

**General Services Agency
Small Purchases
Procurement Function**

**Performance Audit
October 1, 2001 through June 30, 2003**

**OPA Report No. 04-05
March 2004**



OFFICE OF THE PUBLIC AUDITOR

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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.



Doris Flores Brooks, CPA, CGFM
Public Auditor



OFFICE OF THE PUBLIC AUDITOR

**General Services Agency
Performance Audit of the Small Purchase Procurement Function**

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Introduction

Because a majority of the audit findings in the Single Audit Reports of fiscal year 2001 and prior years pertain to procurement, the Office of the Public Auditor (OPA) determined that a performance audit of the procurement practices of the General Services Administration (GSA) should be conducted. 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.

Jurisdiction to Investigate

The Public Auditor is required to annually audit "all the transactions and accounts of all departments, offices, corporations, authorities, and agencies in all of the branches of the Government of Guam."¹

Background Information

GSA and the Procurement Function

GSA, a division of the Department of Administration (DOA), is responsible for providing centralized procurement and warehousing activities for the Government of Guam, in accordance with 5 GCA §5110. GSA is located in Piti.

GSA's website, <http://www.admin.gov.gu/doa/gsa.htm>, states that its mission includes:

1. Continuously develop sound procurement policies and practices,
2. Foster effective broad based competition, and
3. Provide safeguards for the maintenance of a procurement system of total quality and integrity.



External view of General Services Agency.

¹ 1 GCA §1908

GSA is managed by a Chief Procurement Officer (CPO), who reports directly to the Director of Administration.² An organizational chart of the procurement function is illustrated in **Appendix A**. Pursuant to 5 GCA §5113, the purchase of supplies and services for the Government of Guam is overseen by the CPO of GSA, while the Director of Public Works (DPW) oversees the procurement of construction.

Currently, the CPO of GSA manages the procurement of supplies and services of over 40 Government of Guam line agencies, while the autonomous agencies perform their own procurement function. Line agencies are those agencies that receive all or most of their funding from the Government of Guam's General Fund, which is maintained by DOA and appropriated by the Legislature. Refer to **Appendix B** for a listing of the line agencies. Autonomous agencies are the revenue-generating agencies, such as the utility agencies, the Guam International Airport Authority, and the Port Authority of Guam.

Procurement Laws and Regulations

The procurement process is initiated by an agency's requisition for products or services.³ Depending on the amount and type of goods or services being purchased, a variety of purchasing methods are available to guide the procurement process. The Guam Procurement Law [Guam Code Annotated (GCA) Title 1, Chapter 5] and the Guam Procurement Regulations [Guam Administrative Regulations (GAR) Title 2, Division 4] are the major guides for the procurement of goods and services.⁴

The procurement law states that procurement of supplies and services shall, where possible, be made sufficiently in advance of need for delivery or performance to promote maximum competition and good management of resources.⁵

Procurement of goods and services are categorized in a variety of ways:

- **Small Purchases of \$500 or Less**
- **Small Purchases (\$500 to \$15,000)**
- **Competitive Sealed Bidding for Purchases in Excess of \$15,000**
- **Purchases in Excess of \$25,000 Requiring Publication**
- **Competitive Selection for Professional Services**
- **Sole Source Procurement**
- **Blanket Purchase Agreement (BPA)**
- **Emergency Procurement**

² 5 GCA §5111

³ Requisition- the document officially requesting for the procurement of goods and/or services and initiates the procurement process.

⁴ Procurement laws and regulations are available at www.guamattorneygeneral.com

⁵ 5 GCA §5010

Small Purchase Regulations

Purchases below \$15,000, categorized as Small Purchases, are the focus of this report. Other procurement methods will be discussed in future reports.

Small Purchases of \$500 or Less. 2 GAR §3111(e) states that the CPO, the Director of DPW, or the head of a Purchasing Agency shall adopt operational procedures for making small purchases of less than \$500. Such individuals are required to obtain adequate and reasonable competition, and document vendor quotations and selection. As such, GSA's Standard Operating Procedures manual recommend these purchases require at least three telephonic or written price quotations.

Small Purchases between \$500 and \$15,000. 2 GAR §3111 sets the requirements for procurement of less than **\$15,000** for supplies or services and less than **\$50,000** for construction.⁶ 2 GAR §3111(c)(1) requires no less than three written quotations to be solicited from businesses and documented in the procurement file. Awards shall be made to the lowest responsible and responsive bidder. Additionally, 2 GAR §3111(b)(5) states that procurements shall not be artificially divided to render a small purchase and avoid using other selection methods.

Objectives

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.

Scope and Methodology

The scope of our audit was the analysis of purchase orders (POs) \$15,000 and below issued by GSA for the 21-month period from October 1, 2001 to June 30, 2003. We did not review the procurement of construction contracts at the Department of Public Works (DPW) or the procurement activities of the Department of Education (DOE).

Our methodology included gaining an understanding of laws and regulations affecting the small purchases procurement process. We tested procurement records of non-statistically selected POs to determine compliance with laws and regulations.

Our audit was conducted in accordance with the standards for performance audits contained in *Government Auditing Standards*, issued by the *Comptroller General of the United States of America*. Accordingly, we obtained an understanding and performed an evaluation of internal controls of the procurement process at General Services Agency. We included tests of records and other auditing procedures that were considered necessary under the circumstances.

⁶ 5 GCA §5213

Prior Audit Coverage

Audit by External Auditors

Single Audit Report. The Single Audit Reports for fiscal years 2001, 2000, and 1999 identified repeat findings related to government procurement. The findings indicated purchases worth \$898,239 in FY 2001, \$4,270,754 in FY 2000, and \$8,018,366 in FY 1999 have “no significant procurement history,” i.e. documentation of competition or vendor selection.⁷

Finding 2001-96 in FY 2001 indicated circumvention of P.L. 22-50, wherein numerous invoices were received from the same vendor. These invoices were dated consecutively for the same amount of \$499.99.

Audits of the Office of the Public Auditor

OPA Report 01-02 Investigative Report on the Mayors’ Offices of Barrigada, Chalan Pago-Ordot and Inarajan. In this report, we found a series of vendor invoices issued by a single vendor within a very short time span. The goods purchased were either identical or pertain to the same purpose, mainly for road maintenance and repair. We concluded that the former Mayors of Barrigada, Chalan Pago-Ordot, and Inarajan did not follow proper procurement practices, and instead, artificially divided invoices below \$500 to avoid going through the bidding process. We identified more than \$100,000 worth of purchases that did not go through the bidding process.

OPA Report 02-03 Investigative Letter Report on Department of Parks and Recreation’s (DPR) Revolving Fund. In this report, we found four transactions made without evidence of competition, i.e. no documentation that three quotes were obtained. DPR did not have any procedures governing small purchases. We concluded that DPR did not procure these items at the most optimal price.

Overall Small Purchases Conclusion

From our audit of small purchases of **\$15,000 and below**, we found possible artificial division of purchases, lack of open competition, possible preferential selection of vendors, and missing procurement documentation.

- **Possible artificial division of purchases to circumvent procurement regulations.** Evidence indicates that multiple purchases were artificially divided to pose as small purchases in an attempt to circumvent procurement regulations by not obtaining three telephonic or written quotations for amounts of below \$500 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 and/or publication.

⁷ **FY 2001-** Finding Nos. 2001-03, 2001-09, 2001-15, 2001-20, 2001-23, 2001-28, 2001-31, 2001-41, and 2001-56; **FY 2000-** Finding Nos. 2000-04 and 2000-10; and **FY 1999-** Finding Nos. 99-02 and 99-07.

- **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 **office supplies** - three vendors were issued purchase orders (POs) worth total \$1.1 million; **medical supplies**- two vendors were the primary recipients of approximately \$1.7 million worth of POs; and **copy machine equipment**- only one vendor was issued POs worth \$1.5 million.
- **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 purchase orders with amounts ranging from \$500 to \$15,000. On average, these 20 vendors received 61 POs and \$245,000 each in FY 2002.
- **Competition was avoided and only certain select vendors were issued multiple POs less than \$500, as well as less than \$15,000, to the same vendors.** 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. Department of Public Health and Social Services (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. The Guam Fire Department (GFD) issued 15 POs to a single vendor, each below \$500 and totaling \$4,700, to refill LP gas at various fire stations on October 1, 2001.
- **Inadequate procurement documentation.** Procurement actions are either inadequately documented or not noted at all in the procurement files, thus leading to questionable awarding procedures. There is currently no follow-up system by GSA to obtain or solicit a wider number of vendors to participate.
- **Lack of procurement planning.** 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. 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 few select vendors.

Specific Small Purchases Findings

2 GAR §3111(e) states that the CPO, the Director of DPW, or the head of a purchasing agency shall adopt operational procedures for making small purchases of less than \$500. As such, GSA procedures manual require purchases up to \$500 to obtain at least three telephonic or written price quotations.

For amounts between \$500 and \$15,000, 2 GAR §3111(c)(1) requires no less than three written quotations from businesses to be solicited. 5 GCA §5213 states procurement requirements shall not be artificially divided so as to constitute a small purchase.

Our audit results disclosed evidence of the following findings:

- Small purchases represent the largest percentage (94% and 96%) and value of POs (\$14.6 million and \$10.9 million) issued in FY 2002 and the nine months ending June 2003;
- Possible artificial division to circumvent procurement regulations;
- Lack of competition;
- Possible preferential selection of vendors; and
- Missing procurement documentation.

Finding 1: Small Purchases Represent the Largest Percentage and Value of Purchase Orders Issued

The majority of the POs issued in FY 2002 and nine months ending June 2003 were for small purchases (**Table 1**). Purchases below \$15,000 accounted for 94% (6,039 or \$14.6 million) out of 6,425 POs issued in FY 2002. For the nine months ending June 2003, the corresponding number was 96% (4,147 or \$11 million) out of 4,322 POs. Statistics also show that purchases are concentrated on amounts of \$5,000 or less (**Table 1**).

