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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

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Dear Senator Proxmire:

This is in response to your letter of August 27, 1971, in which you requested that we initiate a preliminary inquiry at the Defense Industrial Supply Center (DISC), Philadelphia, Pennsylvania, to determine whether excessive Government spending was occurring as a result of pressure being exerted upon the procurement agents to process an average 40 contracts each week. Also, as you requested, we looked into the work load of the buyers and the effects that prolonging the processing time would have on costs.

In making our inquiries we held discussions with responsible DISC officials and examined performance and other pertinent records at DISC.

Information that we obtained shows that during 1969 group performance standards were established by type of award for each of DISC's three procurement divisions. The standards were developed to measure the productivity of a procurement division as a unit. When factored, the standards equated to about 42 awards each week for one procurement division, 24 awards for another division, and 29 awards for the third division. We were advised that the difference in the standards was attributable to the complexity of buys being processed by the divisions. As complexity increases the weekly standard number of awards to be processed is lowered.

In April 1970 the three procurement divisions were reorganized into two. Subsequently DISC personnel performed a detailed work-measurement analysis and issued new standards which became effective on May 1, 1971. The new standards equate to 32 awards for one division and 36 awards for the other division.

We were advised by the Director of Procurement and Production that the productivity standards established for the divisions' buyers were group standards, that they measured productivity of a division as a whole, and that they could not be applied to an individual buyer. He stated that a productivity evaluation of each buyer was not made.

Consequently we were unable to obtain weekly productivity information for an individual buyer. The information accumulated on a divisional basis, however, showed that, for fiscal years 1969 through 1971, the procurement divisions achieved or exceeded their established effectiveness rate. We also found

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that, during fiscal year 1971, about 98,600, or 88.9 percent, of the procurement actions processed at DISC were under \$2,500, which allowed the use of simplified small purchase procedures. These procedures permit buyers to obtain bids orally and to process the award by issuing a purchase order or by using some other appropriate purchasing procedure.

Further we prepared an analysis of the number of awards made during August 1971 by 72 of the 143 buyers assigned to the two procurement divisions. (There were 80 buyers in one division and 63 in the other division.) The analysis showed that, in one division, 19 of 40 buyers exceeded the effectiveness rate. In the other division 25 of 32 buyers exceeded the effectiveness rate. On a total basis the achievements for the month of August 1971 were about 95 percent and 116 percent, respectively, of the divisions' effectiveness rates.

From December 1967 through June 1971, the number of line-item awards processed showed a slight decrease. We noted, however, that, regardless of the work load to be processed by the buyers during progressive 6-month periods ending December and June, the work load on hand at the end of the period remained fairly constant. Records at DISC show that since December 1967 the number of procurement personnel has gradually decreased from 437 to a current level of 365. This decrease may account for the stability of the work load.

The union representative for procurement personnel told us that no grievances had been filed recently by any procurement agent concerning pressure being applied to award a specific number of contracts. The representative added that grievances regarding pressure had been filed several years ago but that, when they were brought to the attention of DISC officials, the practice of applying pressure was discontinued.

We also inquired as to the effect that prolonging the time for awarding a contract might have on procurement cost. DISC officials informed us that this would necessitate a greater investment in inventory because of the additional time it would take to replenish stocks and would result in either an increase in processing costs or an increase in the contract award backlog. DISC officials believe that the prices paid by DISC for the items themselves would not be affected.

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Almost 90 percent of the procurement actions processed at DISC are awarded as small purchases under \$2,500, and many others are awarded under the formally advertised method of procurement. On January 29, 1971, we issued a report to the Congress entitled "Fair Prices Paid for Small Purchases by Department of Defense" (B-162313) which included purchases made by DISC.

The report, which covered small purchases awarded during the period January 1 through March 31, 1969, stated that significant instances of overpricing were not noted during the review, and we generally found that small purchases were fairly priced. It should be noted that the period covered by the report is within the same period covered in the attachment to your letter. In view of our recently reported findings, we did not at this time perform a detailed review of current procurements from the standpoint of the reasonableness of prices paid.

In view of the preponderance of small purchases at DISC, our findings that these are generally fairly priced, and the ability of a large number of buyers at DISC to meet or exceed the standards established by the command, we believe that prolonging the time for processing awards is not warranted and that it would have no significant effect on prices paid.

We plan to make no further distribution of this report unless copies are specifically requested, and then we shall make distribution only after your agreement has been obtained or public announcement has been made by you concerning the contents of the report. If we can be of further assistance, please let us know.

Sincerely yours,



Deputy Comptroller General
of the United States

The Honorable William Proxmire
United States Senate