



089429

UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

CIVIL DIVISION

AUG 30 1971

Dear Mr. Zarb:

In October 1970, the General Accounting Office requested from a number of Federal agencies, including the Department of Labor, certain statistical data and other information regarding travel, transportation requests, and travel advances. The information provided to us by the Manpower Administration (MA) showed that as of September 1970, 10,595 Government Transportation Requests (GTR's) issued to MA employees during the period of January 1961 to December 1969 were missing or unaccounted for.

Our discussions of this matter with officials of the MA and with the Office of Accounting and Payment Services (OAPS) staff disclosed that new and revised regulations and procedures were initiated in the early part of 1971 to improve the accountability and controls over unissued and unused GTR's.

While no attempts are being made to locate the unaccounted for GTR's, the Director, OAPS, on August 5, 1971, informed the National Association of Motor Bus Owners and the Air Transportation Association that effective August 15, 1971, GTR's presented by Department of Labor employees to carrier ticket agents in exchange for transportation tickets should not be honored unless they are of a new numbered series, which was obtained by OAPS in March 1971. The Director requested the Associations to circulate this information to all of their ticket agents as soon as possible.

The substantial number of missing and unaccounted for GTR's was attributed by officials of MA to inadequate procedures and to several major reorganizations of MA resulting in accountability and controls being placed at increasingly higher levels with subsequent loss of controls at lower levels until little meaningful control remained.

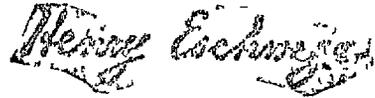
Among other things, the new procedures call for the stamping of GTR's showing them to be valid for only 6 months from the date that they are issued to the transportation control officers. Our perusal of these procedures and controls indicates that they are satisfactory and that they are being followed at this time.

We are bringing this matter to your attention with the suggestion that the Department's internal audit staff be instructed to make periodic reviews of the operations of the newly established GTR controls to ensure that they are satisfactorily maintained in the future.

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We wish to acknowledge the cooperation given our representatives during our review and we would appreciate being advised of any further action taken on this matter.

Sincerely yours,

A handwritten signature in cursive script that reads "Henry Eschwege". The signature is written in dark ink and is positioned above the typed name.

Henry Eschwege
Associate Director

The Honorable Frank Zarb
Assistant Secretary for Administration
Department of Labor

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RESTRICTED — To be handled as a restricted document
Accounting Office of the Department of Health, Education and Welfare
by the Office of General Services, Department of the Assistant Secretary
for Administration and Management, HEW



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON DC 20548

RELEASED

AUG 30 1971

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B-164031(3)

Dear Mr Seiberling.

Your letter of June 22, 1971, requested that we look into contracts awarded by the Social and Rehabilitation Service of the Department of Health, Education, and Welfare (HEW) on a noncompetitive basis. A newspaper article forwarded to you by a constituent referred to an HEW study of this matter. This study on the Service's contracting practices was made by the Office of General Services, a unit within the Office of the Assistant Secretary for Administration and Management, HEW.

The newspaper article stated that, during a period of just over a year, contracts amounting to more than \$18 million had been awarded to private firms by the Service and that almost one half of the Service's procurements had been made on a noncompetitive basis. Service officials advised us, however, that only a small portion of the contracts had been awarded to private firms on a noncompetitive basis. They stated that almost all the noncompetitive contracts had been awarded to State and local governments or voluntary nonprofit or educational institutions under circumstances where competition had been impracticable. The contention that competition for such contracts had been impracticable appears reasonable on the basis of the following information furnished to us by Service officials.

Of the contracts in the amount of about \$15.8 million awarded in fiscal year 1970--for which formal requests for proposals were required, that is, those exceeding \$2,500--\$3.6 million represented contracts awarded on a competitive basis, \$8.2 million represented contracts with State and local governments, of which almost all was spent for demonstrations of concepts related to the proposed family assistance program, and \$3.6 million represented renewal contracts, of which most were with voluntary nonprofit organizations that had been supplying resettlement services to Cuban refugees.

