

EMPLOYED DURING TESTING



Estimated Cost to Test All Executive Branch Employees and New Hires



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General Government Division

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June 10, 1992

The Honorable Gerry Sikorski
Chairman, Subcommittee on the Civil Service
Committee on Post Office and Civil Service
House of Representatives

Dear Mr. Chairman:

Your June 24, 1991, letter noted your Subcommittee's involvement in federal drug testing issues as part of its broader jurisdiction over personnel issues affecting civil servants. As part of the Subcommittee's continued oversight of agency drug testing programs, you asked that we estimate the cost of drug testing all executive branch employees. This report provides the requested information. As agreed with the Subcommittee, it also provides cost estimates for drug testing applicants for federal positions as well as estimates provided by the Department of Justice of what it has spent litigating drug testing-related cases.

EMPLOYEE DRUG
TESTING: ESTIMATED
COST TO TEST ALL
EXECUTIVE BRANCH
EMPLOYEES AND NEW
HIRES

Background

Executive Order 12564 (Sept. 15, 1986) established the Federal Drug-Free Workplace Program. This Executive Order required each executive branch agency to establish drug testing programs for employees in sensitive positions. It also required each agency to determine its own random testing frequency. Frequency, in this context, refers to the percentage of the number of employees in sensitive positions subject to drug testing that are tested annually. As we have previously reported, agencies vary widely in the frequency of random drug testing.¹ For example, some agencies tested at a frequency of 100 percent while others tested at frequencies as low as 4 percent.

To achieve more centralized policy oversight, the Office of National Drug Control Policy (ONDCP) was designated as the lead agency in implementing the Executive Order in February 1991.

In this role, ONDCP has taken on oversight responsibilities for federal drug testing programs. As part of its responsibilities, the Department of Health and Human Services (HHS) compiles a Federal Drug-Free Workplace Program Semi-Annual Survey that profiles executive branch agencies' drug testing programs. The most recent survey covers the period October 1990 through March 1991 and includes 119 executive branch agencies.

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¹Employee Drug Testing: A Single Agency Is Needed to Manage Federal Employee Drug Testing (GAO/GGD-91-25, Jan. 18, 1991) and Employee Drug Testing: Status of Federal Agencies' Programs (GAO/GGD-91-70, May 6, 1991).

According to this report, 51 agencies conducted drug tests during this period. The report includes cost information for 48 of the 51 agencies.

Results

Precise costs of drug testing all executive branch employees are not available. However, on the basis of the most recent drug testing cost information reported in the survey, we estimate that total costs could be around \$168,189,800 annually if (1) all executive branch employees were tested, (2) each applicant that was actually selected for a position (new hire) was tested, and (3) administrative and other costs remained constant. Administrative costs include the staff costs associated with running the drug testing component of the Federal Drug-Free Workplace Program. Other costs include such things as printing materials used to tell employees about federal employee drug testing. Table 1 illustrates these potential costs. We explain our estimates and the assumptions we made in the text that follows the table.

Table 1: Estimated Total Drug Testing Costs for Random and Applicant Drug Testing

| Frequency | Random testing | | Applicant, administrative, & other costs | Total costs |
|-----------|----------------|---------------|--|---------------|
| | | Cost | | |
| 100 | | \$146,843,500 | \$21,346,300 | \$168,189,800 |
| 75 | | 110,132,600 | 21,346,300 | 131,478,900 |
| 50 | | 73,421,800 | 21,346,300 | 94,768,100 |
| 25 | | 36,710,900 | 21,346,300 | 58,057,200 |

Note: All numbers are rounded to the nearest hundred dollars.

On the basis of the drug testing cost data in the survey, we estimated that the average direct cost incurred by federal agencies between October 1990 and March 1991 was \$73.46 per test. Direct costs, in this context, refer to those costs that increase proportionally as the number of tests increases. Direct costs include the review of test results by a medical doctor; the purchase and submission of blind testing specimens for quality assurance purposes; providing for employee urine collection; and obtaining laboratory testing services. (For more information on these direct costs, see app. I.)

