreviations**

DFA	dining facility attendants
GAO	General Accounting Office
MEO	most efficient organization
OMB	Office of Management and Budget
TRADOC	Training and Doctrine Command
USAOERA	United States Army Organization and Efficiency Review Agency



# Fort Knox's Cost Comparison Contains Errors and Unresolved Issues

---

The Office of Management and Budget (OMB) requires that, as a general policy, the government should rely on the private sector for products and services when they are available, cost-effective, and consistent with other requirements. To implement this policy, OMB Circular A-76 requires that each agency review its commercial-type activities once every 5 years to determine whether it is more economical to retain the activities in-house or to contract out. The required review consists of two major parts:

- a management study that develops a most efficient in-house organization, which becomes the basis for the in-house estimate, and
- a performance work statement that describes the work required and serves as the basis for contractor bids.

The activity responsible for evaluating commercial activities conducts the management study and develops the performance work statement. As part of the management study, the activity prepares a most efficient organization (MEO) document, which contains an estimate of the lowest number and classification of employees required to perform the functions described in the work statement. The total estimated cost for in-house performance is prepared from this data and other associated costs. For contractor performance, the selected bid or offer is added to other estimated costs, such as contract administration, to develop a total estimated cost for contracting out. Circular A-76 further requires an independent review of the in-house and contract cost estimates to ensure that they are based on the same scope of work and include all significant costs. For Fort Knox, this independent review is conducted by the Army Audit Agency.

In this case, Fort Knox, as the responsible activity, then compares the two estimates to determine which alternative is more cost-effective. OMB's Cost Comparison Handbook, a supplement to the Circular, furnishes the guidance for computing cost comparison amounts. Department of Defense Instruction 4100.33 and Army Regulation 5-20 furnish additional implementation guidance. If the total estimated cost to contract out shows a savings of more than 10 percent of the estimated in-house personnel costs, a contract<sup>1</sup> is awarded, and the government work force is reassigned, or employees' positions are terminated.

---

<sup>1</sup>Under Army Regulation 5-20, entitled "Commercial Activities Program," if the cost comparison results in a decision to contract, the contracting officer awards a "conditioned" contract, subject to the resolution of appeals. The final decision is reached after all appeals and protests are resolved. Depending on the final decision, the contracting officer will (1) authorize the contractor to proceed or (2) cancel the conditioned award contract or cancel the solicitation if a contract was not awarded.

Employees whose positions have been terminated have the right of first refusal on job openings under the contract. If the functions remain in-house, the activity performing those functions is required to realign itself to conform with the MEO document to ensure that anticipated cost savings are realized.

---

## **Supervision Costs Eliminated From the Cost Comparison**

Army policy requires basic trainees to clean their own dining halls. Trainees perform such duties in 19 of the 25 dining halls covered by Fort Knox's commercial activity study. Historically, Fort Knox has used military and Army civilian cooks to supervise trainees, commonly called "dining facility attendants" (DFA). Supervision is part of the cooks' overall duties and results in no additional cost to Fort Knox.

Under the contract, additional costs will likely be incurred to provide this supervision because the Army's food service program regulation (30-1) does not allow contractor personnel to supervise military DFAs. On the basis of guidance from the Army Audit Agency and the United States Army Organization and Efficiency Review Agency (USAOERA), however, Fort Knox excluded the costs associated with hiring or reassigning government personnel to provide this supervision in contractor-operated dining halls.

OMB's Cost Comparison Handbook implementing OMB Circular A-76 requires that costs incurred solely as a result of contracting out be included as contract costs during the cost comparison. In its estimate of contract costs, Fort Knox initially included \$2.9 million to hire civilian DFA supervisors, but that amount was understated because it had not been computed in accordance with A-76 guidelines.

The Army Audit Agency questioned the need to hire these civilian supervisors. It stated that supervision should be performed by military personnel from the training brigade to avoid incurring additional costs.

Fort Knox officials disagreed with the Army Audit Agency. According to officials of the Directorates of Resource Management and Logistics and the training brigade, using military supervisors (i.e., drill instructors) was not an acceptable alternative because the brigade had no resources available to provide this supervision and the loss of drill instructors would degrade the brigade's training mission. Further, the officials said that the supervision costs represented additional costs because they would be incurred solely as a result of a contracting decision.

