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United States General Accounting Office

Report to Congressional Requesters

GAO

November 1987

ARMY PROCUREMENT

Defense Logistics Agency's Administration of Contracts for Canteen Cups



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**National Security and
International Affairs Division**

B-224065

November 27, 1987

The Honorable Alan Cranston
United States SenateThe Honorable David Dreier
House of RepresentativesThe Honorable Jerry Lewis
House of Representatives

This report responds to your request that we investigate allegations and concerns raised by Pacific Fabrication (PACFAB), Rancho Cucamonga, California, about the award of two Defense Logistics Agency (DLA) contracts for canteen cups to S. Hanany Metal Craft, Haifa Bay, Israel. The next lowest responsive and responsible bidder was PACFAB. You asked us to review DLA's practices and procedures for awarding and administering the contracts, especially as they pertain to determining Hanany's (1) capabilities for performing the contracts and (2) compliance with the contracts' terms and conditions.

Background

DLA is responsible for acquiring, storing, and distributing supplies used by the military services. DLA accomplishes its mission through its Defense Contract Administration Service Regions (DCASRs), supply depots, and logistics service centers. The Defense Personnel Support Center (DPSC), a logistics service center that procures and manages food, clothing and textiles, and medical supplies, along with canteen cups, awarded the two contracts under review. DPSC awarded contract number DLA 100-86-C-4018 on October 8, 1985, for the production of 298,350 canteen cups at a total price of \$787,644 and contract number DLA 100-86-C-4365 on July 10, 1986, for 298,350 canteen cups at a total price of \$783,169. The canteen cup is designated as combat essential and must be kept in stock at mobilization levels. At the time of the first award, the canteen cup was below its mobilization level and thus was in a critical supply position.

PACFAB protested to several agencies about the contract awards to Hanany. PACFAB filed bid protests with us on both contracts. We dismissed the first protest on August 30, 1985, because the issues pertained to bidders' responsibilities, which were not matters for consideration under our bid protest procedures. We dismissed the second bid protest on September 9, 1986, because it had not been filed in a timely manner.

PACFAB also contacted the Federal Bureau of Investigation, DPSC, DLA's Inspector General (fraud hotline), and the Defense Criminal Investigative Service (DCIS) to express its concerns. DCIS reviewed PACFAB's allegations of fraud and did not find evidence of fraud or criminal intent.

DLA Assessment of Hanany's Capabilities

PACFAB alleged that Hanany did not have the necessary production equipment, quality control devices, and expertise to perform the contracts. It questioned the adequacy of the government's preaward evaluation of Hanany's capabilities. Our examination showed that the government's preaward surveys had obtained sufficient information to support an award recommendation. We found no basis to question the scope or performance of these surveys.

DPSC's contracting officer requested DCASR-New York to perform preaward surveys to determine Hanany's capability to perform the contracts. DCASR-NY delegated the actual performance of the surveys to the U.S. Army Contracting Agency-Europe (USACAE), but retained responsibility for the surveys as preaward survey monitor.

The first preaward survey disclosed that Hanany did not possess all the equipment needed to perform the contract. However, Hanany did demonstrate the ability to acquire the necessary production capability through a subcontractor, thereby meeting the requirements of the solicitations and Federal Acquisition Regulation (FAR) 9.104-1(f).

Contract Administration

PACFAB alleged that DLA was careless in administering the contracts. We found this allegation had merit in that DCASR-NY did not provide timely surveillance of Hanany's production activity. Without surveillance, DPSC could not know of Hanany's production activity or ability to meet its extended delivery schedule at a time when a decision was pending to award the second contract to Hanany. Also, DPSC did not use FAR procedures to assure prompt delivery of the cups due under the first contract.

DCASR normally begins on-site surveillance of a contractor's production activity 30 days after contract award. However, DCASR-NY did not start production surveillance until November 1986, 13 months after award of the first contract. This lack of production surveillance resulted in DPSC not having timely information on Hanany's production.

