



Highlights of [GAO-09-15](#), a report to congressional committees

Why GAO Did This Study

In 2006, the federal government spent \$13 billion—14 percent of its research and development (R&D) expenditures—to enable 38 federally funded R&D centers (FFRDCs) to meet special research needs. FFRDCs—including laboratories, studies and analyses centers, and systems engineering centers—conduct research in military space programs, nanotechnology, microelectronics, nuclear warfare, and biodefense countermeasures, among other areas. GAO was asked to identify (1) how federal agencies contract with organizations operating FFRDCs and (2) agency oversight processes used to ensure that FFRDCs are well-managed.

GAO's work is based on a review of documents and interviews with officials from eight FFRDCs sponsored by the departments of Defense (DOD), Energy (DOE), Health and Human Services (HHS), and Homeland Security (DHS).

What GAO Recommends

To improve the effectiveness of FFRDCs, GAO recommends that (1) DHS and HHS revise their personal conflict-of-interest policies to specifically address FFRDC contractor employees in a position to influence research findings or agency decision making and (2) agencies create an ongoing forum to share best practices for FFRDC oversight. DHS, DOD, and DOE concurred with GAO's recommendations, while HHS concurred with the need to revise its policies and is considering a best practices forum for FFRDCs.

To view the full product, including the scope and methodology, click on [GAO-09-15](#). For more information, contact William Woods, 202-512-4841 woodsw@gao.gov or Anu Mittal, 202-512-9846, mittala@gao.gov.

FEDERAL RESEARCH

Opportunities Exist to Improve the Management and Oversight of Federally Funded Research and Development Centers

What GAO Found

Federal agencies GAO reviewed use cost-reimbursement contracts with the organizations that operate FFRDCs, and three of the agencies generally use full and open competition to award the contracts. Only DOD consistently awards its FFRDC contracts on a sole-source basis, as permitted by law and regulation when properly justified. FFRDCs receive funding for individual projects from customers that require the FFRDCs' specialized research capabilities. Because FFRDCs have a special relationship with their sponsoring agencies and may be given access to sensitive or proprietary data, regulations require that FFRDCs be free from organizational conflicts of interest. DOD and DOE also have policies that prescribe specific areas that FFRDC contractors must address to ensure their employees are free from personal conflicts of interest. In a May 2008 report, GAO recognized the importance of implementing such safeguards for contractor employees. Currently, although DHS and HHS have policies that require their FFRDC contractors to implement conflicts-of-interest safeguards, these policies lack the specificity needed to ensure their FFRDC contractors will consistently address employees' personal conflicts of interest.

Sponsoring agencies use various approaches in their oversight of FFRDC contractors, including:

- Review and approval of work assigned to FFRDCs, or conducted for other agencies or entities, to determine consistency with the FFRDC's purpose, capacity, and special competency. In this process, only DOD must abide by congressionally imposed annual workload limits for its FFRDCs.
- Conduct performance reviews and audits of contractor costs, finances, and internal controls.
- Conduct a comprehensive review before a contract is renewed to assess the continuing need for the FFRDC and if the contractor can meet that need, based on annual assessments of contractor performance.

Some agencies have adopted other agencies' FFRDC oversight and management practices. For example, DHS mirrored most of DOD's FFRDC Management Plan—an internal DOD guidance document—in developing an approach to FFRDC oversight, and DHS officials told us they learned from DOE's experience in selecting and overseeing contractors for laboratory FFRDCs. In addition, HHS plans to implement certain DOE practices, including rewarding innovation and excellence in performance through various contract incentives. While agency officials have acknowledged the potential benefits from sharing best practices, there is currently no formal cross-agency forum or other established mechanism for doing so.