---

**Appendix I  
Fort Knox's Cost Comparison Contains  
Errors and Unresolved Issues**

---

The Army Audit Agency asked an official of USAOERA for an opinion on this matter. This official said that DFA supervision costs should be eliminated from the cost comparison because the costs would be incurred regardless of contract or in-house operation. Subsequently, Fort Knox eliminated DFA supervision costs from the cost comparison.

Shortly after Fort Knox completed its cost comparison, the local employees' union administratively appealed the decision favoring contract performance. The union contended that the cost comparison was erroneous because the cost of supervising DFAs had not been included. The Administrative Appeal Board supported the Army Audit Agency's decision that the cost of DFA supervision should not be included in either the contract or in-house performance costs.

We estimate that if Fort Knox uses full-time supervisors, DFA supervision costs will range from \$4.6 to \$5.6 million, depending upon whether all Army civilian, all military, or a combination of civilian and military personnel are used (see app. II). We estimate that 31 to 36 staff years will be required annually because the 19 dining halls operate about 15 hours a day when open, and generally two supervisors per building are needed for each day. We computed the number of civilian personnel and associated salary costs in accordance with OMB Circular A-76. Our estimate of military supervision costs was based on the OMB Circular A-76 salary scale for E-6s for those days the dining halls were scheduled to be open.

During a meeting with Department of the Army and Training and Doctrine Command (TRADOC) officials on May 26, 1989, they informed us that they believed that DFA supervision at Fort Knox could be provided with part-time personnel at less cost than we had indicated in our analysis. Therefore, we requested that the Department of the Army and TRADOC officials provide us with a plan outlining how Fort Knox would supervise DFAs under the contract. The Deputy Chief of Staff for Resource Management, TRADOC, responded, on June 27, 1989, that (1) supervision of DFAs is currently performed by military personnel assigned to basic training units, (2) this situation would not change if food services were provided by a contractor, and (3) no additional resources will be provided for DFA supervision. Further, this official stated that TRADOC considered DFA services and supervision to be outside the scope of both the commercial activity comparison and any resulting contract.

We do not agree with TRADOC's position. While the military cadre may have ultimate responsibility for the trainees, actual on-site supervision of DFAs at Fort Knox is provided by Army civilian cooks, not military personnel. Fort Knox brigade officials and dining hall personnel told us that the civilian cooks supervise DFAs and that military drill instructors are not involved in dining hall operations. They also said that TRADOC has been aware for some time that DFA supervision at Fort Knox was provided by Army civilian cooks. This confirms the position taken by the Fort Knox A-76 study team and the information contained in a series of memorandums between Fort Knox officials and TRADOC.

Fort Knox officials believe that full-time supervision of DFAs is necessary. Further, a survey of other military bases conducted by Fort Knox showed that DFAs were supervised full-time. For example, Fort Benning had used military drill instructors to provide supervision of DFAs but hired full-time civilian supervisors after funding was released by TRADOC. At Fort Leonard Wood, local funds were used to hire full-time civilian supervisors because military personnel could not be spared from their regular duties.

Fort Knox believes that the number of drill instructors assigned to basic training companies is not adequate to provide full-time supervision for DFAs. The Training Brigade generally has 11 or 12 drill instructors assigned to each company, and full-time dining hall supervision would occupy 2 instructors each day. DFA supervision duties were not considered in determining the number of drill instructors needed in each company.

We discussed this matter with the USAOERA official who had originally said that DFA supervision costs should be eliminated from Fort Knox's cost comparison. He told us that his advice to Army Audit Agency personnel was based on the information provided to him by Army Audit personnel during a telephone conversation. He further stated that, while he is not aware of the particular circumstances at Fort Knox, it is his opinion that full-time supervision in each of the mess halls would not be necessary. This official did state, however, that if additional supervisory personnel were required, the estimated cost should be added to the contractor's side of the cost comparison, as required by OMB Circular A-76.