Hanany made its first delivery of canteen cups to the government on December 22, 1986, or 7 months after the original delivery date required

by the first contract. DPSC had given Hanany a 2-month delivery extension, to July 20, 1986, due to government-caused delays, but the remaining 5-month delay was due to Hanany's production difficulties. At the end of the 2-month extension, DPSC did not terminate Hanany's contract, and during the following 5 months it did not establish a new delivery schedule and issue a cure notice¹ requiring Hanany to explain its failure to make progress. DPSC officials chose not to do so because they expected that Hanany, given time, would perform the contract as required. Because DPSC did not revise the delivery schedule and send the cure notice, the government was prevented from terminating Hanany's first contract for default.²

DPSC awarded Hanany a second contract for canteen cups only 10 days before Hanany failed to deliver, as required, on the first contract. The second contract was awarded on July 10, 1986, and on July 20, 1986, Hanany missed the first delivery of 24,600 cups due under the first contract's initially extended delivery schedule. Government production surveillance, which could have reported Hanany's production problems to the contracting office, was not provided until November 1986.

Status of Contracts

On April 8, 1987, DPSC issued a modification on the first contract that further extended the first delivery from July 20, 1986, to April 30, 1987. (Hanany made a partial shipment of 5,400 cups on December 22, 1986.) The modification required Hanany to pay \$1,969 in consideration for the extension of delivery time that was due to Hanany's failure to deliver.

Under the contract's revised delivery schedule, Hanany was to deliver a total quantity of 108,000 cups by September 29, 1987. DPSC officials told us that by October 23, 1987, they had received written confirmation that Hanany had delivered a total of 34,200 cups to supply depots in the United States. At that time, Hanany was delinquent in delivering about 74,000 cups. DPSC officials informed us that there is a high probability they will begin termination action on the contract.

¹A cure notice informs the contractor of the government's right to begin termination for default unless the contractor can "show cause" for the delay. Under a termination for default, the government is not liable for the contractor's costs on undelivered work and is entitled to the repayment of any progress payments given to the contractor.

²Once DPSC allowed the initial extended delivery date to pass without taking further action, the performance schedule was waived and there was no time frame within which Hanany had to perform. Without a binding performance schedule, Hanany could not be in default of meeting a non-existent schedule.

Hanany was scheduled to make its first delivery of 25,200 cups on the second contract on February 5, 1987, but no deliveries were made. On February 6, 1987, PACFAB filed suit in the United States District Court for the District of Columbia against the United States of America, the Department of Defense, and DLA seeking, among other relief, to halt work on the contracts until the ongoing investigations could be completed. The Court, on March 6, 1987, issued a preliminary injunction halting further work on the second contract until 30 days after issuance of our report. Hanany had not delivered any cups on the second contract at the time the injunction was issued.

On March 26, 1987, DPSC had to solicit suppliers to satisfy an emergency procurement of 199,950 canteen cups. The contract was awarded on June 8, 1987, at a price of \$3.53 per cup, which was about 34 percent more than the average unit price under the two contracts with Hanany.

Conclusions and Recommendation

We believe that in administering these contracts, DLA activities did not take appropriate actions to assure prompt delivery of the canteen cups. DCASR-NY did not provide surveillance in a timely manner, thus depriving the government of critical knowledge about production progress. Also, DPSC, at least until the April 8, 1987, modification, appears to have waived the first contract's delivery schedule by not reestablishing a firm delivery date and issuing appropriate cure notices as necessary. DPSC's lack of action (1) impaired the government's ability to take remedial action against Hanany and (2) unduly delayed the receipt of critically needed items. These conditions probably contributed to the need for DPSC to make an emergency buy of the cups at higher prices.

Further, the lack of timely production surveillance on the first contract prevented government contracting personnel from having production information that may have influenced their decision to award the second contract to Hanany.

We recommend that the Director, DLA, take action to protect the government's interest against further delivery delays by Hanany. If Hanany cannot begin to comply with the delivery requirements of the contracts, DLA should terminate the contracts.

Additional background information and the details of our review are discussed in appendixes I and II. A chronology of events is included as

appendix III. Our objective, scope, and methodology are described in appendix IV.

We discussed the results of our work with knowledgeable Defense officials and incorporated their comments where appropriate. As requested, we did not obtain official Department of Defense comments on a draft of this report.

As arranged with your offices, we are sending copies of this report to the Secretary of Defense and the Director, Defense Logistics Agency. We will make copies of the report available to other interested parties.



