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August 12, 1992

The Honorable David Pryor
Chairman, Subcommittee on Federal Services,
Post Office, and Civil Service,
Committee on Governmental Affairs
United States Senate

Dear Mr. Chairman:

This letter responds to your request that we review the Social Security Administration's (SSA) household goods transportation pilot program to determine if the program should be implemented governmentwide. We briefed the Subcommittee on the results of our work on July 21, 1992, suggesting that further work on the request be suspended because the original question has become somewhat moot. The Subcommittee agreed, but requested that we summarize the information presented at the briefing in a letter.

In 1985, the General Services Administration (GSA) authorized the Social Security Administration to begin a pilot program that allowed the agency to contract with a private firm, PHH Homequity Corporation, to arrange for shipping and storing relocated employees' household goods instead of using the GSA Centralized Household Goods Traffic Management Program which handled all other relocated civilian employees' household goods. Under the pilot program, Homequity is responsible for handling most of the administrative tasks associated with the movement of an employee's household goods. The company is allowed to negotiate rates directly with carriers and use carriers other than those approved for participation in the GSA centralized program and is paid a flat fee by SSA plus a commission by the selected carrier.

We set out to compare the costs of household goods shipments under the SSA pilot and the GSA centralized programs. Both agencies had attempted to compare costs and savings, but could not agree on the amounts because of differences in opinions concerning the appropriate tariffs, discounts, and insurance fees for shipments. We did not resolve the differences because later developments as discussed below led us to question whether the information would be useful.

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GSA Started Similar Program

GSA, agreeing that administrative savings were possible from the pilot program, recently established a program which provides agencies with household goods management services similar, but not identical, to those available under SSA's pilot program. In September 1991, GSA awarded a contract to Mobility Resource Associates, Inc. (MRA) to provide move management services for the Department of Labor and other civilian agencies upon request. MRA, like Homequity, provides employee move counseling, schedules the move date, selects and monitors the carrier, preaudits the carrier invoices, assists employees with preparing loss and damage claims, and verifies the accuracy of carrier fees to prevent overcharges.

Our analysis of the two contracts indicates that the two major differences between the MRA and Homequity programs concern carrier selection and commissions. Whereas Homequity can use GSA-approved and nonapproved carriers, MRA can select only GSA-approved carriers. Whereas Homequity is paid a flat fee of $140 plus a 6-percent commission from the selected carrier, MRA is prohibited from accepting commissions and is paid a flat fee of $149. GSA's contract with MRA is for 1 year, and the fee would rise to $164 in an option year. After that the contract would be re-bid, and the fee structure may change at that time. Because the MRA program is so new, we did not attempt to compare the performance of the two programs.

Commission Arrangement of Questionable Legality

In a February 1991 Comptroller General Decision, (B-240145.3, B-241988, Feb. 1, 1991, 91-1 CPD ¶100), we denied a bid protest by Homequity in which it alleged that a request for proposals (RFP) issued by GSA that prohibited the acceptance of commissions from household goods carriers unduly restricted competition. The decision stated that GSA had reasonably concluded that it would not allow relocation contractors to collect commissions from carriers because the practice would violate the Anti-Kickback Act.

As result of this decision, SSA requested a ruling from us in July 1991 on the legality of its contract with Homequity. SSA asked that we confirm its belief that, although the contract provides for payment of commissions by carriers to

Homequity, that arrangement is distinguishable from the payment of commissions by carriers that was considered in the February 1991 bid protest. SSA's request is currently under review, and the Comptroller General could rule that payment of commissions to Homequity risks violation of the Anti-Kickback Act. Such a ruling would call into question the propriety of other agencies using the type of contract SSA has with Homequity to move relocating employees' household goods. While SSA would not necessarily have to abandon its program, the program would have to be modified in order to comply with such a decision.

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We are sending copies of this letter to the Commissioner, Social Security Administration, and the Administrator, General Services Administration. If you have any questions concerning this letter, please contact me at (202) 275-8676.

Sincerely yours,

L. Nye Stevens

L. Nye Stevens
Director, Government Business
Operations Issues

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