Projecting the average direct cost to the entire population of executive branch employees reported in the survey² (1,998,959 employees), we

²The survey includes only executive branch agencies. Because the Executive Order excluded the armed services, the United States Postal Service and Postal Rate Commission, and employing units or authorities of the judicial and legislative branches, HHS did not include them in the survey.

estimated total annual direct costs of \$146,843,500 for random testing and \$11,496,500 to test applicants. Because the Executive Order provides agencies with the discretion to set their own random testing frequencies, the actual random testing cost might be less. For example, testing at a 25-percent frequency would reduce the total direct cost for random testing to \$36,710,900.

For ease of display, we have added applicant testing costs and administrative and other costs together in table 1. Our estimate of direct costs for applicant testing assumes that agencies would not test all applicants. Rather, the agencies would test only those applicants actually selected for a position (new hires). Our estimate of the costs associated with testing applicants is based on the \$73.46 average cost and 156,500 new hires reported by the Office of Personnel Management (OPM) for fiscal year 1990. If more than one applicant per position were tested, the associated drug testing costs would increase, as discussed in appendix II. The survey also includes administrative costs of about \$8,671,200 on an annual basis and other costs of about \$1,178,600 on an annual basis. These two costs plus applicant testing costs of \$11,496,500 make up the \$21,346,300 for applicant, administrative, and other costs in table 1.

We did not include administrative or other costs in our average cost per test computation because we could not predict how they might be affected by an increase in the number of tests. We discussed these two cost items with ONDCP officials and an official from the Office of Management and Budget (OMB) who helped prepare the cost information for the HHS survey. They agreed that it is difficult to predict how these costs might be influenced by the number of tests. The officials also said that in the future they plan to seek more detailed information on agencies' administrative costs to identify specific items. Such details, they added, could provide a better insight into how administrative costs might be affected by changes in the drug testing program.

When considering our cost estimate it should be understood that our results are based on information reported to HHS by the 48 agencies that conducted drug tests during the period October 1990 through March 1991 and reported the costs associated with these tests. If the number of agencies testing their employees increases and more employee drug tests are performed, economies of scale might reduce the cost of an individual drug test even as the overall program cost rises. For example, drug testing

laboratories may offer agencies a lower unit cost for specimen analysis if a minimum volume of specimens are submitted for testing. We could not predict the extent to which this would occur.

Separate from our total cost estimate, we identified the costs incurred by Justice in defending the legality of federal employee drug testing and/or litigating other drug testing-related cases. Justice reported that during fiscal years 1987 through 1991 it spent almost \$725,000 to litigate 68 drug testing-related cases. Although additional costs would likely be incurred by the agency involved in the litigation, we were not able to identify these costs.

Objective, Scope, and Methodology

Our objective was to provide an estimate of the annual cost to randomly drug test all executive branch employees and applicants for these positions. We were also asked to obtain Justice's cost to litigate challenges to drug testing programs.

In developing our estimated annual cost to randomly test all executive branch employees and applicants for these positions, we examined the Federal Drug-Free Workplace Program Semi-Annual Survey. The survey was compiled by HHS and reviewed by ONDCP and OMB, and it covers the period from October 1990 through March 1991. It profiles 119 executive branch drug testing programs, including the 51 agencies that conducted tests during this period. Our cost information is based on 48 of these 51 programs. The other 3 programs reported conducting 113 drug tests but reported no associated costs. Overall, agencies reported doing from 1 to 12,883 tests during this period with average direct costs per test ranging from \$8.70 to \$223.54. We did not verify the data submitted by the agencies for the survey or the compilation of these data provided to us by HHS.

An explanation of our estimates and the assumptions made is included in the results section and in appendixes I and II.

We obtained Justice's cost to litigate all 68 drug testing cases during fiscal years 1987 through 1991. We did not verify the accuracy of this information.

Agency Comments

We discussed the results of our work with officials from ONDCP, OMB, and HHS. They provided some technical comments, which we incorporated in the report where appropriate. The ONDCP official also pointed out that an

updated survey covering the period April 1991 through September 1991 is being prepared, and preliminary information indicates that drug testing costs were lower. He suggested we recompute our estimates using this preliminary information.


We recognize that our estimates are based on those costs reported during the 6-month period ending March 1991 and that more recent cost information, when reported, may indicate changes. Further, as we say earlier in this report, additional cost savings might occur through economies of scale as more employee drug testing is conducted. However, because the updated survey has not been finalized and therefore might be subject to change, we chose to not use it for our computation. We also checked with an HHS official, who was unable to give us a firm date when the new survey would be finalized and released.