Frank C. Conahan
Assistant Comptroller General

Contents

Letter	1
Appendix I Contract Awards	8
Appendix II PACFAB's Allegations and Concerns and GAO's Analysis	10
Did Hanany Have the Necessary Equipment and Expertise?	10
Was Hanany Delinquent With Deliveries During the Second Survey?	11
Was DLA Careless in Administering the Contracts?	11
Were the Contract Awards Consistent With the Buy American Act?	12
Did Hanany Use Materials From an Unacceptable Source?	13
Were First Article Samples Produced in Accordance With Contract Terms?	14
Did DPSC Notify PACFAB of Hanany's Second Award?	14
Appendix III Chronology of Events	15
Appendix IV Objective, Scope, and Methodology	17

Abbreviations

DCASR-NY	Defense Contract Administration Service Region-New York
DCIS	Defense Criminal Investigative Service
DLA	Defense Logistics Agency
DOD	Department of Defense
DPSC	Defense Personnel Support Center
FAR	Federal Acquisition Regulation
GAO	General Accounting Office
MOA	Memorandum of Agreement
MOU	Memorandum of Understanding
PACFAB	Pacific Fabrication Company
PCO	procurement contracting officer
USACAE	U.S. Army Contracting Agency-Europe

Contract Awards

DLA, an agency of the Department of Defense (DOD), is responsible for acquiring, storing, and distributing supplies used by the military services. DLA accomplishes this mission through the use of field operations, which consist of supply and storage depots, logistics service centers, and DCASRS. DCASRS are responsible for contract administration and support throughout DOD and are an integral part of the acquisition process. DLA's DPSC, a logistics service center, procures and manages items for DLA. Both DPSC and DCASR were involved in awarding and administering the contracts under review.

DPSC issued solicitation DLA 100-85-B-0778 on April 18, 1985, for the purchase of 596,700 canteen cups. The solicitation was divided equally into an unrestricted portion (open to both large and small businesses) and a restricted portion (set aside for small businesses only). Sealed bids for the unrestricted portion were opened on May 21, 1985. Eleven offers were received—10 from small businesses and 1 from a foreign firm (Hanany).

During the preaward process, DCASR's industrial specialists performed preaward surveys of the firms' production and technical capabilities to determine each firm's ability to perform the contract. DCASR-NY delegated the performance of Hanany's preaward survey to the U.S. Army Contracting Agency-Europe (USACAE), but DCASR-NY retained responsibility as the preaward survey monitor.

Hanany, with a unit price offer of \$2.64, was determined to be the lowest responsible contractor. A responsible contractor is one who possesses the necessary integrity and the financial and technical ability to perform the contract properly. The second through fifth low bidders could not satisfactorily demonstrate their abilities to perform, and consequently they were not considered for the first contract award. PACFAB was the sixth lowest bidder with a unit price of \$3.27. This bid was 63 cents per unit more than Hanany's, for a total difference of \$187,960.50. The unrestricted portion of the solicitation was awarded to Hanany on October 8, 1985, at a total contract price of \$787,644.

On October 10, 1985, DPSC began negotiating with the other responsible bidders to award the restricted portion of the solicitation. Because Hanany is a foreign firm and was ineligible to receive this portion, the remaining units were offered to all other eligible bidders at the same price awarded Hanany. The other bidders declined to meet this price and thus the solicitation was canceled.

The procurement contracting officer (PCO) determined that a second solicitation (DLA 100-86-B-0140) would be issued on January 7, 1986, as an unrestricted procurement. Again, Hanany underbid its competitors and after a preaward survey was made, it was awarded the second contract (DLA 100-86-C-4365) on July 10, 1986. Hanany's bid was \$164,093 lower than the next lowest bidder—PACFAB.

A chronology of events related to the two contracts is included as appendix III.

PACFAB's Allegations and Concerns and GAO's Analysis

We grouped PACFAB's allegations and concerns under seven major categories, which are presented in this appendix together with our analysis of each.

Did Hanany Have the Necessary Equipment and Expertise?

PACFAB alleged that, at the time the government performed preaward surveys of Hanany, Hanany did not have the necessary production equipment or the expertise to perform the contracts. While later events showed that Hanany did have difficulty in meeting the government's needs, we found no basis to question the scope or performance of these surveys at the time they were performed.

The industrial specialists who performed the preaward surveys concluded that Hanany and Hanany's subcontractors had the necessary technical, production, and quality assurance capabilities to perform the contract. We found, however, that Hanany's use of the subcontractors' facilities was not consistent with a clause in the solicitations that prohibits changes in the place of performance before award of the contract unless prior approval is given by DPSC. The offers submitted by Hanany did not propose the use of a subcontractor and Hanany did not otherwise request approval to use subcontractors.

We have concluded in previous cases that failure to disclose the place of performance is usually a matter of bidder responsibility and not a matter that automatically disqualifies a bid from award. (See Comptroller General's procurement decisions B-221878, March 21, 1986; B-219116, August 26, 1985; and B-199934, September 22, 1980.) Even though Hanany made no request of the contracting officer, the government, through the preaward surveys' findings, was aware of the places of performance.