**Table 1: Comparison of Small Purchases to Total Purchases
FY 2002**

Purchase Amount Range	Total POs	% of POs	Total PO Amount	% of PO Amount
\$500 or less (Table 2)	2,174	34%	\$ 502,632.35	2%
\$500.01 to \$1,000	1,014	16%	766,580.22	3%
\$1,000.01 to \$5,000	2,018	31%	5,199,264.15	22%
\$5,000.01 to \$10,000	509	8%	3,780,242.66	16%
\$10,000.01 to \$14,000	175	3%	2,111,087.90	9%
\$14,000.01 to \$15,000	149	2%	2,209,624.41	9%
Small Purchases (\$500 - \$15K), Subtotal (Table 3)	3,865	60%	\$ 14,066,799.34	59%
Small Purchases, Total	6,039	94%	14,569,431.69	61%
Total POs Issued in FY2002	6,425	100%	\$ 23,656,595.26	100%

FY 2003 (ending June2003)

Purchase Amount Range	Total POs	% of POs	Total PO Amount	% of PO Amount
\$500 or less (Table 2)	1,457	34%	\$385,715.59	2%
\$500.01 to \$1,000	715	17%	562,738.32	2%
\$1,000.01 to \$5,000	1,338	31%	3,481,512.24	15%
\$5,000.01 to \$10,000	354	8%	2,694,234.16	11%
\$10,000.01 to \$14,000	138	3%	1,668,478.59	7%
\$14,000.01 to \$15,000	145	3%	2,155,998.59	9%
Small Purchases (\$500 - \$15K), Subtotal (Table 3)	2,690	62%	\$ 10,562,961.90	44%
Small Purchases, Total	4,147	96%	10,948,677.49	46%
Total POs Issued in FY 2003	4,322	100%	\$ 23,996,996.10	100%

List of Government Agencies Mostly Utilizing Small Purchases

\$500 or Less

We found that Department of Public Health and Social Services (DPHSS), DPW, and Department of Agriculture were the top issuers of purchases with amounts of \$500 or

less, both for FY 2002 and nine months ending June 2003 (**Table 2**). With less stringent requirements to obtain competition for purchases, we observed numerous quantities of POs issued under this category. As will be discussed in **Finding 2**, our findings provide evidence that would indicate agencies are utilizing this type of purchase to circumvent the procurement regulations by not soliciting at least three quotes.

**Table 2: Top 10 Issuers of POs valued at \$500 or less
FY 2002**

	Agency Name	Total POs	Vendor Count	Total PO Amount
1	DPHSS	614	172	\$ 131,128.11
2	DPW	365	82	76,045.43
3	Dept. of Agriculture	124	76	29,294.93
4	Governor's Office	70	56	24,878.20
5	DYA	97	61	24,265.72
6	GPD	90	63	23,606.37
7	DOA	88	58	19,283.02
8	Dept. of Mental Health	67	41	16,820.72
9	GEPA	61	39	15,674.33
10	DPR	72	43	15,373.58
	Top 10 Agencies	1,648		\$ 376,370.41
	22 Other Agencies	526		126,261.94
	Total 32 Agencies	2,174		\$ 502,632.35

FY 2003 (ending June 2003)

	Agency Name	Total POs	Vendor Count	Total PO Amount
1	DPHSS	396	129	\$ 94,579.44
2	DPW	208	62	49,967.42
3	Dept. of Agriculture	141	80	39,287.52
4	Governor's Office	101	66	24,105.90
5	DOA	69	52	24,621.49
6	DYA	54	42	18,433.04
7	Dept. of Rev. & Tax	45	25	9,764.70
8	DPR	44	31	12,121.19
9	DOC	43	29	10,265.79
10	Dept. of Labor	41	24	11,959.57
	Top 10 Agencies	1,142		\$ 295,106.06
	22 Other Agencies	315		90,609.53
	Total 32 Agencies	1,457		\$ 385,715.59

\$500 to \$15,000

The agencies primarily utilizing small purchase in FY 2002 and nine months ending June 2003 were DPHSS, DPW, DOC, GSA, GPD, and DOA. The majority of purchases by these agencies came from five vendors; the percentage to total purchases were calculated as low as 17% to as high as 65% in FY 2002 (**Table 3**). In the nine months ending June 2003, the percentage of the purchases from the top five agencies ranged from 21% to 46%. Our audit findings provide evidence that would indicate these agencies utilized particular vendors of their preference. Refer to **Appendix C** for the top five vendors of the top five agencies presented in **Table 3**.

**Table 3: Agencies Utilizing Small Purchases
FY 2002**

	Agency	Total Amount	Top Five Vendor Purchases	% Top Five Vendor to Agency
1	DPHSS	\$ 3,335,655.26	\$ 1,195,732.52	35.8%
2	DPW	2,459,145.29	827,072.42	33.6%
3	DOC	1,076,354.53	412,042.77	38.3%
4	GSA	931,957.73	601,110.30	64.5%
5	GPD	790,838.86	134,345.41	17.0%
	Top Five	\$ 8,593,951.67	\$ 3,170,303.42	36.9%
	Other 27 Agencies	5,472,847.67		
	Total 32 Agencies	\$ 14,066,799.34		

Nine months ending June 2003 (Appendix C)

	Agency	Total Amount	Top Five Vendor Purchases	% Top Five Vendor to Agency
1	DPHSS	\$ 2,474,386.78	\$ 827,816.18	33.5%
2	DPW	1,405,878.62	554,963.95	39.5%
3	DOC	1,088,403.81	443,652.16	40.8%
4	GSA	893,795.28	410,979.13	46.0%
5	DOA	727,377.09	154,806.41	21.3%
	Top Five	\$ 6,589,841.58	\$ 2,392,217.83	36.3%
	Other 27 Agencies	3,973,120.32		
	Total 32 Agencies	\$ 10,562,961.90		

Finding 2: Possible Artificial Division of Purchases to Circumvent Procurement Regulations

Multiple POs Issued in One Day

\$500 or less

In our analysis of the purchase order listing, we found multiple purchases below \$500 issued to the same vendor in one day. When the purchases were aggregated for the same vendor, the total amount was well above \$500, **which requires three written quotations**.

In FY 2002, there were 59 vendors that received two or more POs in one day. These vendors received between 2 to 15 POs, with total purchases per vendor of \$506 to \$4,700 in just one day. In 2003, we found the same trend where 39 vendors received between 2 to 10 POs, with purchase amounts ranging from \$509 to \$2,890, in one day.

We summarized multiple POs of \$500 or less by agency during our scope and found that DPHSS and DPW are the top two issuers of multiple POs in one day for both 2002 and 2003. Others are listed in **Table 4**.

**Table 4: Agencies Issuing Multiple POs in One Day to the Same Vendor
FY 2002**

	Agency	Total POs	Total PO Amount
1	DPHSS	157	\$ 39,973.52
2	DPW	56	15,635.26
3	GFD	26	7,272.00
4	Gov. Office	13	5,600.00
5	DYA	10	3,335.90

FY 2003

	Agency	Total POs	Total PO Amount
1	DPHSS	111	\$ 28,488.67
2	DPW	17	5,086.76
3	Rev. & Tax	14	2,756.00
4	Agriculture	10	2,890.49
5	DOA	6	2,040.84

Agency	Total POs	Total PO Amount
Top Five	262	\$ 71,816.68
Others	74	22,646.57
Total	336	\$ 94,463.25

Agency	Total POs	Total PO Amount
Top Five	158	\$ 41,262.76
Others	26	8,126.86
Total	184	\$ 49,389.62

The issuance of multiple POs to the same vendors without obtaining three quotes provides evidence that suggests the absence of fair and open competition. Specific examples are as follows.

- The Guam Fire Department (GFD) issued 15 POs aggregating \$4,700 on October 1, 2001 to vendor I0441001 to refill LP (liquid petroleum) gas at the various fire stations. LP gas is used in all GFD stations for cooking.

On the same day, GFD also issued 11 POs to another vendor P8131901 for a total of \$2,572 to refill medical oxygen. However, inquiries with vendor P813901 indicated that they do not refill medical oxygen; they only sell them.

GFD should have a general idea of how much LP gas and medical oxygen is needed and consumed annually; thus, it is more beneficial for GFD to issue invitations for bids for these purchases on an annual basis. By bidding, GFD would avoid being in violation of artificial division of procurement.⁸

- In another instance, DPHSS issued eight POs totaling \$2,471 on December 31, 2001 to purchase various office supplies from vendor M0711604. Office supplies are recurring needs, therefore, DPHSS should have an idea of how much office supplies it would need annually and should have issued blanket purchase agreements.
- We found other examples where multiple POs of \$500 or less were issued to vendors in one day (**Table 5**).

Table 5: Purchase of \$500 or Less- Multiple POs Issued in One Day To the Same Vendor FY 2002

	Date	Vendor	Agency	# of POs	Total	Description
1	10/1/2001	I0441001	GFD	15	\$ 4,700.00	Refill LP Gas
2	10/1/2001	P8131901	GFD	11	2,572.00	Refill MD oxygen
3	1/23/2002	J3756501	DPHSS	10	2,082.70	Medical Supplies
4	12/14/2001	J3756501	DPHSS	10	1,441.12	Medical Supplies
5	12/31/2001	M0711604	DPHSS	8	2,471.39	Office Supplies
6	3/1/2002	M0096987	DPHSS	7	1,804.95	Medical Supplies
7	12/14/2001	M0096987	DPHSS	7	1,417.63	Medical Supplies
8	6/11/2002	J3756501	DPHSS	6	1,007.09	Medical Supplies
9	9/4/2002	D0551201	DPW	6	1,847.34	Battery
10	6/11/2002	M0096987	DPHSS	6	744.60	Medical Supplies
		Top 10		86	\$ 20,088.82	
		49 Other Vendors		250	74,374.43	
		Total 59 Vendors		336	\$ 94,463.25	

⁸ 5 GCA §5213

FY 2003

	Date	Vendor	Agency	# of POs	Total	Description
1	3/12/2003	C9776004	Agriculture	10	\$ 2,890.49	Hunting boots, Forestry materials, shipping, handling
2	3/27/2003	P7465101	DRT	9	1,603.00	A/C Maintenance
3	2/24/2003	J3756501	DPHSS	8	1,695.31	Medical Supplies
4	2/24/2003	M0096987	DPHSS	6	876.59	Medical Supplies
5	1/15/2003	A0097566	DPHSS	5	887.39	Healthcare Subscription
6	2/20/2003	J3756501	DPHSS	5	820.76	Medical Supplies
7	3/11/2003	M0096987	DPHSS	5	848.20	Medical Supplies
8	4/18/2003	I4231001	DPW	5	801.30	Safety Equipment
9	12/18/2002	M0096987	DPHSS	4	576.65	Medical Supplies
10	12/4/2002	N2432201	DPHSS	4	875.00	Office Supplies
			Top 10	61	\$ 11,874.69	
			29 Other Vendors	123	37,514.93	
			Total 39 Vendors	184	\$ 49,389.62	

We found no indication that telephonic or written quotations were obtained from at least three vendors. Telephone quotations would apply to purchases of \$500 or less, however, these must still be documented in writing. There should have been at least three written notations of telephone quotes for purchases of the same nature on a given day. Although there is a multitude of vendors, it appears that the same vendors were consistently called upon to provide goods.