Of the contracts awarded in the amount of \$12.2 million on a noncompetitive basis, about \$370,000 represented contracts awarded to profitmaking organizations. Service officials informed us that these awards had been made because of special circumstances such as the availability of only one contractor to accomplish the work in the required time frame and the impossibility of adequately defining or specifying in an invitation to bid the detailed required services.

DEFICIENCIES IN PROCUREMENT PRACTICES

The HEW report, dated January 27, 1971, pointed out certain deficiencies in the Service's procurement practices and included various recommendations to correct the deficiencies. Following are the major findings contained in the report and, according to officials of the Service, the related actions taken on the findings

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Procurement planning

Findings

There was no timely, organized, systematic, or coordinated method of planning for procurement between the Service's program offices and the contract branch. Although some progress had been made in 1970, almost one half of the Service's procurements still were being made on a noncompetitive basis and many of the sole-source justifications were inadequate.

Action taken

The Service established a committee chaired by the Associate Administrator for Management to plan and coordinate program procurement needs. The Service believed that this planning device would ensure sufficient lead time for the contract branch to adequately prepare contract specifications, to solicit and evaluate proposals, and to negotiate contracts and would thereby avoid the conditions and circumstances that could result in unjustifiable sole-source procurements.

Competitive practices

Findings

The Service violated Federal Procurement Regulations by failure to (1) publish proposed procurements in the Commerce Business Daily in 60 percent of the required cases and (2) issue formal requests for proposals on noncompetitive procurements. Although the Service had solicited and received proposals from multiple sources on competitive procurements, it failed to negotiate with all bidders in a competitive range.

Actions taken

The Service has emphasized to the operating employees its policy of strict adherence to Federal Procurement Regulations regarding the publicizing of proposed procurements and the solicitation of proposals. The Service has also begun to negotiate with bidders in those cases believed to warrant such action.

Proposal evaluation

Finding

The Service used standard evaluation criteria for competitive procurements. Evaluation criteria are used to determine the specific areas of effort in which competing sources will be rated comparatively. The Service applied the criteria uniformly to all projects without regard to the differing elements of individual projects and the relative degree of importance of each element.

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Actions taken

The Service has revised its evaluation criteria and the forms upon which evaluations of proposals are documented.

Postaward contract administration

Findings

Postaward administration of contracts was inadequate and was limited to the processing and payment of contractor's invoices and vouchers. Fixed-price contracts included a provision for automatic progress payments. Payments made to voluntary nonprofit organizations for the settlement of Cuban refugees were not adequately verified. Also payments at maximum consultant rates were made automatically to certain experts.

Action taken

The Service included a new provision in all contracts requiring progress and financial reports during the contract performance. In addition, progress payments under fixed-price contracts were limited to small business concerns experiencing financial hardships. The Service also planned to verify all consultant rates before the rates were paid and to audit the payments made to voluntary nonprofit organizations for the settlement of Cuban refugees.

Documentation

Finding

Documentation of contract files was inadequate. Nearly all the contract files lacked evidence to indicate that any negotiations had been conducted by the contracting officer by telephone, correspondence, or conferences. Contract files did not contain memorandums of negotiations, records of the history of the procurement or background data, or documentation of business judgments leading up to and supporting the award of contracts.

Actions taken

The Service has developed or improved forms for documenting certain aspects of the contract-award process. For example, the Service has developed a form to document all negotiations with prospective contractors. In addition, as part of its efforts to improve methods for evaluating contract proposals, the Service revised its forms to document the differing elements of individual project proposals and included a narrative section to explain and support the rationale for selecting contractors.

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We have not evaluated the actions taken or planned by the Service on the recommendations contained in the HEW report. Officials in the Office of the Assistant Secretary responsible for conducting the study and issuing the report, however, expressed satisfaction as to the status of this matter. They also plan to perform a follow-up survey late in October 1971. As part of our ongoing reviews of HEW activities, we intend to keep abreast of the progress being made by the Service in improving its procurement practices

We trust that the above information will serve the purpose of your inquiry

Sincerely yours,



Deputy Comptroller General ⁸
of the United States

The Honorable John F. Seiberling
House of Representatives