PACFAB also alleged that Hanany did not have the necessary quality control equipment to perform the contracts. Both solicitations required Hanany to comply with quality assurance/control standards included in specification MIL-C-43761 B, dated September 28, 1984, and in sampling procedures and tables (MIL-STD 105). The first survey report stated that Hanany's quality control was adequate for these standards. The report stated that Hanany did not have a device needed to meet a requirement of this specification (i.e., those portions dealing with hardness testing), but Hanany had showed the device was easily obtainable. The second survey report concluded that Hanany had adequate quality assurance capabilities.

Was Hanany Delinquent With Deliveries During the Second Survey?

PACFAB alleged that Hanany was delinquent in deliveries on the first contract when the second preaward survey was performed and that the government should have known Hanany could not meet its delivery schedule. To the extent that Hanany was delinquent, PACFAB is correct in its allegation. Other information, however, indicated that Hanany would soon begin delivery.

Hanany, on May 2, 1986, requested an extension to the delivery schedule because of government-caused delays. These delays resulted from the government's failure to provide required quality assurance services and to examine and provide written approval of first article samples on a timely basis. DPSC notified Hanany on June 17, 1986, that the contract delivery schedule was being extended from May 21 to July 20, 1986.

Nevertheless, DPSC's records show that Hanany was technically delinquent on deliveries on May 26, 1986, the date of the second preaward survey. Initial delivery under the first contract was due May 21, 1986. USACAE surveyors told us that, based primarily on the capability of Hanany's equipment and the cups ready for shipment, they believed that Hanany could quickly begin delivery.

Was DLA Careless in Administering the Contracts?

PACFAB alleged that there were carelessness and fraud in the administration of both contracts and that DLA did not adequately determine Hanany's ability to meet the delivery schedules of the first contract before it awarded the second contract. We found that DLA did not act to assure prompt delivery of the cups when Hanany did not comply with the extended delivery schedule. An investigation by DOD's Defense Criminal Investigative Service (DCIS) did not find evidence of fraud or criminal intent.

Normally, the government's surveillance of contractor production begins 30 days after the award of a contract. When, as in this case, surveillance cannot be performed by the local DCASR, DLA guidance requires that surveillance be delegated to personnel closer to the place of performance. Accordingly, DCASR-NY delegated production surveillance to USACAE (the office responsible for Israel), but not until 13 months after award of the first contract. We were unable to determine the reason for the delay. Thus, DPSC, notwithstanding Hanany's theoretical capacity to produce as disclosed by the May 1986 preaward survey, did not have timely knowledge of Hanany's actual production or ability to meet its delivery schedule.

When Hanany failed to make its initial delivery of 24,600 cups on the due date of July 20, 1986, DPSC could have terminated the contract for default. DPSC chose not to do this because it believed Hanany could produce the cups given time. DPSC also could have established a new, reasonable delivery date and sent the contractor a cure notice if it was not making progress. DPSC did not do this either. Without the establishment of a new delivery date, the government's right to terminate for default is undermined and DPSC, in this case, could not assure the timely delivery of critically needed items during 1986 from Hanany.

DPSC's PCO was unsuccessful in establishing a new mutually agreeable delivery schedule for 9 months (between July 1986 and April 1987). We identified two proposed revisions to the delivery schedule. The first, which was prepared by USACAE representatives in July 1986, was agreed to by USACAE representatives and Hanany. The second was contained in a letter that Hanany had sent to the PCO in September 1986. In both cases the PCO decided not to accept the revisions and chose not to modify the contract. DPSC officials told us that the proposed revisions were not considered acceptable because they were not in the proper format and the dates were not realistic. However, DPSC and Hanany agreed to a revised delivery schedule and modified the contract, effective April 8, 1987. Until that time, DPSC had not revised the delivery schedule beyond the initial 2-month extension; therefore, DPSC and USACAE officials believed the government had lost the right to place the contractor in default on the first contract had it contemplated doing so.

Were the Contract Awards Consistent With the Buy American Act?