By issuing multiple POs less than \$500 each, evidence suggests that agencies may have deliberately circumvented the procurement regulations and violated 5 GCA §5213.

\$500 to \$15,000

For this category of purchases, we also found multiple POs issued to the same vendor in one day that, when added, exceed the \$15,000 threshold; therefore **competitive sealed bidding should have been used**. Furthermore, these multiple POs were utilized to purchase the same type of goods or services, thus providing the appearance of an artificial division of the purchases. When added together, these multiple POs in one day exceed \$15,000, suggesting the amounts were artificially divided so the purchases appeared as small purchases. Artificial division is in violation of 5 GCA §5213.

Discussions with the current CPO indicated that competitive sealed bids were utilized for several procurement items during the scope of our audit. Although we agree with the CPO's contention that several purchases were bid out, the total purchase amounts were above \$15,000, normally required to undergo competitive bid. Moreover, the POs discussed in this report comprise of purchase amounts of \$15,000 and below, or small purchases. The small purchases tested in this report were compared against the competitive sealed bid listings provided by GSA and **were not listed as items that went through competitive sealed bidding**.

We summarized the issuance of multiple POs exceeding \$15,000 when aggregated by agency and found that DPHSS, DPW, DOC, AHRD, DOA, and GSA are the primary

issuers of possible artificial division of POs. **Table 6** lists the top five issuers of multiple POs in one day during FY 2002 and nine months ending June 2003.

Table 6: List of Agencies Utilizing Possible Artificial Division of Purchases

FY 2002

	Agency Name	Total POs	Total Amount
1	DPHSS	149	\$ 846,007.61
2	DPW	62	491,593.22
3	GSA	92	406,070.74
4	DOC	26	275,678.76
5	AHRD	11	156,668.00
	Top 5 Agencies	340	\$ 2,176,018.33
	Other 12 Agencies	78	499,314.03
	Total	418	\$ 2,675,332.36

FY 2003

	Agency Name	Total POs	Total Amount
1	DPHSS	123	\$ 678,142.21
2	DOC	43	457,572.33
3	DPW	29	313,113.52
4	DOA	19	148,550.09
5	AHRD	13	136,391.81
	Top 5 Agencies	227	\$ 1,733,769.96
	Other 12 Agencies	46	395,451.39
	Total	273	\$ 2,129,221.35

The issuance of multiple POs to the same vendor for the same type of goods or services without obtaining three written quotes illustrates the absence of fair and open competition. The agencies listed in **Table 6** should have a general idea of how much medical, computer, and office supplies, as well as the lease of copier equipment are consumed and needed on an annual basis; however, competitive sealed bidding was not utilized and instead evidence suggests that the purchases may have been artificially divided to seem like small purchases. Through proper bidding, the agencies would avoid being in violation of 5 GCA §5213, artificial division of procurement, and would meet 2 GAR §3109(f) requirement of publicizing purchases above \$25,000. It is more beneficial to issue invitations for bids for the following purchases because of the agencies' ongoing requirements for the items being procured.

- On December 31, 2001, DPHSS issued 10 POs to vendor M3896504 for medical supplies, aggregating \$57,754. Then, on February 4, 2002, DPHSS issued 10 POs (\$41,186) to vendor M0096987 for the procurement of medical supplies.
- On October 1, 2001, GSA issued 19 POs to vendor N2432201 for the purchase of office supplies, totaling \$73,274. On January 30, 2002, GSA issued 11 POs (\$35,004) to the same vendor, as well as 19 POs (\$60,290) to vendor S1132201.
- On December 14, 2002, DOC issued four POs to vendor P3351001 for the procurement of grocery items, totaling \$44,997.
- On October 1, 2002, DPHSS issued 20 POs to vendor X0012204 for the lease of copier machines with total costs of \$123,436.
- On August 21, 2002, GPD issued two POs to vendor A4973004 for the procurement of video/camera equipment, totaling \$27,945. Then, on September 30, 2002, GPD issued an additional PO (\$12,980) to the same vendor.
- **Table 7** lists more examples of vendors issued multiple POs exceeding \$15,000 in one day during FY 2002 and nine months ending June 2003.

**Table 7: Purchase of \$500 to \$15,000- Instances of Multiple POs Issued in One Day to the Same Vendor
FY 2002**

	Date	Vendor	Agency	# of POs	Total	Description
1	10-1-2001	N2432201	GSA	19	\$ 73,274.05	Office Supplies
2	1-30-2002	S1132201	GSA	19	66,290.09	Office Supplies
3	2-13-2002	J2496701	DPW	5	59,600.00	Heavy Equip. Rental
4	12-31-2001	M3896504	DPHSS	10	57,754.29	Medical Supplies
5	8-30-2002	G7411501	DLM	10	56,966.00	Computer Equip. & Supplies
6	12-31-2001	D7271501	DPHSS	8	54,243.00	Computer Equip. & Supplies
7	12-17-2001	S1132201	GSA	11	51,570.62	Office Supplies
8	10-30-2001	X0012204	DPHSS	6	43,034.80	Copier Lease & Maintenance
9	8-28-2002	G1381601	AHRD	3	42,000.00	Skills Training
10	2-4-2002	M0096987	DPHSS	10	41,186.23	Medical Supplies
Top 10 Sub-Total				101	\$ 545,919.08	
Other 91 Instances				317	2,129,413.28	
Total 101 Instances				418	\$ 2,675,332.36	

FY 2003

	Date	Vendor	Agency	# of POs	Total	Description
1	10-1-2002	X0012204	DPHSS	20	\$ 123,436.40	Copier Lease & Maintenance
2	6-3-2003	P4676701	AHRD	9	92,184.70	Office Space Lease
3	12-14-2002	P3351001	DOC	3	44,997.00	Misc. Grocery Items
4	6-11-2003	M0096987	DPHSS	14	40,303.66	Medical Supplies
5	10-30-2002	F3665401	DPW	4	40,000.00	Heavy Equip. Rental
6	6-16-2003	P3351001	DOC	4	40,000.00	Misc. Grocery Items
7	10-1-2002	I0096229	DPHSS	4	37,828.80	Radio Communication Services
8	3-7-2003	M0096987	DPHSS	7	35,636.89	Medical Supplies
9	12-31-2002	H2191801	DPHSS	3	34,122.90	Office Furniture
10	1-21-2003	M0096987	DPHSS	7	33,397.94	
Top 10 Sub-Total				75	\$ 521,908.29	
Other 72 Instances				198	1,607,313.06	
Total 82 Instances				273	\$ 2,129,221.35	

Finding 3: Lack of Competition

\$500 or less

GSA personnel claim that all POs require at least three price quotations regardless of the amount. Out of 10 non-statistically selected POs of \$500 or less, we found three POs (Table 8), totaling \$1,035, where no one could explain why no other quotations were obtained.

Table 8: POs Found Without Abstracts & Only One Quotation Each

	PO #	Vendor #	Agency	Amount	Nature of Procurement
1	P036A00750	B4783001	DPHSS	\$ 488.70	Microprobe and Crimp Tools
2	P036A01061	B2376601	DPHSS	450.00	30 Wooden Stamps
3	P036A00450	R3961401	DISID	96.00	Communication Services
Total				\$ 1,034.70	

\$500 to \$15,000

We tested 23 POs, total value of \$183,218, under the small purchases category and found:

- There were three instances, total value of \$30,364, in our testing where the requisition and purchase order dates were either very close or the same date.

We also found no written or telephonic quotation documented in the files, which indicated competition was not obtained (**Table 9**).

Table 9: No Evidence of Competition

	PO #	Vendor #	Agency	Amount	Requisition Date	PO Date	Nature of Procurement
1	P026A01124	M0096987	DOC	\$ 14,468.38	12/31/01	1/2/02	Medical Supplies
2	P026A02981	M0096987	DPHSS	4,910.75	5/14/02	5/15/02	Medical Supplies
3	P036A00474	S7053501	DPHSS	10,985.00	11/27/2002	11/29/2002	Production of Hi-Risk Heterosexual Video
			TOTAL	\$ 30,364.13			

- We found at least 21 instances of amendments to increase the purchase order amounts. For instance, Department of Revenue and Taxation (DRT) to vendor G05567A1 issued P026A00201 for office space rental on November 5, 2001, which was for \$10,000. A second entry in AS400 was dated May 21, 2002 and was for the amount of \$14,600 to the same vendor. FY 2002 began in October 2001 and ended in September 2002, therefore, the amendment of \$14,600 occurred in the same fiscal year as the original entry of \$10,000 for this office rental. The May 2002 entry also indicated that it is a supplemental to the account number that was used in the November 2001 entry. By amending the purchase order, the total amount for this procurement was \$24,600, which is above the \$15,000 threshold for small purchases and just below the \$25,000 threshold that requires the procurement to be advertised. It appears DRT avoided utilizing a competitive sealed bid, which is a requirement for purchases over \$15,000.⁹ Further, DRT may have also attempted to circumvent the requirement for issuing a publication notice for procurements exceeding \$25,000.¹⁰

Finding 4: Possible Preferential Selection of Vendors

\$500 or Less

For FY 2002, statistics presented in **Table 10** show that majority of POs were issued to 25 vendors. These 25 vendors received a total of 949 POs (44% or \$217,943 value) out of 2,174. The remaining 1,225 POs (56% or \$284,690) were allocated to 441 vendors. This means that 25 vendors received an average of 38 POs, while the other vendors received an average of three POs.

