

DOCUMENT RESUME

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Report to Secretary, Department of Defense; by Robert G. Rothwell (for Fred J. Shafer, Director, Logistics and Communications Div.).

Issue Area: Facilities and Material Management (700); Shipments of Material to Achieve Lowest Overall Cost. (720).

Contact: Logistics and Communications Div.

Budget Function: National Defense: Department of Defense - Procurement & Contracts (058).

Organization Concerned: Department of the Air Force.

Congressional Relevance: House Committee on Armed Services; Senate Committee on Armed Services.

Authority: A.S.P.R. 22-602.

The practices and procedures for soliciting bids for services required incident to moving personal effects of military personnel to and from three installations in Colorado were reviewed. Procurement regulations state that when a requirement does not exist for a service included in the solicitation schedule, the statement "no requirement" will be added. Personnel responsible for transportation and traffic management functions at the three installations have been estimating requirements for services which they use regularly based on past experiences. Many of these requirements have been forecast when no known need existed. Since contracts are awarded to the lowest responsible bidder based on the overall price bid, experienced firms having knowledge that many services for which bids are solicited are seldom or never used have consistently bid "no charge" on the unused requirements, obtaining an edge over the competition. The problem of including unused or infrequently used requirements in solicitations should be brought to the attention of all personnel responsible for estimating requirements and soliciting bids. (RBS)

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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

LOGISTICS AND COMMUNICATIONS
DIVISION

May 24, 1978

B-157476

The Honorable
The Secretary of Defense

Dear Mr. Secretary:

At the request of a Member of Congress, we have reviewed the practices and procedures for soliciting bids for origin and destination services required, incident to moving personal effects of military personnel to and from three installations in the Colorado Springs, Colorado, area--Peterson Air Force Base, the United States Air Force Academy, and Fort Carson.

Our review showed that, contrary to the Armed Services Procurement Regulation, the activities mentioned above were including services in their bid solicitations which were either not required to be performed or were used very infrequently. Such practices (1) gave bidding advantages to the current contractor since he was aware of what services actually were required and (2) did not guarantee the Government the lowest cost.

PROCUREMENT REGULATIONS
NOT BEING FOLLOWED

The Armed Services Procurement Regulation, section XXII, part 6, paragraph 22-602(a), states that when a requirement does not exist for a service included in the solicitation schedule, the statement "No Requirement" will be added. Personnel responsible for the transportation and traffic management functions of the three installations have been estimating requirements for services which they use regularly, based on past experience, plus or minus any expected or known differences. However, they also have been forecasting requirements for many services for which no known need existed, rationalizing that they would have a contract covering these services in the event a need did arise.

LCD-78-224
(943325)

The following table shows the number of combined outbound and inbound services estimated to be required, the number actually used, and the number not used.

	<u>Number of services for which require- ments estimated</u>	<u>Number used</u>	<u>Number not used</u>
Peterson AFB	43	13	30
Air Force Academy	16	9	7
Fort Carson	42	14	28

The contracts are awarded to the lowest responsible bidder, based on the overall total-extended price bid on all services for which requirements are included in the solicitation. One firm has won the contract for outbound services for 4 consecutive years and the contract for inbound services for two of them. That firm, having knowledge that many services for which bids are solicited are seldom or never used, has consistently bid "no charge" on the unused requirements, giving it a definite edge in the competition. The other bidders generally have considered all requirements to be valid and have bid accordingly.

AGENCY COMMENTS

After we pointed out this situation to the three installations' officials, they agreed that including unsupported requirements in the solicitations defeats the objective of obtaining the maximum practicable competition and lowest cost. They plan to delete such requirements from subsequent solicitations for bids and to satisfy unforeseen requirements by using appropriate small-purchase procurement procedures.

RECOMMENDATION

Although our review was limited to the three activities in the Colorado Springs area, the same situation could exist at other military installations. Therefore, we recommend that the problem of including unused or infrequently used requirements in solicitations be brought to the attention of all personnel responsible for estimating requirements and soliciting bids.

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As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the Senate Committee on Governmental Affairs and the House Committee on Government Operations not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

Copies of this report are being sent to the House and Senate Committees on Appropriations; the House Committee on Government Operations; the Senate Committee on Governmental Affairs; the House and Senate Committees on Armed Services; the Congressman who requested the review; the Secretaries of the various Services; the Commander, 46th Aerospace Defense Wing, Peterson Air Force Base; the Superintendent, United States Air Force Academy; and the Commanding General, Ft. Carson.

Sincerely yours,



for F. J. Shafer
Director