The cost of providing DFA supervision at Fort Knox is more significant than these costs at other installations because the Training Brigade operates only company-sized dining halls, while some other installations

---

have battalion-sized dining halls. Company dining halls feed about 200 trainees, while battalion dining halls feed about 800. Since only one supervisor need be on duty regardless of dining hall size, only about one-fourth of the number of supervisory labor hours would be required in battalion-sized units for the same number of trainees.

In theory, part-time supervision of DFAS might be feasible at some locations under certain conditions. The Army, however, has not specifically analyzed the conditions at Fort Knox to determine whether part-time supervision of DFAS would be acceptable. Training Brigade officials told us that full-time supervision was necessary, and the survey of other installations conducted by Fort Knox showed that each used full-time supervisors. Accordingly, our cost estimates are based on providing the same full-time supervision that is currently used at other Army locations.

---

### **Intermittent Employees' Wages Overstated**

Fort Knox overstated the 55-month in-house personnel costs by \$525,000 due to an error in estimating the number of intermittent employees required. It estimated a need for 11.475 positions annually when only 6.307 positions are required annually. Fort Knox failed to adjust the in-house estimate after it removed from the study three facilities requiring intermittent employees. We computed the cost overstatement by using the same salary data Fort Knox used in computing the original estimate.

According to officials who conducted the commercial activity study, the error was discovered before the comparison of in-house and contract costs, but after receipt of the offerors' best and final offers. The error was not corrected because TRADOC personnel agreed that the amount was not significant enough to affect the cost comparison.

---

### **Computer Error Erroneously Inflated In-House Personnel Costs**

Fort Knox used a computer program to calculate amounts for the cost comparison. The program overstated in-house personnel costs by about \$292,000 by erroneously adjusting the salaries of most personnel to account for projected pay increases.

According to OMB's Cost Comparison Handbook, in-house personnel costs must be adjusted for projected future pay increases, but only with respect to positions not covered by the Service Contract Act. Only two positions covered by Fort Knox's study were exempt from the act, and therefore only two positions should have been adjusted for increases.

Computer program instructions required the identification of positions covered by the Service Contract Act. Although Fort Knox had coded the positions correctly, the program adjusted salaries for the majority of the positions covered by the act. Officials conducting the commercial activity study discussed this problem with TRADOC and contractor personnel responsible for the computer program, but these officials could not explain or correct the program error.

---

## **Unnecessary Positions Included in the In- House Estimate**

Fort Knox's MEO included three potentially unnecessary positions, causing in-house costs to be overstated by \$384,000 over the 55-month contract period. According to the commercial activity management analyst, two steward positions were originally established to assist brigade commanders in operating their dining facilities. Stewards' duties include ensuring that (1) facilities operate in compliance with Army regulations, (2) cooks receive necessary training, and (3) facilities are effectively used. The stewards also serve as technical advisors to the logistics officer, whose responsibilities include supervising food service activities within the brigade.

Some Fort Knox officials believe that the steward positions may not be necessary because the stewards' duties potentially duplicate work performed by the Fort Knox Food Service Branch. For example, both the brigade stewards and the Food Service Branch would inspect the same dining halls. The Chief of the Food Service Branch told us that the branch can accomplish the brigade stewards' work. The Branch Chief agreed that the brigade stewards' positions should have been excluded from the in-house organization document and said that the positions should be eliminated.

Further, the MEO included one position for a brigade steward's full-time clerk typist. Because this is a support position for a position that should have been excluded, it is questionable whether this position should have been included.

**Extended Service  
Hours Estimate  
Unsupported**

The cost comparison was based on an estimate of extended dining hall service hours that Fort Knox officials cannot explain or support. This estimate might have understated contractor costs by \$141,576 and overstated in-house costs by \$199,386.

Army dining halls are often open before or after normally scheduled hours due to training exercises, troop movements, or emergencies. These are known as extended service hours.

Fort Knox commercial activity officials estimated that 3,035 extended service hours would be required annually by either an in-house or a contractor work force. Fort Knox officials told us that supporting documentation for this estimate was no longer available. In the absence of original documentation, we asked Fort Knox contracting officials to recompute the estimate using recent historical data.