We found the same trend during the nine-month period ending June 2003, whereby 25 vendors received a total of 622 POs, which represented 43% (or \$161,954) of the 1,457 POs for this category. The remaining 57%, representing 835 POs (or \$223,761), were allocated among 346 vendors. On average, the top 25 vendors receive 25 POs each, while the remaining 346 vendors each received only two POs (**Table 10**). Based on these statistics, it appears that government purchases are repetitively purchased from select few vendors.

⁹ 2 GAR §3108

¹⁰ 2 GAR §3109(f)

Table 10: Purchase Summary of \$500 or less

	Total POs	Avg. PO received	% POs received	Total Amount	% of Amount
FY 2002					
Top 10 vendors (Table 5)	576	58	26%	\$ 132,505.89	26%
Top 11 to 25	373	37	17%	85,436.70	17%
Subtotal 25	949	38	44%	217,942.59	43%
Remaining 441	1,225	3	56%	284,689.76	57%
Total 466 Vendors (Table 5)	2,174	5	100%	\$ 502,632.35	100%

9 mos. ending June 2003

Top 10 vendors (Table 5)	365	37	25%	\$ 96,499.96	25%
Top 11 to 25	257	17	18%	65,454.34	17%
Subtotal 25	622	25	43%	161,954.30	42%
Remaining 346	835	2	57%	223,761.29	58%
Total 371 Vendors (Table 5)	1,457	4	100%	\$ 385,715.59	100%

A detail listing of the top 10 vendors in **Table 10** and the associated procurement information are presented in **Appendix D**.

\$500 to \$15,000

A total of 3,865 POs (\$14 million) between \$500 and \$15,000 were issued to 757 vendors in FY 2002. We summarized the POs by vendor and found that only 20 vendors were awarded a collective amount of \$100,000 or more. These 20 vendors received an average of 61 POs at a cost of \$4,000 per purchase order. Again, for the nine months ending June 2003, more than \$3.6 million was awarded to the top 20 vendors. These vendors received an average of 38 POs at an average cost of \$4,778 per purchase order. Our analysis indicates that 75% of the vendors during the scope of our audit received an average of two POs each (**Table 11**).

Table 11: Summary of Small Purchases (By Vendor)

FY 2002

	Total POs	% of POs	Total Vendors	Avg. PO per Vendor	Total Amount	% of PO Amount
Top 20 Vendor Cumulative Purchase Above \$100K	1,215	31.4%	20	61	\$4,860,142.99	34.6%
Vendor 21 to 187 Cumulative Purchase \$15K to \$100K	1,615	42.0%	167	10	6,337,684.25	45.0%
Vendors 188 to 757 Cumulative Purchase below \$15K	1,035	27.0%	570	2	2,868,972.10	20.4%
Total 757 Vendors	3,865	100.0%	757	5	\$14,066,799.34	100.0%

FY 2003 (ending June2003)

	Total POs	% of POs	Total Vendors	Avg. PO per Vendor	Total Amount	% of PO Amount
Top 20 Vendor Cumulative Purchase Above \$100K	759	28.2%	20	38	\$ 3,626,593.92	34.3%
Vendor 21 to 154 Cumulative Purchase \$15K to \$100K	1,145	42.6%	134	9	4,780,891.60	45.3%
Vendors 155 to 611 Cumulative Purchase below \$15K	786	29.2%	457	2	2,155,476.38	20.4%
Total 611 Vendors	2,690	100.0%	611	4	\$ 10,562,961.90	100.0%

We observed that most of the vendors on the top 20 listing for FY 2002 and nine months ending June 2003 are also found on the top 25 vendors listing of the overall issuance of POs in **Appendix F**. This evidence may be an indication of preferential selection of vendors not only on the small purchases level, but also in the government-wide procurement level in general.

Specific Examples of Possible Preferential Selection of Vendors

Office Supplies Procurement

In FY 2002, there were three vendors that received the bulk of POs issued for office supplies: vendors N2432201, S1132201, and G0096682. These three vendors were issued over \$240,000 each (**Table 12**). For the nine months ending June 2003, the two major vendors that received most of POs issued for office supplies were vendors N2432201 and B0097236.

Table 12: Summary of Vendors Issued Office Supply Small Purchases FY 2002

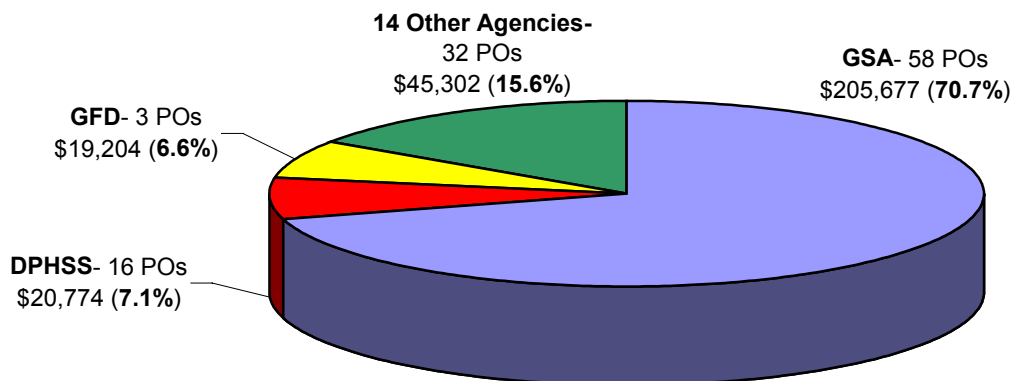
Vendor #	Total Agencies	Total Amount	Total POs
1N2432201	17	\$ 290,957.33	109
2S1132201	13	283,556.23	85
3G0096682	5	244,975.10	50
TOTAL		\$ 819,488.66	244

FY 2003

Vendor #	Total Agencies	Total Amount	Total POs
1N2432201	16	\$ 156,111.04	59
2B0097236	1	92,515.00	10
TOTAL		\$ 248,626.04	69

There are several vendors that offer office supplies, but government agencies chose to issue small purchases to the select few vendors listed in **Table 12**. For allocation of agency issuance of POs for office supplies to vendor N2432201 in FY 2002, see **Chart 1**.

Chart 1: FY 2002 POs Issued to vendor N2432201 for Office Supplies



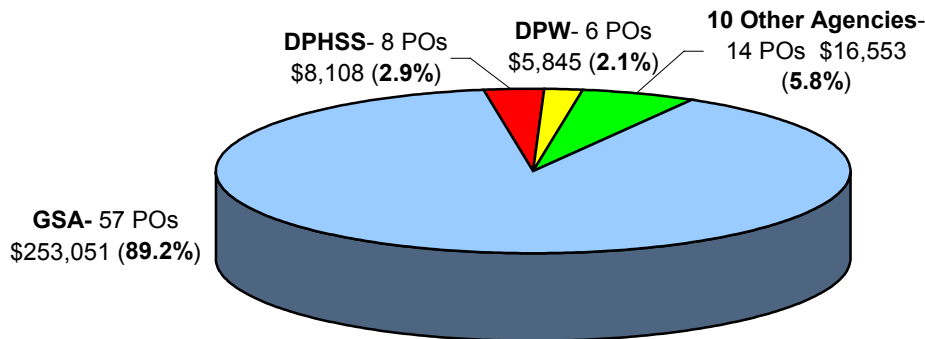
As can be seen, GSA issued the most POs to vendor N2432201, with DPHSS and GFD next in line. In addition, GSA and DPHSS were still the top two issuers of PO to vendor N2432201 in FY 2003 (**Table 13**).

Table 13: FY 2003 POs issued to vendor N2432201 for Office Supplies

Agencies	Total POs	Total Amount
1GSA	11	\$ 83,823.49
2DPHSS	12	15,174.15
3Customs & Quarantine	7	11,134.00
4DPW	7	8,000.00
5DOA	2	7,500.00
Top 5 Agencies	39	125,631.64
Other 11 Agencies	20	30,479.40
Total of 16 Agencies	59	156,111.04

Similarly, for vendor S1132201, GSA also issued the most POs totaling \$253,051 (**Chart 2**).

Chart 2: FY 2002 POs Issued to vendor S1132201 for Office Supplies



GSA issued all 10 POs to vendor B0097236 in FY 2003, amounting to \$92,515.

All GSA-issued office supply purchases were for the government store Tendan Gobetnu (Tenda), a division of GSA, and were for resale to other Government of Guam agencies. In August 2003, we issued OPA Report 03-07 Performance Audit on GSA's Tenda and recommended that the store be closed because of inefficiency and cost concerns.¹¹ Purchase of supplies can be negotiated directly by GSA utilizing BPA, without Tenda, because supplies are available at lower or similar prices from outside vendors.

Copier Machine Procurement

During the scope of our audit, vendor X0012204 was issued the most POs for the lease and maintenance of copier machines (**Appendix E**). In FY 2002, 31 agencies issued a total of 214 POs (\$794,601) to this vendor. In FY 2003, this vendor received a total of 146 POs (\$705,046) from 29 agencies. The top 5 agencies that issued small purchases to this vendor are listed in **Table 14** below. There are other vendors offering copier machine lease and maintenance, however, government agencies chose to issue small purchases to vendor X0012204. The aggregate amounts of \$794,601 (FY 2002) and

¹¹ OPA Report 03-07 can be viewed in its entirety at www.guamopa.org.

\$750,046 (FY 2003) provide evidence that may suggest a government-wide artificial division of the procurement and circumvention of the competitive sealed bid requirement. This finding will be discussed in more detail in an upcoming audit that will be issued later in this series of reports.