PACFAB alleged that Hanany was awarded the contracts to the detriment of American producers and the American economy in spite of the Buy American Act.³ Our review disclosed that DLA acted in accordance with the FAR, Part 25, as supplemented by the DOD FAR supplement, Part 25, in accepting Hanany's bid. The DOD FAR supplement 25.75 provides guidance for procurements from foreign sources whose countries have defense cooperation agreements with the United States. These agreements, one of which is with Israel, are designed to increase the foreign countries' defense capabilities through production and acquisition of defense equipment. In furtherance of this goal, the provisions of the Buy American Act were waived as provided by DOD FAR supplement 25.7501 and 25.7502.

³The Buy American Act (41 U.S.C. 10a-10d) requires that only domestic end products be acquired for public use, except when DOD determines that such acquisitions would not be consistent with the public interest.

In March 1984 the United States Government and the Government of Israel entered into a Memorandum of Agreement (MOA) through which each agreed to provide to the other "opportunities to offer those items as set forth in Annex B of the MOA." Canteen cups were not listed in Annex B. However, the annex did include a number of other relatively low technology items similar to canteen cups. Accordingly, in order to award the contract to Hanany, DPSC, on August 22, 1985, requested that DLA, as permitted by the MOA, add the canteen cup to the Annex B. This was accomplished on September 27, 1985.

Did Hanany Use Materials From an Unacceptable Source?

PACFAB alleged that Hanany was using material from an unacceptable source. Both solicitations incorporated DOD FAR supplement clause 52.225-7012, "Preference for Domestic Specialty Metals (October 1980)," which required Hanany to use U.S. steel in producing the canteen cups, unless excepted. The first contract listed Belgium and France as acceptable sources of steel. DPSC's records show that it had determined Belgium and France to be acceptable sources in accordance with the exceptions listed under this clause. However, our review disclosed that Hanany obtained steel from Germany. According to DPSC officials, Germany was also an acceptable source.

We found that exceptions to this clause exist when a purchase is necessary to comply with U.S. purchase agreements made with foreign governments, when the quality or quantity of the item needed cannot be timely obtained at U.S. market rates, or when such an acquisition is in furtherance of an agreement with a qualifying country. DPSC concluded that Belgium and France qualified as sources because they have Memorandums of Understanding (MOUs) with the United States and the acquisition of steel furthered those agreements.

Our review disclosed that Germany also has an MOU with the United States. Hanany officials told us that DPSC had given oral approval to Hanany's representative to purchase steel from Germany because of this MOU. A DPSC procurement official confirmed that oral approval was given for Hanany to purchase steel from countries that have MOUs with the United States and that Belgium and France were listed in the first contract only as examples of countries with MOUs and as potential sources.

Were First Article Samples Produced in Accordance With Contract Terms?

PACFAB alleged that Hanany did not produce first article samples as required. A first article is a sample of the finished product that is manufactured on the equipment that will be used to manufacture the production quantity. The contracts required that the first article sample be produced at the same location as the production quantity and that Hanany submit a certification to this effect. Hanany's submission of the first article certification and our discussions with Hanany officials and the USACAE quality assurance representative indicate that Hanany generally complied with these requirements.

First article samples for the first contract were to be inspected in Hanany's plant before delivery to DPSC and by no later than February 5, 1986. Hanany certified that the first article sample was ready for inspection on February 1, 1986. However, the government's quality assurance representative was unable to visit Hanany's plant to inspect and approve the first article sample until February 16, 1986. DPSC, which was required to give approval or disapproval to Hanany within 15 calendar days of receipt, received the sample on March 10, 1986, and gave its approval on March 27, 1986. Approval of the first article sample was required for production to begin.

For the second contract, Hanany was to submit its first article sample no later than October 23, 1986. However, Hanany did not have its first article sample approved until November 27, 1986, because the government's quality assurance representative delayed his visit. The quality assurance representative told us that he could not perform the in-plant inspection until that time because of his heavy workload.

During February 1987, the quality assurance representative learned that Hanany was using new equipment. Thus, to comply with the certification requirements, this representative requested Hanany to submit a new first article sample for the second contract. DPSC approved Hanany's second submission of the first article.

Did DPSC Notify PACFAB of Hanany's Second Award?

PACFAB alleged that DPSC did not notify it of Hanany's second award. DPSC normally sends a "notice of no award" to each unsuccessful bidder on the day a contract is awarded. We were unable to determine whether DPSC had sent such a notice to PACFAB because DPSC does not maintain records for notices sent. According to PACFAB, it learned of the award when it telephoned the PCO on July 29, 1986, to ascertain the status of the award and the PCO informed PACFAB that the contract had been awarded to Hanany on July 10, 1986.

