



**EXECUTIVE SUMMARY**  
**General Services Agency Procurement Practices**  
**Report No. 17-05, November 2017**

**Background of Audited Entity**

The General Services Agency (GSA) administers a centralized procurement program for supplies and services for the Government of Guam's (GovGuam) line agencies and the Port Authority of Guam. GSA, a division within the Department of Administration (DOA), is headed by the Chief Procurement Officer (CPO), a classified position that handles 46 agencies/departments. Title 5, Chapter 5 of the Guam Code Annotated (GCA) and Title 2, Division 4 of the Guam Administrative Rules and Regulations (GAR), collectively known as Guam Procurement Law and Regulations, provide the legal authority and guidance for GovGuam's procurement. In fiscal year (FY) 2016, GSA processed 6,575 Purchase Orders (PO) totaling to \$51.9 million (M). Of the total, 6,209 POs worth \$13.3M (or 26%) individually amounted to \$15,000 and below.

**Reason for Audit, Objective, Scope, and Approach**

The audit was conducted as the Office of Public Accountability's (OPA) participation in the International Organization of Supreme Audit Institutions (INTOSAI) Development Initiative (IDI) and Pacific Association of Supreme Audit Institutions' (PASAI) Cooperative Procurement Audit Program. The program called for a compliance audit performed in accordance with International Standards of Supreme Audit Institutions (ISSAI) 4000, *Compliance Audit Standards*. This report followed the prescribed format by ISSAI 4000, which differs from OPA's standard format for performance audits.

The objectives of the audit were to determine whether during FY 2016, GSA complied with Guam Procurement Law and Regulations to:

1. Properly plan all procurements of supplies and services to promote maximum competition and good management of resources.
2. Properly procure goods and services through methods of source selection: competitive sealed bids, small purchases, blanket purchase agreements, sole source, or emergency.

We also incorporated relevant best practices for government procurement. Our scope included POs issued in FY 2016. Our determination of GSA's compliance with Procurement Law and Regulations was based on a sample of 40 POs.

**Key Audit Findings**

Procurement Planning

While GSA made efforts to consolidate similar purchases, such efforts were not effective. Although agencies are ultimately responsible for their procurement needs, GSA is also responsible for those procurements because the agencies have no say over how procurement is processed.

Procurement of Goods and Services

Our testing of 40 POs revealed the following:

- Competitive sealed bids – No exceptions found on GSA's procurement practices for the 11 POs related to nine competitive sealed bids tested.

- All methods other than competitive sealed bids – GSA did not verify the validity of vendors’ business licenses for all 29 POs tested.
- Small purchases – Procurement of office furniture was rushed and awarded based on telephonic quotes instead of written quotes.
- Sole source – No solicitation made for a vendor named on a federally funded project.
- Emergency – Inconsistent application of emergency procurement regulations for telecommunication services and elderly meals.

We also found that GSA does not have updated Standard Operating Procedures (SOP).

### **Conclusion and Recommendations**

We concluded that GSA’s practices on:

- Procurement planning did not comply with Guam Procurement Law and Regulations;
- Competitive sealed bids did comply with Guam Procurement Law and Regulations based on 11 POs related to nine competitive sealed bids tested; and
- Small purchases, sole source, and emergency procurements did not comply with Guam Procurement Law and Regulations based on 29 POs tested.

We recommended that the CPO:

- 1) Strengthen relationships with using agencies through focused trainings, timely communication, and outreach.
- 2) Document and monitor effectiveness of GSA’s planning efforts.
- 3) Seek operational support from the DOA Director to address GSA’s high turnover.
- 4) Implement an approval limit to fully delegate certain procurements.
- 5) Obtain the Attorney General’s guidance on processing procurements with pending appeals.
- 6) Challenge agencies’ requests for sole source on federally funded requisitions and require documentation for vendor solicitation.
- 7) Formally update SOPs.

Our recommendation for the DOA Director to update vendors’ business license information in the AS400 has been implemented.

The CPO disagreed with all our findings in this report, including previous OPA findings, and has consistently disagreed with most procurement findings in 8 of the 10 past GovGuam Single Audit Reports. Although the DOA Director is accountable for the department, Guam Procurement Law and Regulations places procurement responsibilities with the CPO. This arrangement leaves little to no oversight of the CPO’s actions, who therefore is not accountable for continuous disagreements with audits. We encourage the Legislative Committee Chairperson on Procurement Reform to revisit this structure and consider the appropriateness of this model for GovGuam.

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