The HHS official also noted that our work focused only on the cost of federal employee drug testing and did not address the deterrent value of drug testing or the value of referring illegal drug users for treatment. We agree that deterrence and treatment can be positive outcomes of employee drug testing. However, as we say earlier in this report, our objective was limited to providing an estimate of the costs associated with testing all executive branch employees and applicants.

As arranged with the Subcommittee, unless you release the contents of this report earlier, we plan no further distribution of this report until 30 days after the date of the report. At that time we will send copies to ONDCP, OMB, HHS, and others who have expressed an interest in the subject.

The major contributors to this report are listed in appendix IV. If you have any questions on this report, please contact me at (202) 275-5074.

Sincerely yours,



Bernard L. Ungar
Director, Federal Human Resource
Management Issues

Average Direct Cost

We based our direct cost for drug testing on information found in ONDCP's semiannual report. We computed an average direct cost of \$73.46, which is derived from adding four contributing costs (listed in the following paragraph) and dividing by the 51,728 drug tests indicated in the semiannual report. We excluded from our calculations 113 tests reported with no associated costs.

The items that comprise direct cost and an explanation of what they entail follow.

1. Medical review officer (MRO) costs result from having the laboratory results reviewed by an MRO. The role of an MRO, who is a medical doctor, is to establish if there is any legal reason why an otherwise illegal drug would be in an employee's urine.
2. Quality control costs are the expense of buying and sending blind testing samples to the laboratory that is analyzing the employee urine specimens. The laboratory is unaware that these are test specimens, and the agency monitors the accuracy of the laboratory in analyzing these test specimens.
3. Collection costs are the expense of having employee urine collected and sent to a laboratory for analysis.
4. Laboratory costs are the expense of having an employee urine specimen analyzed by an HHS-certified laboratory.

Table I.1 reflects the federal employee drug testing program's direct operating costs. The costs are summed to show the total 6-month direct cost of all employee drug testing. This total is divided by the number of tests conducted in the same 6-month period to derive an average direct cost per drug test.

Table I.1: Estimated Average Direct Cost Per Drug Test, for the Period October 1, 1990, to March 31, 1991 (in dollars)

| | |
|--------------------------------------|-------------|
| Total collection costs | \$1,455,030 |
| Total laboratory costs | \$1,531,754 |
| Total MRO costs | \$689,204 |
| Total quality control specimen costs | \$123,950 |
| Total direct costs | \$3,799,938 |
| Total drug tests conducted | ÷ 51,728 |
| Average direct cost per test | \$73.46 |

Direct Costs of Drug Testing Applicants

Estimating the annual direct cost of applicant drug testing would require us to determine how many applicants for executive branch positions will be drug tested. Because we were unable to determine how many applicants for any one position might be drug tested, we used the least expensive option in estimating the total cost. We obtained the number of new hires from OPM (156,500) and multiplied that number by the \$73.46 average cost per test to get the total annual applicant testing cost.

The most expensive method would be to test all applicants. In its most extreme interpretation this would require that anyone filling out an application for employment would be drug tested. The least expensive method would require that only the person hired would be drug tested. As indicated by the table below, if more than one applicant for each position is drug tested, program costs could rise.

Table II.1: Estimated Total Annual Drug Testing Direct Costs for Applicants

| No. of applicants tested for each position | Cost ^a |
|--|-------------------|
| One | \$11,496,490 |
| Two | 22,992,980 |
| Three | 34,489,470 |

^aEstimates are based on direct costs per test of \$73.46 and on 156,500 new hires.

Employee Drug Testing-Related Litigation Costs at Justice for Fiscal Years 1987 Through 1991

The Justice cost to litigate 68 drug testing cases for fiscal years 1987 through 1991 was \$724,995. Table III.1, which includes all drug testing-related cases during this period, is a breakdown of these costs.

Table III.1: Employee Drug Testing-Related Litigation Costs at Justice, Fiscal Years 1987 Through 1991 (in dollars)

| Category | Cost ^a |
|-----------------------|-------------------|
| Attorney salaries | \$607,180 |
| Attorney benefits | 77,891 |
| Travel | 33,897 |
| Litigation expenses | 6,027 |
| Total expenses | \$724,995 |

^aAll numbers are rounded to the nearest dollar.

Major Contributors to This Report

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