ARMY CORPS OF ENGINEERS

Known Performance Issues with New Orleans Drainage Canal Pumps Have Been Addressed, but Guidance on Future Contracts Is Needed

What GAO Found

Schedule concerns drove the Corps’ decisions in developing specifications for the pumping systems and awarding the contract, but the rush to award the contract resulted in deficiencies in key contract provisions. Specifically, the original factory test requirements were ambiguous, there were only limited provisions for on-site testing, and there were no criteria for acceptance of the pumping systems by the government. The Corps conducted an expedited competition to contract for the pumping systems and selected a supplier for contract award based largely on its ability to deliver the pumping systems by the June 1 start of the 2006 Atlantic hurricane season.

The Corps and the contractors have addressed and corrected known performance issues with the pumping systems. Concerns included hydraulic motor vibrations, the design of the hydraulic intake line, suspect pipe welds, and lower than expected pumping capacity. The pumping systems were installed prior to correcting these issues because the Corps believed it was better to have some pumping capacity along the drainage canals during the 2006 hurricane season rather than none, despite uncertainty over how much of the pumping system capacity would be available, and for how long, if needed. Between November 2006 and September 2007, the Corps and the contractors completed all of the repairs and reinstalled the pumping systems. Documents that GAO reviewed indicate that, as of September 2007, each pumping system had been successfully tested on site for at least 2 hours, thus providing greater assurance that they will perform as designed.

The contract files for the pumping systems contained the required documentation for the type and value of the contract and associated modifications, though, in a number of cases, documentation was inserted in the contract files several months after modifications were issued and only after the ITR reported its findings. While the ITR correctly noted the absence of some required documentation, GAO found that much of the specific documentation cited as missing was not required for the modifications in question because of the nature and value of these modifications. In addition, while the ITR found that it appeared as though the contractor developed the scope of work and pricing for some of the modifications without a subsequent analysis by the Corps, GAO found no instance of this occurring.

As of October 31, 2007, the Corps had paid the contractor about $30.5 million of the $33 million contract amount. In a few instances, the Corps made duplicate payments to the contractor. GAO found that these payments were due to Corps mistakes, not inappropriate billing by the contractor. GAO found no other cases of duplicate payments. The Corps plans to adjust for the duplicate payments by deducting the balance from remaining funds, including any incentive payments, owed to the contractor. According to Corps officials, final payment and reconciliation of the contract is expected by early 2008; however, it is unknown to what extent contract or pump performance issues will affect the final amount paid for the contract during the close-out process.

What GAO Recommends

GAO recommends actions to ensure that future contracts adhere to sound acquisition practices, even for expedited procurements, and to ensure that any required contract documentation is completed and filed in a timely manner.

The Department of Defense agreed with GAO's recommendations.