



OFFICE OF THE PUBLIC AUDITOR

EXECUTIVE SUMMARY

OPA Report No. 04-05 March 2004

General Services Agency Small Purchases 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 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 small purchases of \$15,000 and below. This is the first of a series of reports that OPA will be releasing on General Services Agency's Procurement Function.

The objective of our audit was to determine whether small purchases of \$15,000 and below were awarded to vendors based on fair and open competition 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.

GSA is responsible for providing centralized procurement, continuous development of sound procurement practices, promoting broad competition, and maintaining a procurement system of total quality and integrity for the Government of Guam. A Chief Procurement Officer (CPO) oversees the procurement of supplies and services of over 40 Government of Guam line agencies.

Our audit findings indicate that GSA did not consistently comply with Guam Procurement Laws and Regulations, which ensure that fair, open and equitable competition exists in the government procurement process. In this audit, we found lack of planning, possible artificial division of purchases, lack of competition, possible preferential selection of vendors and missing procurement documentation. Discussions on these findings follow:

- Small purchases accounted for 95% of the 10,747 purchase orders issued during the 21-month period. The value of these purchases equaled more than \$25 million. The areas of concentration for small purchases were 1) **office supplies** - three vendors were issued purchase orders (POs) collectively worth \$1.1 million; 2) **medical supplies**- two vendors were the primary recipients of approximately \$1.7 million worth of POs; and 3) **copy machine equipment**- only one vendor was issued POs worth \$1.5 million.
- Only three vendors were consistently called upon for office supplies in FY 2002. Total purchases issued to these three vendors were \$819,489; \$290,957 for vendor N2432201, \$283,556 for vendor S1132201, and \$244,975 for vendor G0096682.
- Department of Public Health and Social Services (DPHSS) issued majority of the purchases for medical supplies. Two vendors received total purchases of about \$1.6 million during the 21-month period of our audit: \$1,122,507 for vendor M0096987 and \$503,026 for vendor M3896504.

- Competition was avoided and certain select vendors benefited by agencies issuing multiple POs of less than \$500 and less than \$15,000 in one day to the same vendor. For example, GSA issued 19 POs to one vendor on October 1, 2001 to purchase office supplies totaling \$73,274. On August 30, 2002, Department of Land Management issued 10 POs to one vendor, each below \$15,000, worth \$56,966 for the procurement of computer equipment and supplies. DPHSS issued 20 POs, each below \$15,000, to one vendor on October 1, 2002 for the lease of copier machines with total costs of \$123,436. In August and September 2002, GPD issued three POs (\$40,925) to one vendor within one month for video/camera equipment.
- The instances above each exceeded \$25,000, and were not publicized as required in 2 GAR §3109.
- Evidence indicates that multiple purchases were possibly artificially divided to pose as small purchases in an attempt to circumvent procurement regulations by not obtaining three telephonic or written quotations for purchases of \$500 or less or obtaining competitive sealed bids for purchases above \$15,000. In effect, over time, such practices resulted in large purchases that should have required competitive sealed bidding.
- We found evidence of possible preferential selection of vendors. In FY 2002 alone, the top 20 vendors, or 2.6% of the total 757 vendors, received approximately \$4.9 million worth of small purchases. On average, these 20 vendors received 61 POs and \$245,000 each in FY 2002.
- Had the procurement of the Government of Guam been planned properly, all 757 vendors in FY 2002 and all 611 vendors in FY 2003 would have had a better chance at the \$14 million (FY 2002) and \$10.6 million (FY 2003) total in small purchase procurement instead of the select few vendors.
- Procurement transactions were either inadequately documented or not noted at all in the procurement files, thus leading to questionable awarding procedures. In addition, we did not find any evidence that GSA verified why non-responding vendors did not submit quotes, or obtained market quotes to determine if the government received the best price.

Some of our recommendations to GSA were:

1. Cease the issuance of multiple POs to the same vendor in one day and ensure that purchases are publicized and competitively bid. GSA should assist agencies in identifying and developing a list of recurring goods and services needed to operate the agency throughout the year, such as office and computer supplies, medical supplies for DPHSS, and food and medical supplies for DOC.
2. Obtain at least three written quotations and maintain complete procurement records.

The GSA Chief Procurement Officer and DOA Director generally concurred with our findings and recommendations, with a few exceptions noted in the report.



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