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



B-164250

APR 26 1973

RS The Honorable Mark Andrews
House of Representatives

BEST DOCUMENT AVAILABLE

Dear Mr. Andrews:

This is in reply to your letter of April 10, 1973, regarding Department of the Army contract DACA 87-70-C-0013 with Harrison-Knutson Company and Associates for construction of Safeguard Anti-Ballistic Missile System facilities in the vicinity of Grand Forks, North Dakota. In accordance with your discussion with Mr. Paul Dembling, General Counsel, on April 18, we are enclosing a copy of our February 27, 1973, report to the Secretary of Defense on this contract. In view of the concern expressed by you and other congressional interests with the claims submitted under this contract, we are examining into the current status of the cost increases on the project and will advise you of the results of this work.

To put the cost increases in perspective, it should be noted that at the time the contract was awarded the Army knew that there would be many changes in design and specifications. As mentioned in our February 27, 1973, report, contractor claims of \$43 million are directly related to changes known to the Army at the time of award.

You referred also to our May 7, 1971, letter acknowledging receipt of a copy of your April 22, 1971, letter to the Chairman, Commission on Government Procurement, asking the Commission to examine the error in bid procedures prescribed by the Armed Services Procurement Regulation and the Federal Procurement Regulations.

The Commission made an in-depth study of the procurement process, in which it considered over 600 problems and issues, and submitted its report on December 31, 1972. The Commission made 149 recommendations for improving Government procurement. These are directed to the broad spectrum of the procurement process, including the procurement statutes, the regulatory system, and the procurement work force. Implementation of the recommendations should, over a period of years, have a very healthy effect on Government procurement practices. The Commission's report notes

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that the basic procurement regulations provide that in formally advertised procurements mistakes in bids may be corrected between the opening of bids and award of the contract (Volume 4, page 53), but does not discuss the pros and cons of the provision nor include any recommendation in this matter.

With respect to contract cost increases, we are currently examining into cost growth on Department of Defense construction contracts. Preliminary indications are that, for most of these construction projects, cost increases were relatively small in relation to the contract price. For example, we found net increases in the 5 percent range on 23 advertised and negotiated construction contracts of over \$5 million each. We expect to issue this report shortly and will send you a copy.

We are forwarding with this letter a copy of a report we issued to the Congress on August 18, 1970, which we believe will also be of interest to you. This report on our survey of advertised contracting in military construction shows that on 193 completed contracts there were price increases of about 3 percent (pages 8 and 21). (w/enc)

We hope this information will be of use to you. We will be glad to discuss this matter with you, should you wish to do so.

Sincerely yours,

(SIGNED) ELMER B. STALTS

Comptroller General
of the United States

Enclosures - 2