



UNITED STATES GENERAL ACCOUNTING OFFICE
REGIONAL OFFICE

ROOM 717, GATEWAY II BUILDING
4TH AND STATE
KANSAS CITY, KANSAS 66101

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Field Operations

DIVISION: *REGIONAL OFFICE*
(KANSAS CITY) GAO 00340

JUN 4 1979

Capt.
Captain Ronald J. Kurth
Commanding Officer
Naval Air Station-Memphis,
Millington, Tennessee 38054

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Dear Captain Kurth:

The General Accounting Office visited the Naval Air Station-Memphis during the period March 25-29, 1979, as part of a nationwide survey of base level procurement activities at government installations. The purpose of our visit was to determine how the procurement system operated at the Naval Air Station-Memphis. Based on the limited number of purchase orders and contracts examined during our survey, we did not identify deficiency areas of the magnitude to warrant further detail review. However, we believe some improvements can be made in the Naval Air Station-Memphis' procurement process. This letter sets forth the scope of our survey and those areas we believe can be improved.

Background and Scope

Recent publicity resulting from findings of unethical procurement practices in the Government has caused the public and members of Congress to feel that there is need to emphasize auditing and investigation of agencies procurement processes. The General Accounting Office selected several agencies including the Naval Air Station-Memphis, to survey base level procurement practices and controls.

Local procurement at Naval Air Station-Memphis totaled about \$7.1 million in fiscal year 1978, and included 14,451 purchase actions. Approximately one-half of the procurement activity was made under blanket purchase agreements that were established by base supply.

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During our visit, we performed a limited evaluation of internal control procedures for procurement, and we tested the operation of the system and its built-in controls by examining several purchase actions in detail. Our examination included several small purchases and a maintenance services contract with an estimated value of \$183,000 for the painting of family housing units.



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Contractor Performance and Navy
Surveillance of the Maintenance Services
Painting Contract Require Improvement

Van Contractor ^{photo} The interior and exterior painting of family housing units was not being performed in accordance with contract requirements. Deficiencies included inferior painting workmanship, improper surface preparation, paint spattering and smudges, paint spots on house fixtures, and improper clean-up after job completion. In addition, inadequate acceptance inspections by Navy representatives, improper management surveillance of inspectors, lack of written inspection reports, and inadequate formalized training for the inspectors contributed to the painting deficiencies in the housing units.

The contract for painting family housing units was estimated at \$183,000 for the 12 months beginning August 1978. The actual cost is based on the square footage of the units painted. There are 1,066 housing units--generally, entire residence interiors are painted each time occupancy changes and residence exteriors are painted every 4 years.

During our survey, we inspected the interiors of four residences and the exteriors of four residences that had recently been painted at a total cost of about \$1,900. We were accompanied by Navy housing inspectors or base housing officials. Two of the interior painting jobs had been accepted by the Navy and were occupied by tenants--the remaining six residences had painting completed but had not been "final inspected" by housing inspectors. In both the accepted housing units and those that were not final inspected, conditions such as improper sanding and surface preparation, paint flaking, streaked paint and runs, poor patching of wall surfaces, and paint not removed from some fixtures and windows were found. The base housing officials concurred that these conditions existed.

There was no requirement for written inspection reports as the housing units were inspected. Basically, the inspectors verbally apprised the contractor of deficiencies found, and corrective action was supposedly made by the contractor. The two inspectors used to monitor the performance of the painting contractor were not completely familiar with the contract specifications, nor had they received any formal training in inspection techniques. In fact, their primary job was normally in base housing assignments and billeting.

Based on our on-site inspections of selected housing units, we believe the Navy is not receiving satisfactory workmanship in their housing painting contract. Contributing factors to these conditions are the inadequacy of inspections and management oversight of inspection procedures. In addition, since the painting contractor has had the painting contract for about 5 years, it is conceivable that this contractor could have an advantage in bidding if they know that inferior workmanship and poor inspections are acceptable to the Navy.

Improvements Needed in Establishing
Need Dates for Items to Prevent Abuse
of the Procurement Priority System

We noted two instances during our limited review of purchase actions in which high priorities were assigned to purchase requests by user organizations for items with a questionable urgent need. The purchase requests were assigned the priorities by users to insure immediate procurement. Procurement officials admitted this is a problem--they estimated that about 30 percent of purchase requests received in the procurement office are assigned high priority. Based on the type of items purchased and their intended use, better planning and closer monitorship of need dates by the users would have enabled the procurement office to process the requests in a routine manner.

In one case we found that award plaques were purchased on an urgent basis 1 day after a high priority purchase requisition was established. The requirement was justified on the basis that the plaques were to be used for decorations at Naval Air Station-Memphis and for presentation to other commands. We were told by a representative of the Public Works Department that the high priority was assigned because they wanted the plaques quickly, and that they did not plan far enough in advance to obtain the plaques on a routine basis.

In a similar case, a high priority requisition for lime was processed, and the purchase made, in order to have materials available for a training course. Improved advance planning for this purchase would have precluded the need for an urgent procurement.

The two transactions were assigned high priorities by the users so that procurement would take place immediately. It appears that the urgency of the purchases and the resultant assignment of high priorities would not have been necessary with more effective planning by the user organizations. While we recognize that the dollar value of our transactions was not significant, the assignment of unwarranted priorities does impact the efficiency of the procurement system's operation. When we brought this matter to the attention of responsible officials a directive was issued to all Naval Air Station-Memphis personnel emphasizing the need for accurate priority coding on purchase requisitions.

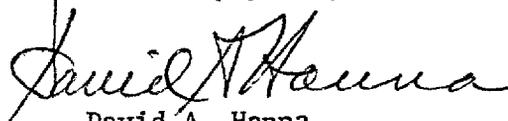
Conclusions

As a result of our work, we believe that the following improvements should be made in the Naval Air Station-Memphis' procurement process:

1. Contractor performance on the maintenance services painting contract requires improvement. This can be accomplished, in part, through improved Navy surveillance of the contractor's workmanship and the establishment of specific requirements for the immediate correction of deficiencies. Further, the Navy should require written inspection reports and better define their inspection requirements. Also, they should assure that inspectors are properly trained and their performance is adequately monitored.
2. The assignment of priorities to purchase requests should be closely monitored so that only mission essential items are procured on a priority basis. Using organizations require increased training in the assignment of priorities, and need to give increased attention to their requirements planning and projected need dates. Further, close management scrutiny of high priority requests is necessary until the abuses of the priority system are corrected.

Copies of this letter will be distributed to the appropriate officials at Navy and Department of Defense Headquarters. We appreciate the courtesies and assistance extended to our representatives by your staff during this survey. The excellent cooperation that we received contributed to the accomplishment of our survey objectives without difficulty.

Sincerely yours,



David A. Hanna
Regional Manager