On the basis of the average number of extended service hours paid another contractor for other dining halls that had been under contract during the prior 2 years, Fort Knox officials estimated that the contractor will use about 6,000 extended service hours annually in the 25 dining halls being considered for contractor operation. This number is 99 percent higher than estimated in the commercial activity study. For fiscal year 1988, only 47 extended service hours were paid the in-house work force. Fort Knox officials told us that the number of extended service hours paid the in-house work force was low because officials rearrange work schedules rather than pay overtime. Table I.1 shows Fort Knox's revised cost estimates for extended service hours.

**Table I.1: Fort Knox's Revised Cost Estimates of Extended Service Hours**

Estimate	Contractor		In-house	
	Labor hours	Amount	Labor hours	Amount
Revised estimate	6,034	\$284,852	47	\$2,256
Original commercial activity study estimate	3,035	143,276	3,035	201,642
Difference	2,999	\$141,576	(2,988)	(\$199,386)

## **Labor Hour Estimates in Some Dining Halls Appear Excessive**

The estimated labor hours Fort Knox projected in its MEO for 5 of the 25 dining halls may be excessive. Fort Knox projected substantially more labor hours to operate these facilities than the prospective contractors did. Estimates of hours in the remaining 20 dining halls appear to parallel contractor bids. A comparison of weekday labor hours in the MEO and in contractor bids appears in appendix III.

The numbers of labor hours projected for cooks represent the greatest difference between the MEO and contractor bids. For example, the MEO projected that 56 weekday cook labor hours would be required in the dining hall located in building number 297. The three prospective contractors in the final competition bid from 38 to 43 cook hours each weekday to do the same work. The management study projected that building 297 would serve 400 meals a day. The ratio of meals served to cook hours in the MEO for building 297 was 7.14 meals for each labor hour. Contractors bid for building 297 from 9.30 to 10.53 meals for each cook labor hour. This evidence suggests that the in-house estimate may be overstated.

We discussed cook labor hours in the MEO with the commercial activity management analyst and with Fort Knox food service personnel. The analyst stated that the labor hours for cooks represented Fort Knox's best estimate at the time the MEO was prepared. He further stated that underlying workpapers supporting the estimates had been inadvertently destroyed or lost. Therefore, we could not reconstruct the methodology used or determine specific reasons for differences in the estimates. Because of this absence of information, we did not attempt to develop an independent labor hour estimate for these dining halls.



# GAO's Adjustment of Fort Knox's Cost Comparison

Item	Ft. Knox's approved cost comparison	GAO estimate		
		Cost comparison with military supervision	Cost comparison with civilian supervision	Cost comparison with combined supervision <sup>a</sup>
<b>In-house cost</b>				
Personnel <sup>b</sup>	\$30,710,370	\$29,508,936	\$29,508,936	\$29,508,936
Material	1,126,301	1,126,301	1,126,301	1,126,301
Other	149,306	149,306	149,306	149,306
Overhead	0	0	0	0
Additional costs <sup>c</sup>	948,995	749,609	749,609	749,609
<b>Total in-house cost</b>	<b>\$32,934,972</b>	<b>\$31,534,152</b>	<b>\$31,534,152</b>	<b>\$31,534,152</b>
<b>Contract cost</b>				
Contract price <sup>d</sup>	22,648,430	22,790,006	22,790,006	22,790,006
Contract administration	1,362,416	1,362,416	1,362,416	1,362,416
Additional costs <sup>e</sup>	0	5,648,060	4,595,291	5,616,355
One-time conversion <sup>f</sup>	130,620	130,620	130,620	130,620
Other	(272,582)	(272,582)	(272,582)	(272,582)
<b>Total contract cost</b>	<b>\$23,868,884</b>	<b>\$29,658,520</b>	<b>\$28,605,751</b>	<b>\$29,626,815</b>
Conversion differential <sup>g</sup>	3,073,187	2,953,043	2,953,043	2,953,043
<b>Adjusted contract cost</b>	<b>\$26,942,071</b>	<b>\$32,611,563</b>	<b>\$31,558,794</b>	<b>\$32,579,858</b>
<b>Difference</b>	<b>\$5,992,901</b>	<b>(\$1,077,411)</b>	<b>(\$24,642)</b>	<b>(\$1,045,706)</b>

<sup>a</sup>Includes about 28 military supervisors for the 4th Training Brigade and 3 intermittent civilian supervisors plus a full-time coordinator in the 46th Adjutant General Battalion. We were told by Fort Knox officials that this would be the most likely combination if both military and civilian supervisors were used.

