

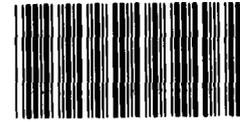


UNITED STATES GENERAL ACCOUNTING OFFICE
REGIONAL OFFICE
SUITE 300-D, 2420 W. 26TH AVENUE
DENVER, COLORADO 80211

7/6/80
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APR 20 1982

Major General John W. Hudachek
Commanding General
Headquarters, Fort Carson and
4th Infantry Division
Fort Carson, Colorado 80913



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Dear General Hudachek:

We have completed a limited survey of contract award and administrative procedures at Fort Carson. Our survey objective was to identify any significant or systemic weaknesses that result in inefficient, ineffective, or uneconomical practices. We examined five principal contracts and various award and administrative procedures on other contracts. Our examination was performed in accordance with the Comptroller General's "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions."

We did not find any weaknesses in Fort Carson's contract award and administrative procedures that warranted expanding our survey. However, we found that administrative procedures adversely affected payments on one custodial service contract, and that offered cash discounts were not always taken when in the Government's interest. These items, which were discussed in detail with you and members of your staff at our exit conference, are briefly described below.

ADMINISTRATIVE PROCEDURES
AFFECTED CONTRACT PAYMENTS

Three administrative procedures adversely affected payments on the Servicemaster custodial contract (awarded for the period March 1, 1980, through February 28, 1981). Also, we noted that the contractor has submitted a claim against the Government for \$80,767 under the dispute clause of this contract. Although the effects of these procedures on the contract payments are not specifically discussed in the claim, they may have a bearing on its resolution.

First, due to a mathematical error in adjusting monthly contract payments, the contractor was underpaid by over \$300. The payment adjustments were necessary because of several contract modifications which changed the contract amount. We were told that the underpayment has since been corrected.

Second, contract deductions for services not performed exceeded the value of the services foregone. These deductions were made for periods when base closures due to inclement weather prevented scheduled services from being performed. However, the deductions were made in accordance with the contract terms. Fort Carson officials said that future contracts will provide for more equitable contract deductions in such circumstances.

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Third, contract deductions for unsatisfactory performance were based on quality assurance inspections of samples of work performed. However, the samples inspected during the first several months of the contract period were not supported as having been randomly selected on a statistically valid basis prior to the inspections. According to Fort Carson officials, the statistical validity of random sampling methods are being documented on the current custodial contract.

CASH DISCOUNTS WERE NOT TAKEN

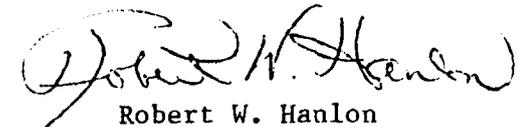
To encourage the Government to promptly remit contract payments, many bidders offer discounts for payments made within 20 days. The Government can realize significant cost savings by taking advantage of the discounts offered.

We reviewed several contracts to determine if cash discounts were being taken. On two of the contracts we reviewed, offered discounts were not taken. The savings lost by failing to take advantage of discounts can be significant. For example, one contract allowed a 9-percent discount for payments made within 20 days. Contracting officials said that over \$4,000 of discounts could have been taken on this contract, and that the contractor has been requested to refund this amount.

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We appreciate the courtesies and cooperation extended to our staff during the survey. Your comments, including those on any corrective actions taken or planned, will be appreciated.

Sincerely yours,


Robert W. Haulon
Regional Manager