**Table 14: Top 5 Issuers of Small Purchases to vendor X0012204
FY 2002**

	Agency Name	Total POs	Total Amount
1	DPHSS	50	\$ 204,391.24
2	DPW	37	93,426.67
3	Dept. of Mental Health	5	40,434.74
4	Dept. of Rev. & Tax	6	30,462.53
5	GPD	8	29,116.90
	Top 5 Agencies	106	\$ 397,832.08
	Other 26 Agencies	108	396,769.01
	Total 31 Agencies	214	\$ 794,601.09

FY 2003

	Agency Name	Total POs	Total Amount
1	DPHSS	28	\$ 159,994.06
2	Dept. of Labor	17	48,788.69
3	DPR	10	20,611.78
4	Customs & Quarantine	7	28,024.37
5	Dept. of Mental Health	7	46,442.05
	Top 5 Agencies	69	\$ 303,860.95
	Other 24 Agencies	77	401,184.63
	Total 29 Agencies	146	\$ 705,045.58

Medical Supplies Procurement

Two vendors, vendors M0096987 and M3896504, were the primary recipients of the procurement of medical supplies during the scope of our audit (**Table 15**). In FY 2002, 168 POs (\$690,540) were issued to vendor M0096987 and 88 POs (\$297,799) to vendor M3896504 for the procurement of medical supplies. As of June 2003, the same vendors were again primarily issued small purchases for medical supplies: 105 POs (\$431,967) to vendor M0096987 and 62 POs (\$205,227) to vendor M3896504. Although there are several vendors that offer medical supplies, our analysis indicated that the same two vendors were consistently called upon to provide the merchandise.

**Table 15: Summary of Vendors Issued PO for Medical Supplies
FY 2002**

	Vendor #	Total Agencies	Total Amount	Total POs
1	M0096987	4	\$ 690,539.50	168
2	M3896504	2	297,799.45	88
	TOTAL		\$ 988,338.95	256

FY 2003

	Vendor #	Total Agencies	Total Amount	Total POs
1	M0096987	4	\$ 431,967.00	105
2	M3896504	2	205,226.63	62
	TOTAL		\$ 637,193.63	167

DPHSS issued the most purchases of medical supplies to both M0096987 and M3896504 during the 21-month period. Through years of experience, DPHSS should

have a general idea of the quantity and types of medical supplies that are needed on an annual basis, and therefore, should have used competitive sealed bids or blanket purchase agreements to procure such items to avoid artificial division of procurement and fulfill the 2 GAR §3109(f) requirement that purchases above \$25,000 must be advertised.

Finding 5: Missing Procurement Documentation

Title 5 of the Guam Code Annotated §§ 5249 and 5250 state that each procurement officer shall maintain a complete record of each procurement. Further, no procurement award shall be made unless the responsible procurement officer certifies in writing under penalty of perjury that he has maintained the record required by §5249 and that it is complete and available for public inspection.

Of the 23 tested POs (\$183,218) between \$500 and \$15,000, there were seven instances (30% of those tested), worth \$56,745 (31% of the value tested), where we found no written quotes from at least three vendors (**Table 16**). We found only one vendor quotation within each of the seven procurement files. We did not find any evidence that GSA verified why the non-responding vendors did not submit quotes. This lack of evidence may indicate possible selection of a favored vendor. Additionally, given the amounts being awarded, government resources would have been appropriately awarded had the procurement process undergone vendor competition.

Table 16: Small Purchases POs Lacking Evidence of Competition

	PO #	Agency	Vendor #	Amount	Nature of Procurement
1	P026A01124	DOC	M0096987	\$ 14,468.38	Medical Supplies
2	P026A01348	DOC	J0083376	12,900.00	PA Sound System Installation
3	P036A01033	DPHSS	M9271501	11,394.00	Computer Equip. /Supplies
4	P026A00377	GPD	C4116401	9,624.00	Refuse Removal/Tipping Fee
5	P026A02981	DPHSS	M0096987	4,910.75	Medical Supplies
6	P026A05747	DPHSS	D4411801	1,935.40	Furniture
7	P026A03337	DPHSS	M0096987	1,512.18	Medical Supplies
			TOTAL	\$ 56,744.71	

Our small purchases testing revealed that buyers generally do not document their selection of the winning vendor within the procurement file. Additionally, we did not see evidence that another person reviewed procurement files, ideally done by a supervisor, to verify that the buyer’s vendor selection was proper and that the government received the best price.

Recommendations

We recommend that GSA:

1. Cease the issuance of multiple POs to the same vendor in one day. Because GSA is the central purchasing entity for line agencies, they 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. Purchases should be publicized and competitively bid out. Small purchases should be limited to non-recurring items.
2. Obtain at least three written quotations and maintain complete procurement records. This can be achieved by providing regular staff training related to the Procurement Laws and Regulations.

Procurement Reform

In July 2003, the Acting Governor requested technical assistance from the Deputy Assistant Secretary of Insular Affairs of the U.S. Department of Interior to update, revamp, and simplify Government of Guam's procurement procedures, rules, and regulations; and to provide training in areas of procurement and contract management. The initial phase of this two-year assistance began in September 2003. See **Appendix G** for a copy of the letter.

On September 19, 2003, the Governor issued Executive Order 2003-27 for the reformation, modernization, and streamlining of the government's procurement process to guarantee efficient and cost-effective utilization of government resources. The Governor also called for the establishment of a Procurement Reform Steering Committee (PRSC) to determine how best to address these objectives:

- To make consistent and uniform procurement laws governing all agencies;
- To provide increased economy in procurement activities and to take advantage
- To the fullest degree the purchasing value of public funds;
- To promote effective, broad-based competition; and
- To obtain in a cost-effective and responsive approach supplies and services.

See **Appendix H** for the complete Executive Order.

Management Response

We provided a draft copy of our report to GSA for review and comment. GSA generally concurred with our findings with the exception of items listed below. A copy of GSA's management response can be found in **Appendix I**.

GSA asserts that some agencies competitively bid out for several procurement items. ***The purchase orders cited by the current CPO that underwent competitive sealed bidding refers to the purchases above \$15,000.*** However, the POs discussed in this report focused on small purchases, purchase amounts of \$15,000 and below. Indication of competitive sealed bidding for several purchases is properly reflected in our upcoming series of report focusing on competitive sealed bidding or purchases above \$15,000.

GSA also asserts that there was no preferential selection of vendors as indicated in Finding 4. We did not find any documentation in our testing that the buyers tried to contact the non-responding vendors nor the fact that the lack of vendor payments has caused vendors to refuse doing business with the Government of Guam to indicate proper competition; thus possible preferential selection of vendor remain.

Limitations of the Report

The period covered by our report was the 21-month period from October 1, 2001 through June 30, 2003. Our audit was conducted in accordance with the standards for performance audits contained in *Government Auditing Standards*, issued by the *Comptroller General of the United States of America*.

This report has been released to the Governor of Guam, the Speaker and members of the 27th Guam Legislature, the Director of Department of Administration, the CPO of General Services Agency, the Attorney General of Guam, the U.S. Department of Interior, and the U.S. Attorney for Guam. This report is a matter of public record and its distribution is not limited.

This report does not provide conclusions involving legal determinations.

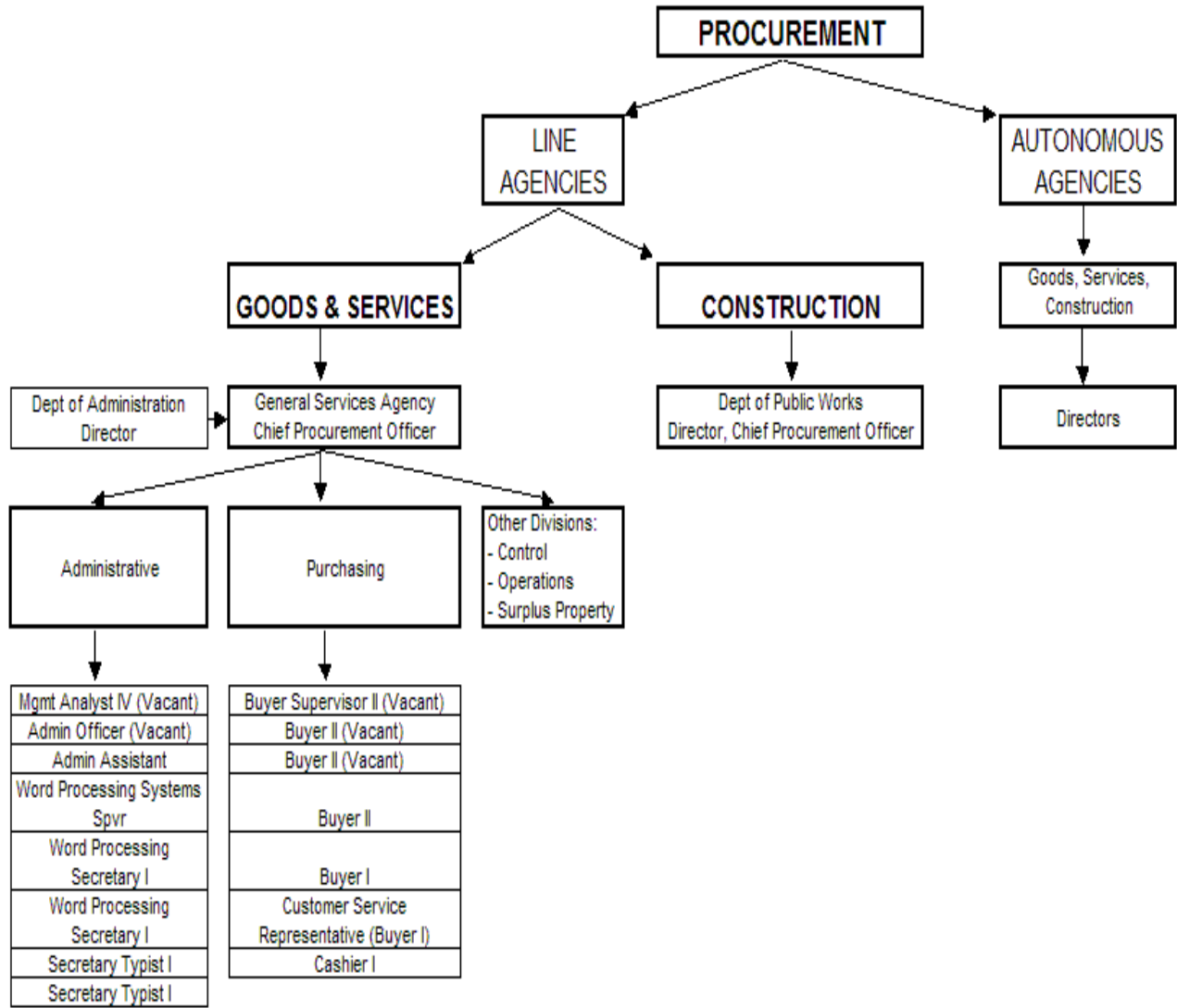
OFFICE OF THE PUBLIC AUDITOR



Doris Flores Brooks, CPA, CGFM
Public Auditor

Appendices

Appendix A: Procurement Function Organizational Chart



Note: This Organizational Chart is as of June 30, 2003.