<sup>b</sup>The \$1,201,434 difference between Fort Knox's approved personnel costs and GAO's adjusted personnel costs resulted from the following errors in Fort Knox's calculations: a manual error made in computing the number of full-time equivalent positions for intermittent employees (\$525,304); a computer error resulting in the erroneous inflation of salaries covered by the Service Contract Act (\$291,987); and the inclusion of unnecessary positions in the in-house estimate (\$384,143).

<sup>c</sup>The difference between Fort Knox's approved additional costs and GAO's adjusted costs is due to our reduction in the number of extended service hours.

<sup>d</sup>This line represents the contractor's bid. The difference between the original bid and GAO's adjusted contract price is due to our higher estimate for extended service hours.

<sup>e</sup>GAO's adjustments to additional costs are due to our estimates for supervising DFAs using (1) military supervisors, (2) civilian supervisors, and (3) a combination of military and civilian supervisors.

<sup>f</sup>OMB's guidance states that "one-time conversion" costs are costs associated with converting a government operation to a contractor-operated one. They include such costs as severance pay and retraining expenses for dislocated employees.

<sup>g</sup>In accordance with OMB's guidance, the conversion differential is equal to 10 percent of in-house personnel costs plus liability insurance. This margin recognizes costs due to a decrease in efficiency, temporary loss of production, and other unpredictable risks that result when a conversion is made.

# Comparison of In-House and Contractor Weekday Labor Hours

Dining hall number	MEO	Contractor average	Difference	Percent difference
297	74.5	58.2	16.3	-21.8
1482	97.0	83.3	13.7	-14.1
1109C	65.3	54.0	11.3	-17.2
7089	74.5	65.3	9.2	-12.3
1485	51.5	44.7	6.8	-13.3
6554	75.8	69.8	6.0	-7.9
1486	71.5	68.5	3.0	-4.2
6548	62.5	62.3	0.2	-0.3
6550	62.5	62.3	0.2	-0.3
6551	62.5	62.3	0.2	-0.3
6552	62.5	62.3	0.2	-0.3
6555	62.5	62.3	0.2	-0.3
6556	62.5	62.3	0.2	-0.3
6557	62.5	62.3	0.2	-0.3
6558	62.5	62.3	0.2	-0.3
7023	64.5	65.3	-0.8	1.3
7053	64.5	65.3	-0.8	1.3
7059	64.5	65.3	-0.8	1.3
6669	62.5	66.0	-3.5	5.6
6674	62.5	66.0	-3.5	5.6
6719	62.5	66.0	-3.5	5.6
6818	62.5	66.0	-3.5	5.6
6824	62.5	66.0	-3.5	5.6
6828	62.5	66.0	-3.5	5.6
6869	62.5	66.0	-3.5	5.6
<b>Total</b>	<b>1,641.1</b>	<b>1,600.1</b>	<b>41.0</b>	<b>-2.5</b>

# Major Contributors to This Report

---

---

**National Security and  
International Affairs  
Division, Washington,  
D.C.**

John Henderson, Assistant Director, Army Issues

---

**Cincinnati Regional  
Office**

Arthur D. Gross, Evaluator-in-Charge  
Robert Preston, Evaluator  
Jennifer Jones, Evaluator  
Josephine Brownlee, Evaluator

---

**Requests for copies of GAO reports should be sent to:**

**U.S. General Accounting Office  
Post Office Box 6015  
Gaithersburg, Maryland 20877**

**Telephone 202-275-6241**

**The first five copies of each report are free. Additional copies are \$2.00 each.**

**There is a 25% discount on orders for 100 or more copies mailed to a single address.**

**Orders must be prepaid by cash or by check or money order made out to the Superintendent of Documents.**

---

**United States  
General Accounting Office  
Washington, D.C. 20548**

**Official Business  
Penalty for Private Use \$300**

**First-Class Mail  
Postage & Fees Paid  
GAO  
Permit No. G100**

---