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

SEP 11 1981

Mr. Tom Coston, Regional Forester
U.S. Forest Service
P.O. Box 7669
Missoula, Montana 59807

Dear Mr. Coston:

We have completed an examination of procurement practices and procedures used by the Missoula Regional and Flathead National Forest Offices in awarding contracts. We made our review to evaluate the offices' efficiency and effectiveness in awarding formally advertised contracts. We also reviewed some negotiated contracts.

The Missoula Regional Office and the Flathead National Forest Office issued about 130 formally advertised contracts totaling \$5.8 million in fiscal year 1979. We reviewed the acquisition process for 34 formally advertised contracts totaling about \$3 million. However, since we selected only open contracts for review, the ones selected were among those issued in 1979 and 1980. We also selected for review 12 negotiated contracts totaling about \$362,000.

We discussed our findings with regional and forest-level procurement officials and considered their comments in preparing this letter. Although we did not attempt to determine the incidence of the findings beyond the contracts reviewed, we believe that the findings are sufficiently representative to require your attention.

We believe that the Missoula Regional and Flathead National Forest Offices could have increased the number of bidders for their formally advertised contracts by complying with the Federal Procurement Regulations (FPR) that require them to

- make recommendations on ways to increase future competition when two or fewer bids are received and
- publish synopses of proposed procurements within established timeframes.

Noncompliance with these regulations can impede adequate competition.

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Our review of negotiated contracts showed that the offices were also not complying with regulations requiring preparation of certain documents to justify the use of negotiation instead of formal advertising. Inadequate documentation of negotiated procurement actions can jeopardize contracting operations' integrity.

We believe such instances of noncompliance with the FPR can be detected through effective procurement management reviews, as required by FPR 1-2.106. We noted that management reviews have not been performed within 3 years at the Missoula Regional Office, nor within 2 years at the Flathead National Forest Office. Had such reviews been performed more recently, the above-mentioned instances of noncompliance could have been detected.

RECOMMENDATIONS ON WAYS
TO INCREASE COMPETITION
WERE NOT MADE

When fewer than three bids have been received, FPR 1-2.407-1 requires the contracting officer to determine why few bids were received and to recommend, in the record of the invitation for bid (IFB), corrective actions that could increase competition in future procurements of the same or similar items. Without documented recommendations, corrective actions to increase the number of bids could be overlooked in future procurements, and a low level of competition would likely recur.

About 24 percent of the contracts we reviewed had been awarded after receipt of fewer than three bids. However, we found no evidence that contracting officers had attempted to determine why few bids were received for these contracts. Nor did we find, in any of these contract files, documentation of recommended actions to increase future competition for procurement of the same or similar items. For example, the regional office issued an IFB for polyamide cloth and received only two bids. No recommendation was in the file on ways to increase competition on similar future solicitations. However, we believe that future competition could be increased if the Forest Service would solicit the developers and/or manufacturers of such fire-resistant cloths. These manufacturers are listed in the Thomas Register.

A contracting officer agreed that the contract files should usually include documentation of recommended actions to increase future competition, as required by FPR 1-2.407-1.

PUBLICATION TIMEFRAMES
WERE NOT FOLLOWED

According to FPR 1-1.1003-6, a procuring activity shall publish a synopsis of its proposed procurements in the Commerce Business Daily 10 days before issuance of the IFB or the request for proposals. If this is not feasible, the synopsis must be forwarded to the Commerce Business Daily to arrive no later than the IFB issuance date. Compliance with these synopsis publication timeframes is important in order to allow adequate competition for the proposed procurements.

Timely synopsis publication is especially important to vendors who are not on a procuring activity's "current bidders" mailing list. Timely publication allows such vendors time to request and receive IFBs and to prepare and submit bids. The FPR notes that when prospective bidders do not have adequate time to compute prices and obtain needed information on which to base their bids, higher prices to the Government may result. That is, some bidders may include unnecessary contingency allowances in their bids, while some prospective bidders may be unwilling to submit bids.

We reviewed 22 bid solicitations for proper synopsis publication time. For 21 of these solicitations the synopsis was not published 10 days before issuance of the IFB. Additionally, for most of these 21 solicitations, the synopsis was not forwarded to the Commerce Business Daily in time to arrive by the IFB issuance date. In fact, for one solicitation, the synopsis appeared in the Commerce Business Daily 12 days after issuance of the IFB and only 9 days before the bids were due. For this solicitation, only one bid was received in time, two bids were received late, and five firms requested the IFB after the contract had been awarded. According to a Forest Service official, the item to be procured was not urgently needed, and more time could have been provided to publicize the IFB.

A Flathead Office contracting official stated that delays in mailing the synopses to the Commerce Business Daily were generally due to either a lack of time or forgetfulness.

CERTAIN NEGOTIATION JUSTIFICATION
DOCUMENTS WERE NOT PREPARED

Federal procurement regulations require that certain documents be prepared and retained in the contract files to justify the use of negotiation instead of formal advertising. Not properly documenting and justifying negotiated procurement actions casts doubt on the integrity of contracting operations.

Procurement officials did not always prepare two of the required documents: the determination and findings statement required by FPR 1-3.305 and the negotiation memorandum required by FPR 1-3.811(a). Of the 12 negotiated contract files reviewed,

--five did not include the determination and findings statement and

--six did not include the negotiation memorandum.

According to agency officials, omission of these documents occurred because of general neglect to follow the applicable FPR requirements.

PROCUREMENT MANAGEMENT REVIEWS
HAVE NOT BEEN RECENTLY PERFORMED

Procurement management reviews, as required by FPR 1-2.106, are vital to assuring the efficiency, economy, and integrity of formal advertising

operations. These reviews are to include an examination of solicitation content and form, the distribution of solicitations, the bidders mailing lists, the review and evaluation of bids received, response rates, etc. Through such management reviews, therefore, inadequate contracting procedures, insufficient controls, and noncompliance with the FPR can be detected before they impede adequate competition or otherwise adversely affect an office's contracting efficiency and effectiveness.

We believe that the instances of noncompliance that we found during our review could have been detected through procurement management reviews. According to a regional Forest Service official, the Missoula Regional Office's procurement process has not been reviewed for at least 3 years, and the Flathead Office's process has not been reviewed for at least 2 years. A contracting officer stated that he was not familiar with the regulation (FPR 1-2.106) requiring these reviews. Had effective procurement management reviews been performed more recently, instances of noncompliance with the FPR could have been detected and corrected before our review.

CONCLUSIONS AND RECOMMENDATIONS

Compliance with the FPR is necessary to maximize competition and to assure the integrity of the acquisition process in the absence of competition. Noncompliance with the FPR can be detected through procurement management reviews. FPR 1-2.106 requires that such reviews be performed "on a continuing basis."


Consequently, we recommend that you

--assure that all your contracting officials comply with the FPR when awarding contracts and

--assure that procurement management reviews are performed more frequently.

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

Sincerely yours,



Robert W. Hanlon
Regional Manager