Appendix B: Government of Guam Line Agencies

- 1 Agency for Human Resources Development (AHRD)
- 2 Bureau of Budget and Management Resource (BBMR)
- 3 Bureau of Statistics & Plan (Bureau of Planning)
- 4 Chamorro Land Trust Commission (CLTC)
- 5 Chief Medical Examiner
- 6 Civil Defense
- 7 Civil Service Commission (CSC)
- 8 Customs & Quarantine Agency
- 9 Department of Administration (DOA)
- 10 Department of Agriculture
- 11 Department of Chamorro Affairs
- 12 Department of Corrections (DOC)
- 13 Department of Education (DOE)
- 14 Department of Integrated Services for Individuals with Disabilities (DISID)
- 15 Department of Labor
- 16 Department of Land Management (DLM)
- 17 Department of Law (Office of the Attorney General/OAG)
- 18 Department of Mental Health & Substance Abuse (DMHSA)
- 19 Department of Military Affairs (Military Affairs)
- 20 Department of Parks & Recreation (DPR)
- 21 Department of Public Health & Social Services (DPHSS)
- 22 Department of Public Works (DPW)
- 23 Department of Rev. & Tax (DRT)
- 24 Department of Youth Affairs (DYA)
- 25 General Services Agency (GSA)
- 26 Guam Board of Accountancy
- 27 Guam Contractors' Licensing Board
- 28 Guam Council on the Arts & Humanities Agency (CAHA)
- 29 Guam Economic Development & Commerce Agency (GEDCA)
- 30 Guam Environmental Protection Agency (GEPA)
- 31 Guam Fire Department (GFD)
- 32 Guam Educational Telecom Corporation (KGTF)
- 33 Guam Election Commission
- 34 Guam Energy Office
- 35 Guam Police Department (GPD)
- 36 Guam Public Library
- 37 Guam Retirement Fund
- 38 Governor's Office
- 39 Professional Engineers, Architects, & Land Surveyors (PEALS) Board
- 40 Veteran's Affairs Office

Appendix C: Small Purchase - Purchase Summary of Top Five Agencies

FY 2002

	Agency	Vendor #	# of POs	Total Amount	Nature of Procurement
1	DPHSS	M0096987	154	\$ 537,768	Medical Supplies
		M3896504	82	286,629	Medical Supplies
		X0012204	50	204,391	Copier Lease/ Maintenance
		D7271501	14	88,379	Computer Supplies/Equip.
		M0097855	9	78,565	Medical Supplies
		Top Five Sub-Total	309	\$ 1,195,732	
		Other Vendors	716	2,139,923	
	TOTAL	1,025	\$ 3,335,655		
2	DPW	G0096682	46	\$ 231,475	Auto Parts/ Supplies
		J2496701	22	203,871	Heavy Equip. Rental
		M0721001	57	148,321	Auto Parts
		B4026001	13	134,309	Heavy Equip. Rental
		B0906004	11	109,097	Heavy Equip. Rental
		Top Five Sub-Total	149	\$ 827,073	
		Other Vendors	430	1,632,073	
	TOTAL	579	\$ 2,459,146		
3	DOC	M0096987	9	\$ 108,526	Medical Supplies
		P3351001	13	101,617	Misc. Food Items
		G2436001	6	89,400	Local Fish Products
		T0092514	5	63,700	Medical Supplies
		M0096588	4	48,800	Medical Supplies
		Top Five Sub-Total	37	\$ 412,043	
		Other Vendors	138	664,312	
	TOTAL	175	\$ 1,076,355		
4	GSA	S1132201	57	\$ 253,051	Office Supplies
		N2432201	58	205,677	Office Supplies
		A0083001	11	68,540	Hardware Supplies
		S1851001	8	38,413	Household Supplies
		M0096600	6	35,430	Household Supplies
		Top Five Sub-Total	140	\$ 601,111	
		Other Vendors	60	330,847	
	TOTAL	200	\$ 931,958		
5	GPD	A4973004	3	\$ 40,925	Video/Camera Equipment
		X0012204	8	29,117	Copier Lease/Maintenance
		D0341504	3	23,067	Computer Supplies/Equip.
		G7411501	3	22,948	Computer Supplies/Equip.
		B0097403	6	18,289	Video/Camera Equipment
		Top Five Sub-Total	23	\$ 134,346	
		Other Vendors	244	656,493	
	TOTAL	267	\$ 790,839		

FY 2003

	Agency	Vendor #	# of POs	Total Amount	Nature of Procurement
1	DPHSS	M0096987	84	\$ 279,185	Medical Supplies
		M3896504	61	204,191	Medical Supplies
		X0012204	28	159,994	Copier Lease/Maintenance
		H2191801	10	112,628	Office Furniture/ Refurbishment
		M0097855	13	71,819	Medical Supplies
		Top Five Sub-Total	196	\$ 827,817	
		Other Vendors	455	1,646,570	
	TOTAL	651	\$ 2,474,387		
2	DPW	F3665401	16	\$ 174,988	Heavy Equipment Rental
		J2496701	15	159,000	Heavy Equipment Rental
		B4026001	10	87,300	Heavy Equipment Rental
		B0906004	7	71,500	Heavy Equipment Rental
		T5745001	6	62,176	Heavy Equipment Rental
		Top Five Sub-Total	54	\$ 554,964	
		Other Vendors	268	850,915	
	TOTAL	322	\$ 1,405,879		
3	DOC	P3351001	17	189,993	Groceries
		M0096987	8	81,212	Medical Supplies
		O0481701	5	65,699	Groceries
		M0096588	6	59,799	Medical Supplies
		F0301701	5	46,949	Dairy Products
		Top Five Sub-Total	41	\$ 443,652	
		Other Vendors	121	644,752	
	TOTAL	162	\$ 1,088,404		
4	GSA	M0096600	11	\$ 97,868	Household Supplies
		B0097236	10	92,515	Office Supplies
		N2432201	11	83,823	Office Supplies
		A0083014	8	73,037	Hardware Supplies
		X0012204	6	63,736	Copier Lease/ Maintenance/Supplies
		Top Five Sub-Total	46	\$ 410,979	
		Other Vendors	53	482,816	
	TOTAL	99	\$ 893,795		
5	DOA	J2496701	4	\$ 34,000	Heavy Equipment Rental
		S9551301	4	33,340	Fuel
		F3665401	3	30,000	Heavy Equipment Rental
		I0096229	11	29,104	Communication
		A0096809	5	28,362	Computer Supplies/Equip.
		Top Five Sub-Total	27	\$ 154,806	
		Other Vendors	140	572,571	
	TOTAL	167	\$ 727,377		

Appendix D: Purchase of \$500 or Less - Top 10 Vendors

FY 2002

	Vendor #	# of Agencies	# of POs	Total Amount	Nature of Procurement
1	N2432201	22	109	\$ 26,409.20	Office supplies
2	X0012201	20	60	18,803.41	Copier lease, maintenance
3	S1132201	17	66	14,931.63	Medical supplies
4	M0096987	3	62	13,737.67	Office Supplies
5	J3756501	1	68	12,036.92	Medical supplies
6	D0551201	10	60	10,699.84	Auto parts, supplies
7	A0083001	16	49	10,591.21	Construction materials, office supplies
8	P0096538	17	37	8,792.41	Computer peripheral, supplies
9	M0721001	5	38	8,760.09	Auto parts, mower, forklift, repairs
10	M9271501	13	27	7,743.51	Business equipment, supplies, service
	Top 10		576	\$ 132,505.89	
	456 Vendors		1,598	370,126.46	
	466 TOTAL		2,174	\$ 502,623.35	

FY 2003 (Nine months ending June 2003)

	Vendor #	# of Agencies	# of POs	Total Amount	Nature of Procurement
1	N2432201	17	51	\$ 13,896.59	Office Supplies
2	X0012201	14	44	12,849.14	Copier lease & maintenance
3	A0083001	12	36	11,741.35	Hardware Supplies
4	B0289901	12	29	9,928.73	Construction/Hardware Materials and Supplies
5	M0096987	2	48	9,074.25	Medical Supplies
6	S1132201	16	35	8,885.26	Supplies
7	P0096538	11	27	8,213.94	Computer Supplies/ Equip.
8	J3756501	1	47	8,068.17	Medical Supplies
9	I0096229	11	21	7,385.56	Radio Airtime/ Service
10	S0097692	11	27	6,456.97	Computer Supplies
	Top 10		365	\$ 96,499.96	
	361 Vendors		1,092	289,215.63	
	371 TOTAL		1,457	\$ 385,715.59	

