



OFFICE OF THE PUBLIC AUDITOR

EXECUTIVE SUMMARY

OPA Report No. 04-08 July 2004

General Services Agency Blanket Purchase Agreements Procurement Function October 1, 2001 through June 30, 2003

The Office of the Public Auditor (OPA) determined that an audit of the procurement practices of the General Services Agency (GSA) should be conducted, since a majority of the audit findings in the Single Audit Reports of FY 2001 and prior years pertain to procurement. This report focuses on specific findings pertaining to Government of Guam Blanket Purchase Agreements (BPAs). This is the second of a series of reports on GSA's Procurement Function.

The objectives of our audit were to determine whether BPAs awarded to vendors were based on fair and open competition, equally allocated, and in compliance with Guam Procurement Laws and Regulations. The scope of our audit was the 21 months from October 1, 2001 to June 30, 2003. During this period GSA issued 1,663 BPAs worth over \$10 million.

Our audit findings on BPAs indicate that GSA did not consistently comply with Guam Procurement Laws and Regulations to ensure fair, open, and equitable competition was conducted in the procurement process. In this audit, we found BPAs that were not procured based on fair and open competition and unequally awarded to favor a single vendor. We also found excessive and improper procurement of food, inconsistent application of BPA regulations, circumvention of the procurement regulations, lack of procurement monitoring and review, and incomplete documentation of procurement.

Our findings include:

- DOC issued \$2.5 million (70%) of the total food purchases of \$3.5 million to vendor P3351001, whereas the remaining 21 and 15 vendors only received an aggregate of \$1 million in FY 2002 and the nine months ending June 2003, respectively.
- The award process for these purchase orders seem to indicate possible preferential selection toward vendor P3351001 as evidenced by:
 - Questionable disqualification of other bidders and for bid numbers 039-01 and 040-01 vendor P3351001 was awarded \$1.5 million;
 - Eight POs totaling \$460,100 to vendor P3351001 were issued three days prior to the end of the fiscal year although the goods and invoices were received two months earlier than the date of the September purchase orders.
 - Vendor P3351001 received \$84,681 in excess of amount originally awarded; procurement files did not have any documentation as to the rationale;
 - Six POs issued to vendor P3351001 aggregating \$74,996 did not have any written documentation to justify the selection of this vendor.

- DOC did not always receive the best value for food purchased. For example, vendor P3351001 charged 38 cents per pound more for short ribs and 18 cents per pound more for beef stew than retail vendors.
- The average cost to feed inmates in U.S. correctional facilities that house 500 to 1,200 prisoners ranged from \$2.00 to \$3.54 per inmate per day or 250% to 450% less than Guam's cost of \$9.05 per inmate per day to feed 660 inmates in FY 2002.
- Three contracts for medical services to the Department of Public Health and Social Services aggregating \$137,120 were subsequently issued as BPAs when the contracts were rejected by the Attorney General's Office. Public Health improperly circumvented the proper issuance of contracts and purchase orders.
- Incomplete documentation of procurement history. 19 BPAs totaling \$281,045 did not have price quotes in their files; 13 POs totaling \$583,398 did not have documentation of the selection of the winning vendor; lack of running balance logs led to the over issuance of five POs totaling \$130,697 above the maximum bid award of \$165,235.
- Vague or contradicting BPA regulations. Inconsistencies in the application of the \$15,000 threshold for BPA purchases; contradicting regulations as to type of goods or services allowed under BPAs; inconsistent allocation of BPA award to three vendors.
- Possible circumvention of regulations by issuing BPAs of \$14,999 each in a short period of time and for the same type of items that should have required competitive sealed bidding and publication. In the 21 months, there were 52 BPAs (\$779,948) issued in the amount of \$14,999 each.

Some of our recommendations are:

1. For GSA to establish written policies and procedures, to include proper planning of BPA purchases and the performance and documentation of detailed and extensive bid award analysis, negotiation of price especially when amounts being awarded are in the millions, and cease issuance of multiple purchase orders and amendments to bid awards.
2. For DOC to analyze food purchases made by the agency and make efforts to reduce average food cost per inmate to be more in-line with comparable U.S. correctional facilities.
3. For the Attorney General to provide guidance on handling unsigned contracts when services are urgently needed, clarify the \$15,000 limitation for BPA purchases, determine possibility of issuance of BPA to single or two vendors, and to determine whether any illegal activity may have transpired between vendor P3351001, GSA employees, and/or DOC employees.

The GSA Chief Procurement Officer (CPO) disagreed with 10 of the 24 sub-findings, but agreed with all the other findings. We have provided rebuttals on the 10 sub-findings disagreed by the CPO, which can be found in the report. The Directors of DOC and DPHSS generally concurred with our findings and recommendations. Refer to the Management Response section of the report for details.



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