Chronology of Events

Date	Event
Contract Number DLA 100-86-C-4018	
04/18/85	DPSC issued a solicitation for 596,700 canteen cups which was equally divided into two parts, restricted and unrestricted
05/21/85	Bids opened on unrestricted portion for 298,350 cups
06/03/85	DPSC requested a preaward survey of Hanany
07/31/85	DCASR-NY completed the preaward survey
08/15/85	PACFAB filed bid protest with GAO
08/22/85	DPSC requested DLA to add the canteen cup to Annex B to satisfy the Buy American Act and to extend the bid acceptance period
08/30/85	GAO dismissed the bid protest against Hanany
09/27/85	DLA added the canteen cup to Annex B of the MOA
10/08/85	DPSC awarded unrestricted portion of solicitation to Hanany as contract number DLA 100-86-C-4018
10/10/85	Restricted portion of solicitation canceled because small firms would not match Hanany's bid on the unrestricted portion
02/05/86	First article due
02/16/86	First article accepted by quality assurance representative
03/10/86	First article received at DPSC
05/21/86	First delivery due for 24,600 cups
06/17/86	DPSC notified Hanany of its intent to issue a modification to the contract, extending the delivery schedule by 60 days
07/20/86	Revised first delivery date for 24,600 cups
08/21/86	DCASR issued a progress payment of \$163,174 to Hanany
12/22/86	First partial shipment of 5,400 cups received at DLA depot
03/20/87	Shipment of 18,000 cups received at DLA depot
04/08/87	Contract modification issued revising contract delivery schedule
05/30/87	Shipment of 10,800 cups received at DLA depots
07/02/87	DCASR issued a second progress payment to Hanany amounting to \$169,277
08/24/87	Contract modification issued deleting palletization requirements for the contract
Contract Number DLA 100-86-C-4365	
01/07/86	DPSC's canceled portion of original solicitation was reissued as an unrestricted solicitation for 298,350 cups
02/07/86	Bids opened
03/10/86	DPSC requested second preaward survey of Hanany
06/06/86	DPSC completed second preaward survey of Hanany
07/10/86	Contract number DLA 100-86-C-4365 awarded to Hanany
08/19/86	PACFAB filed a bid protest with GAO
08/19/86	GAO dismissed the bid protest as untimely
09/09/86	GAO dismissed reconsideration of PACFAB's bid protest
10/20/86	First article due

(continued)

**Appendix III
Chronology of Events**

Date	Event
11/27/86	First article accepted by quality assurance representative
12/09/86	First article received at DPSC in damaged condition
02/05/87	First delivery due for 25,200 cups but not made
03/06/87	U.S. District Court issued a preliminary injunction halting Hanany's second contract
10/23/87	Injunction still in effect

Objective, Scope, and Methodology

Our objective was to determine the facts underlying PACFAB's allegations and concerns about two contracts issued by DLA. Our evaluation included reviewing Federal Acquisition Regulations, Defense Acquisition Regulations, and DLA's regulations, policies, and procedures for awarding and administering contracts. We discussed the use of information with DOD agencies' representatives who were responsible for implementing procedures on these contracts and with Hanany officials to determine their understanding of the procedures. We also discussed the allegations of fraud with DCIS and obtained a copy of its investigative report.

We visited DPSC, reviewed its procurement files for the two contracts, and interviewed responsible DPSC procurement officials about their actions in awarding and administering these contracts. We also interviewed officials of DPSC's legal counsel to obtain their opinion on DPSC's actions to maintain the government's rights on these contracts.

We visited DCASR-NY; reviewed its files on administration, production surveillance, and preaward monitoring of the contracts; and interviewed the administrative contracting officer to determine how the contracts had been administered. We also interviewed DCASR-NY's preaward monitor and discussed our review of the monitor's files on the preaward process. We also discussed DCASR-NY's production surveillance responsibilities on the contracts with DCASR-NY's Production Section Chief.

To determine whether USACAE had complied with DCASR-NY's request for preaward survey, quality assurance, and production surveillance support, we reviewed the files at USACAE and interviewed USACAE personnel responsible for implementing DCASR-NY's request. We also reviewed the Defense Contract Audit Agency's workpapers in support of a progress payment review requested by DCASR-NY and interviewed the auditor who had performed the review to ascertain whether the Audit Agency's report on the progress payment was properly supported.

The views of officials from DOD, DLA, and PACFAB were incorporated in our report where appropriate. Our review, which was performed in accordance with generally accepted government auditing standards, was made from November 1986 through May 1987.



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