Appendix E: Small Purchase - Top 20 Vendors

FY 2002

	Vendor #	# of POs	% of POs	PO Amount	% of Amount	Nature of Procurement
1	X0012204	214	5.5%	\$ 794,601.09	5.6%	Copier Lease/Maintenance
2	M0096987	168	4.3%	690,539.50	4.9%	Medical Supplies
3	M3896504	88	2.3%	297,799.45	2.1%	Medical Supplies
4	N2432201	109	2.8%	290,957.33	2.1%	Office Supplies
5	S1132201	85	2.2%	283,556.23	2.0%	Office Supplies
6	G0096682	50	1.3%	244,975.10	1.7%	Office Supplies
7	J2496701	28	0.7%	234,695.56	1.7%	Heavy Equipment Rental
8	P0096538	73	1.9%	212,635.68	1.5%	Computer Supplies/Equip.
9	M0721001	75	1.9%	205,507.62	1.5%	Auto Parts
10	G7411501	36	0.9%	197,383.80	1.4%	Computer Supplies/Equip.
11	B4026001	19	0.5%	175,979.52	1.3%	Heavy Equipment Rental
12	A0083001	51	1.3%	158,034.05	1.1%	Hardware Supplies
13	F3665401	17	0.4%	154,678.54	1.1%	Heavy Equipment Rental
14	G1381601	14	0.4%	149,270.00	1.1%	Training
15	S0097692	60	1.6%	148,976.00	1.1%	Computer Supplies/Equip.
16	B0906004	16	0.4%	141,083.66	1.0%	Heavy Equipment Rental
17	I3076001	23	0.6%	123,736.00	0.9%	Computer Supplies/Equip.
18	D7271501	25	0.6%	121,620.00	0.9%	Computer Supplies/Equip.
19	M9271501	42	1.1%	120,079.93	0.9%	Computer Supplies/Equip.
20	P3351001	22	0.6%	114,033.93	0.8%	Misc. Groceries
Top 20 Vendors		1,215	31.4%	\$ 4,860,142.99	34.6%	
Remaining 737 Vendors		2,650	68.6%	9,206,656.35	65.4%	
Total 757 Vendors		3,865	100.0%	\$ 14,066,799.34	100.0%	

FY 2003 (ending June 2003)

	Vendor #	# of POs	% of POs	Sum of Amount	% of Amount	Nature of Procurement
1	X0012204	146	5.4%	\$ 705,045.58	6.7%	Copier Lease/Maintenance
2	M0096987	105	3.9%	431,967.00	4.1%	Medical Supplies
3	F3665401	20	0.7%	206,723.78	2.0%	Heavy Equip. Rental
4	M3896504	62	2.3%	205,226.63	1.9%	Medical Supplies
5	P3351001	23	0.9%	200,416.97	1.9%	Misc. Grocery Items
6	J2496701	19	0.7%	193,000.00	1.8%	Heavy Equip. Rental
7	I0096229	54	2.0%	169,948.10	1.6%	Communication Services
8	P0096538	57	2.1%	160,651.95	1.5%	Computer Supplies/Equip.
9	N2432201	59	2.2%	156,111.04	1.5%	Office Supplies
10	A0083014	49	1.8%	138,555.03	1.3%	Hardware Supplies
11	B4026001	14	0.5%	124,797.50	1.2%	Heavy Equip. Rental
12	P4676701	12	0.4%	118,156.62	1.1%	Office Lease
13	H2191801	10	0.4%	112,627.90	1.1%	Office Furniture
14	M0096600	13	0.5%	109,117.64	1.0%	Cleaning Supplies
15	B0906004	13	0.5%	108,251.00	1.0%	Heavy Equip. Rental
16	I3076001	18	0.7%	107,601.00	1.0%	Computer Supplies/Equip.
17	S0097692	35	1.3%	101,106.87	1.0%	Computer Supplies/Equip.
18	P0066601	22	0.8%	94,798.14	0.9%	Advertising
19	B0097236	10	0.4%	92,515.00	0.9%	Office Supplies
20	T5745001	18	0.7%	89,976.17	0.9%	Lease Vehicles
Top 20		759	28.2%	\$ 3,626,593.92	34.3%	
Remaining 591 Vendors		1,931	71.8%	6,936,367.98	65.7%	
Total 611 Vendors		2,690	100.0%	\$ 10,562,961.90	100.0%	

Appendix F: Top 25 Vendors for Overall Purchase Order Issuance

Note: The tables in this Appendix include all purchase order issuance during the scope of our audit, including the different procurement methods (Small Purchases, Blanket Purchase Agreement, Emergency, Sole Source, and Competitive Sealed Bidding).

FY 2002

	Vendor #	Total POs	Total Amount	Nature of Procurement
1	P3351001	45	\$ 1,550,036.43	Misc. Food Items
2	X0012201	298	1,468,310.15	Copier Lease/ Maintenance
3	S0097594	2	1,380,350.63	Fuel / Oil
4	H0303201	11	794,065.50	Heavy Equip. Rental
5	M0096987	240	707,324.39	Medical Supplies
6	T8766001	25	543,303.81	Vehicle Purchase/ Auto Parts
7	J2496701	36	408,145.56	Heavy Equip. Rental
8	F3665401	24	353,416.96	Heavy Equip. Rental
9	M1371001	102	347,056.65	Medical Supplies
10	N2432201	224	338,931.23	Supplies
11	S1132201	155	319,394.43	Supplies
12	B4026001	27	312,011.02	Heavy Equip. Rental
13	G0097192	43	288,060.95	Computer Supplies/ Equip.
14	G0096682	66	249,262.68	Auto Parts
15	O0481701	12	231,854.40	Grocery/ Misc. Food Items
16	S0097692	86	230,152.50	Computer Supplies/ Equip.
17	J2976001	18	223,596.51	Heavy Equip. Rental
18	P0096538	116	223,300.69	Computer Supplies/ Equip.
19	M0721001	116	215,219.53	Auto Parts
20	T2626701	27	208,174.00	Pumping/ Cleaning Services
21	A0083001	104	189,543.81	Hardware Supplies
22	I0096229	43	185,140.08	Radio Airtime/ Service
23	S9551301	17	181,918.88	Fuel / Oil
24	B0906001	19	181,423.66	Heavy Equip. Rental
25	M0097855	12	177,946.83	Health Software/ Training
	Top 25 Sub-Total	1,868	\$ 11,307,941.28	
	Other Vendors	4,557	12,348,653.98	
	TOTAL	6,425	\$ 23,656,595.26	

FY 2003

	Vendor #	Total POs	Sum of Amount	Nature of Procurement
1	M0463501	9	\$ 2,055,944.60	Heavy Equip. Rental
2	P0103501	10	1,792,754.82	Heavy Equip. Rental
3	X0012204	208	1,586,916.08	Copier Lease/ Maintenance
4	P3351001	31	945,416.97	Misc. Food Items
5	F0096157	2	903,000.00	Charter Bus Service
6	S0097929	1	694,591.43	Specialized Equip.
7	M0096987	155	503,864.05	Medical Supplies
8	S9551301	16	475,119.92	Fuel / Oil
9	D0096803	1	316,800.00	Office Space Lease
10	J2496701	23	286,600.00	Heavy Equip. Rental
11	F0096287	12	286,048.00	Office Space Lease
12	A0666601	53	278,104.72	Copy/ Printing Services
13	K1571701	3	268,875.00	Lease Office Space
14	I0096229	77	243,604.38	Radio Service/ Airtime
15	S1851001	11	242,767.90	Misc. Supplies/ Materials
16	M0721001	43	241,367.53	Auto Parts
17	T0602201	1	240,360.91	Respiratory Protection
18	S0097594	6	233,798.00	Fuel / Oil
19	M0096600	15	228,361.64	Supplies / Paper Products
20	M3896504	71	228,347.54	Medical Supplies
21	F3665401	21	226,723.78	Heavy Equip. Rental
22	B4026001	18	201,837.50	Heavy Equip. Rental
23	N2432201	110	170,007.63	Supplies
24	P0096538	84	168,865.89	Computer Supplies/Equip.
25	A1109901	30	164,418.04	Vehicle Lease/Purchase
	Top 25 Sub-Total	1,011	\$ 12,984,496.33	
	Other Vendors	3,311	11,012,499.77	
	TOTAL	4,322	\$ 23,996,996.10	

Appendix G: July 2003 Letter from Office of the Lieutenant Governor



Office of the Governor of Guam

Adelup, Guam 96932

TEL: (671) 472-8931 • FAX: (671) 477-4826 • EMAIL: gov@guam.gu

Felix Perez Camacho
Governor

Kaleo Scott Moylan
Lieutenant Governor

11 JUL 2003

7/29/03 1:30 PM
Received by Office of the
Public Auditor

The Honorable David B. Cohen
Deputy Assistant Secretary for Insular Affairs
U. S. Department of the Interior
1849 C Street, NW
Washington, D. C. 20240

Dear Secretary Cohen:

Since taking office in January, Governor Felix P. Camacho and I have been working closely with the USDA Graduate School, specifically Mr. Stephen Latimer of the Pacific Islands Training Initiative, to provide training in the areas of procurement and contract management, as well as conducting a full assessment of current procurement practices of the Government of Guam. USDA's assistance in this matter has been invaluable and has shed light on ways in which we can improve our current process.

GovGuam's current procurement regulations date back to 1984. The process limits the government to making firm-fixed-price contract awards to the low bidder only. We do not have the ability to negotiate contracts on a best-value basis, based on technical merit, past performance and price, as the federal government operates. This limits GovGuam procurement personnel in their ability to arrange the most advantageous procurement to benefit their respective agency.

The bottom line is that the Government of Guam needs to update and revamp the manner in which it procures services and goods. Thus, I respectfully request that the Department of Interior's provide technical assistance via USDA Graduate School and Mr. Latimer. Specifically, we request that USDA provide training and technical assistance in developing new procurement rules and regulations mirroring the federal standards best value basis. The objective is to develop a modern system that eliminates duplication and fragmentation in the procurement process. We recognize that this would require a long-term commitment of technical assistance over at least two years. We would like to have a person of the caliber of Mr. Ralph Capio who has already provided me with his preliminary survey of Guam's procurement problems. We envision Mr. Capio or someone like him coming to Guam for four-to-six weeks at a time every three to four months to help us formulate this new procurement structure. Our Public Auditor, Doris Flores Brooks, has noted in many financial and performance audits that procurement deficiencies make clear that the procurement process must be reformed. She is of the opinion that Mr. Capio could be of significant assistance to GovGuam in fashioning the necessary changes.

Resd CFO 7/29/03

Should your good office have any specific questions or concerns regarding this matter, please feel free to contact Ms. Lou Perez, Director of the Department of Administration or Mrs. Brooks. I trust you will give this request all due consideration and act favorably. USDA's expertise will aid our administration in our ongoing efforts to streamline GovGuam and maximize our limited financial resources. As always, your assistance is greatly appreciated.

