The Honorable Robert W. Daniel, Jr.
House of Representatives

Dear Mr. Daniel:

Subject: Procurement Procedures Used by the Naval Ships Parts Control Center, Mechanicsburg, Pennsylvania (PSAD-80-38)

As requested in your December 12, 1979, letter, we have inquired into the procedures used in procuring wooden pallets by the Naval Ships Parts Control Center (SPCC) in Mechanicsburg, Pennsylvania.

SPCC made seven emergency purchases of wooden pallets (the type used in the grocery industry) from December 7, 1978, to December 20, 1979. The purchases ranged from $33,500 to $114,000 and totaled about $458,000. SPCC made the purchases at the request of the Defense Depot in Mechanicsburg because the Defense General Supply Center in Richmond, Virginia, which had responsibility for procuring the pallets, had not supplied the item to the depot and the depot urgently needed the item.

SPCC awarded all but the last of the seven contracts based on oral solicitations of quotations. SPCC officials noted that oral solicitations were used to save time and that the depot had indicated the need was urgent. Procurement regulations permit oral solicitation of quotations when the processing of a written solicitation would delay the furnishing of the supplies or services to the Government's detriment.

Regarding other issues you raised, the oral quotations documented in the seven records of contract actions indicate that the low bidder received the contract each time and each contract contained written specifications for recommended pallets for the grocery industry.
During our inquiry, however, we noted the following areas in which the practices followed for purchasing wooden pallets did not conform with procurement regulations:

--SPCC's files did not contain a resume of the circumstances which justified use of an oral solicitation, as required by the Defense Acquisition Regulation (DAR) 3-501(d)(ii).

--SPCC's abstract of bids was not prepared on DD Form 1501, as required by DAR 3-109. The abstract document in the contract files often did not contain (1) the date and time of quotations and (2) the solicitation number provided the prospective sources, as required by DAR 3-501(d)(ii).

--SPCC failed to provide written notice to the unsuccessful offerors, as required by DAR 3-501(d)(iii) and DAR 3-508.3(a).

--Neither SPCC nor the Defense Depot in Mechanicsburg forwarded a copy of the contractual instrument to the appropriate Defense Supply Agency Center (Defense General Supply Center, Richmond, Virginia), as required by DAR 5-1201.2(d)(2).

We discussed these irregularities with officials of the SPCC Purchase Division and the Defense Depot in Mechanicsburg. They agreed that their practices were not in conformance with procurement regulations and promised to institute corrective measures. As you requested, we did not obtain written comments from the Navy.

Copies of this report are being sent to the Secretary of the Navy; the Director, Office of Management and Budget; and the cognizant committees of the Congress.

Sincerely yours,

[Signature]

J. H. Stolarow
Director