Sincerely,



Kaleo S. Moylan
I Maga'lahaen Guahan, Acto
Acting Governor of Guam

cc: Lou Perez, Department of Administration
Doris Brooks, Public Auditor
Stephen Latimer, USDA Graduate School, PITI

Appendix H: Executive Order No. 2003-27



OFFICE OF THE GOVERNOR
HAGATNA, GUAM 96910
U.S.A.

EXECUTIVE ORDER NO. 2003-27

RELATIVE TO PROCUREMENT REFORM

WHEREAS, the reformation, modernization and streamlining of the public procurement process is a vital and immediate objective of my Administration; and

WHEREAS, it is the purpose of my Administration to establish a public procurement process that systematically identifies the supplies, services and construction needs of the Island of Guam, solicits and evaluates offers fairly, and awards contracts without favoritism; and

WHEREAS, the government-wide infrastructure implementing the public procurement process should optimally organize agency resources for this purpose, establish and maintain reasonable levels of responsibility and accountability, and efficiently manage and safeguard the fiscal assets of the Island of Guam, from whatever source received.

NOW, THEREFORE, I, FELIX P. CAMACHO, *I Maga'lahaen Guåhan*, Governor of Guam, by virtue of the authority vested in me by the Organic Act of Guam, as amended, and the laws of Guam, do order as follows:

1. There is established a Procurement Reform Steering Committee (the "PRSC") to determine how to best address, inter alia, these objectives:

- (a) to simplify, clarify, and modernize the laws and regulations of Guam governing the procurement of supplies, services and construction;
- (b) to make consistent and uniform the procurement laws and regulations governing all agencies of this government;
- (c) to provide for increased public confidence in the procurement process followed by this government;
- (d) to provide increased economy in procurement activities and to maximize to the fullest extent the purchasing value of public funds;
- (e) to foster effective, broad-based competition within the free enterprise system, yet caring for legitimate emergency situations;
- (f) to provide safeguards for the maintenance of a procurement system of quality and integrity;
- (g) to obtain in a cost-effective and responsive manner the supplies, services and construction required by this government's agencies in order for those agencies to better serve the citizens of Guam; and
- (h) to propose any legislative and regulatory reform necessary to accomplish the objectives stated hereinabove.

2. The PRSC shall be chaired by the Lieutenant Governor, and shall be available at his call. It shall have as members the Director of Administration, the Director of Public

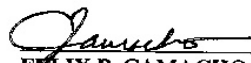


Works, the Director of the Bureau of Budget and Management Research, the Attorney General and the Public Auditor. Membership is on a principals-only basis, and may be expanded to include other members, from time-to-time, within the discretion of the Chairman.

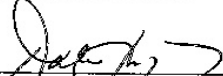
3. Periodic reports of progress and/or recommendations shall be made by the PRSC to me.

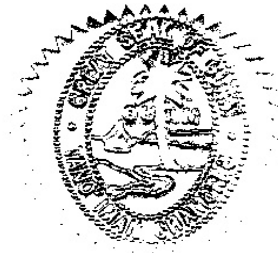
4. This appointment shall be for two years, unless either sooner rescinded or extended by me.

SIGNED AND PROMULGATED at Hagåtña, Guam this 19th day of September 2003.


FELIX P. CAMACHO
I Maga'lahaen Guåhan
Governor of Guam

COUNTERSIGNED:


KÁLEO S. MOYLAN
I Segundu Maga'lahaen Guåhan
Lieutenant Governor of Guam



Appendix I: Management Response

Felix P. Camacho
Governor

Lourdes M. Perez
Director



GENERAL SERVICES AGENCY

(Ahensian Setbision Hinirat)
Department of Administration
Government of Guam
148 Route 1 Marine Drive, Piti, Guam 96915
Tel: 477-8836-8 • Fax Nos.: 472-4217/4207

Kaleo S. Moylan
Lt. Governor

Joseph C. Manibusan
Deputy Director

March 18, 2004

Received by Office of the
Public Auditor

3/26/04
4:30 PM

Ms. Doris Flores Brooks, CPA, CGFM
Public Auditor
Suite 401, Pacific Daily New Building
238 Archbishop Flores Street
Hagatna, Guam 96910

Dear Ms. Brooks:

Hafa Adai! This is our response to your draft copy of proposed OPA Report No. 04-04 General Services Agency, Performance Audit on Small Purchase Function, covering the 21 month period from October 01, 2001 to June 30, 2003. The following is the response to the audit findings:

Finding 1:

Small Purchases Represent the Largest Percentage and Value of Purchase Orders Issued.

Response:

I concur with some of the findings in which three vendor quotes were not solicited on request less than \$500.

However, I disagree with the comment stated wherein agencies utilized particular vendors of their preference. On table 3 FY 2002 out of the top five (5) departments it is evident that General Services Agency issued invitation for bids for at least three (3) departments noted.

Action Taken:

Corrective action has been in effect since November 2003 wherein procurement files are documented as follow:

- a. Preparation of abstract to document that competition was made through telephonic quotation.

COMMITTED TO EXCELLENCE

Finding 2:
Artificial division of Purchases to Circumvent Procurement Regulations

Multiple Purchase Orders Issued in One Day \$500 or less

Response:

Based on **Appendix C: Small Purchase Summary Top Five Agencies.**

FY 2002

1. DPHSS – Of the five (5) vendors one vendor (#X0012204): Copier Lease/Maintenance was processed through a competitive sealed bid (GSA-035-95) awarded under existing contract.
2. DPW – Of the five (5) vendors three (3) were awarded through a competitive sealed bid (GSA-033-01) vendor numbers: #J2496701, #B4026001 and #B0906004.
3. DOC – Of the five (5) vendors one (1) vendor was processed through competitive sealed bid (GSA-040-01) namely: #P3351001 and one (1) #G2436001 was awarded under 5GCA Subsection 5001(e) local fisheries.
4. GSA – Of the five (5) vendors all were awarded through the competitive sealed bid namely: #S1132201 and #N2432201 (GSA-005-02). #A0083001 was awarded under Invitation for Bid No. GSA-001-02; #S1851001. and #M0096600 was awarded under Invitation for Bid No. GSA-006-02.
5. GPD – Of the five (5) vendors #X0012204 was awarded under an existing lease contract that was processed through a competitive sealed bid, GSA-035-95.

FY 2003

1. DPHSS – Of the five (5) vendors one (1) #X0012204: Copier Lease/Maintenance was awarded under an existing contract that was processed through competitive sealed bid, GSA-035-95.
2. DPW – Of the five (5) vendors all were awarded through competitive sealed bid GSA-033-01.
3. DOC – Of the five (5) vendors three (3) were awarded through competitive sealed bid namely: #P3351001 (GSA/002-004/03), #O0481701 (GSA-040-01) and #F0301701 (GSA-016-03).

Page 3 of 5
Audit Response
FY 2002/2003
March 18, 2004

4. GSA – Of the five (5) vendors all five were processed through competitive sealed bid namely: #M0096600 (GSA-007-03), #B0097236 (GSA-012-03), #N2432201 (GSA-005-02), #A0083014 (GSA-001-02) and #X0012204 (GSA-008-03).
5. DOA – Of the five (5) vendors three (3) were processed through competitive sealed bid namely: #J2496701, #F3665401 (GSA-033-01) and #S9551301 (GSA-022-00). One (1) vendor namely #0096229 was processed through sole source procurement.

I concur with the finding 2 that some of the files fail to indicate competition, however I disagree on the statement of artificial division.

Again, on Table 6 & 7 the General Services Agency did issue invitation for bids for certain requirements noted on this audit findings for both FY 2002 and 2003. (DPW, GSA, DOC)

Finding 3:
Lack of Competition

Response:

I concur with audit findings.

Action Taken:

Corrective action has been in effect since November 2003 wherein procurement files are documented such as completing an abstract form showing competition was made through telephonic quotations.

Finding 4:
Preferential Selection of Vendors

Response:

I concur with the audit findings due to the lack of documentation within the procurement files, however due to the lack of vendor payments it has caused a lot of vendors to refuse government of Guam purchase orders which leaves the buyers to solicit to only the certain few that will continue to accept government purchase orders.

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As per table 13 FY 2002 and 2003 for vendor #N2432201, #S1132201 and #B0097236 an invitation for bid was properly executed. Therefore, competition was afforded through a competitive sealed bid.

Action Taken:

Corrective action has been in effect since November 2003 wherein procurement files are properly documented and required notations made on the abstract form.

Finding 5:
Missing Procurement Documentation

Response:

I concur with the audit findings however most of the procurement files does have a certification written on the abstract form stating: "I certify that the statements of informal quotation is true and correct and prices charged are just, fair, and reasonable, and the best obtainable for the described below."

Action Taken:

Corrective action has been in effect since November 2003 wherein procurement files are properly documented and required notations are indicated on the abstract form.

Management Response

The response to the recommendation by the OPA for GSA to cease the issuance of multiple purchase orders on the same day to the same vendor is impossible. The reason is that GSA provides services to all line agencies.

The General Services Agency (GSA) is currently working with the line agencies/department to establish a General Services Agency Local Catalog for the entire Government of Guam.

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In doing so, GSA is requesting the line agencies/departments to submit files of all open purchase orders issued in FY 2003. This process is needed to assist GSA in ensuring that the needs of the various agencies/departments are met.

On February 09, 2004 GSA issued Circular No. 2004-05 for better control of the utilization of the open purchase orders. Forms were implemented for easier auditing purposes and to ensure controls are in order by requiring at a minimum the approval of the section supervisor to approve any transaction made against this type of procurement.

Please note on page 28 and 29 of the audit findings that of the 25 vendors listed 15 items were processed through competitive sealed bid. The vendor numbers are: M0463501, P0103501, P3351001, S9551301, D0096803, J2496701, F0096287, K1571701, S1851001, S0097594, M0096600, F3665401, B4026001, X0012204 and All09901.

Of the 25 vendors, vendor #F0096157 was processed through an emergency procurement.

GSA will continue to improve processes within the procurement activities for the government.

Sincerely,


CLAUDIA S. ACFALLE
Chief Procurement Officer