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The Honorable Gilbert Gude  
House of Representatives

Dear Mr. Gude:

This letter is in response to your September 24, 1973, request and subsequent discussions with your staff that we investigate charges made by the Professional Carpet Service, Washington, D.C., against the headquarters offices of three Federal agencies. The agencies were the Interstate Commerce Commission, the Department of Commerce, and the Veterans Administration. Professional Carpet Service alleged that, during the period they held the General Services Administration (GSA) Federal Supply Schedule contract for carpet installation services, these agencies failed to follow established procurement and contract administration procedures.

As agreed with your office, we concentrated our efforts on two important areas. These were (1) whether these agencies violated Federal procurement regulations by placing orders with firms other than Professional Carpet Service at the time these firms were not under GSA contract and (2) whether these agencies violated the GSA contract when placing orders with Professional Carpet Service.

The Federal Property and Administrative Services Act of 1949 authorized GSA to contract for services from private firms and to issue regulations requiring Federal agencies in geographical areas covered by the contracts to purchase needed contracted services from the firms under GSA contract. GSA issued Federal procurement regulations making GSA contracts mandatory on executive agencies with certain exceptions. GSA contracts need not be used if (1) an agency determines that there is an urgent requirement where delivery dates of ordering activities are shorter than the delivery times specified in the contracts, (2) a public urgency is declared, (3) the contractor is declared in default, or (4) GSA grants the agency a waiver from the contract.

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On April 17, 1972, GSA region III awarded a contract to the Professional Carpet Service for installing hardback carpeting in the District of Columbia and Prince Georges and Montgomery counties, Maryland, from June 1, 1972, through May 31, 1973, at a specified price. The contract provided that the Federal agencies were to use Professional Carpet Service as a mandatory source unless the total cost of the service required was less than \$25. A supplemental contract, effective February 28, 1973, was also awarded to the Professional Carpet Service for installing rubber-back carpeting. It contained the same provisions as the contract for hardback carpeting and also expired on May 31, 1973.

We examined the three agencies' purchase orders placed during the period when the Professional Carpet Service was under contract. We also held discussions with the agencies' officials and GSA officials.

Our review at each of these agencies disclosed the following.

#### Interstate Commerce Commission

Between June 1, 1972, and May 31, 1973, the Commission headquarters office placed no orders for installing rubber-back carpeting and nine orders totaling \$4,181 for installing hardback carpeting. All of these orders were awarded to Professional Carpet Service and were placed in accordance with the GSA contract terms.

We found no indications that the Commission violated the Federal procurement regulations or the GSA contract in its procurement of carpet-installation services during the time Professional Carpet Service held the contract.

#### Department of Commerce

Between June 1, 1972, and May 31, 1973, the Commerce headquarters office placed 49 orders totaling \$13,813 for carpet-installation services.

Twenty of these orders (2 for hardback carpeting and 18 for rubber-back carpeting) totaling \$4,448 were awarded to

the Professional Carpet Service and were placed in accordance with the GSA contract. We found that the remaining 29 orders totaling \$9,365 were placed with an open-market contractor for installing rubber-back carpeting, but that all of these orders were placed prior to February 28, 1973, the date that the GSA supplemental contract was awarded to Professional Carpet Service.

We found no indications that Commerce had violated the Federal procurement regulations or the GSA contract in its procurement of carpet-installation services during the time the Professional Carpet Service held the contracts.

#### Veterans Administration

Between June 1, 1972, and May 31, 1973, the Veterans Administration (VA) headquarters office placed 72 orders totaling \$14,711 for installing hardback carpeting and no orders for installing rubber-back carpeting. Eight of the hardback installation orders totaling \$1,473 were placed with Professional Carpet Service and were made in accordance with the GSA contract. The remaining 64 orders totaling \$13,238 were not awarded to Professional Carpet Service, but were placed with an open-market contractor not under GSA contract. In each of those instances, the VA did not document that (1) there was an urgent requirement where delivery dates were shorter than the delivery time specified in the contract, (2) a public urgency existed, or (3) that Professional Carpet Service was in default. Neither did the VA receive a waiver from the contract through GSA. VA paid \$3,174 (31 percent) more for the 64 orders placed on the open market than it would have paid had it purchased the services under the GSA contract with Professional Carpet Service.

We discussed the foregoing with VA procurement officials who said they had not placed the orders with Professional Carpet Services because of its unsatisfactory workmanship under prior orders. The officials claimed the poor workmanship required callbacks to Professional Carpet Service for rework and disrupted those VA employees whose working space was being carpeted. VA did not, however, document the callbacks or maintain any records of the work disruptions. VA

officials agreed that in the future they would follow the regulations by either using GSA mandatory-source contractors or properly documenting the reasons prescribed by the Federal procurement regulations for not using the mandatory source.

General Services Administration

We contacted GSA to determine its role in insuring agency compliance with Federal Supply Schedule contracts. GSA officials told us that they have no formal procedures to insure agency compliance with Federal Supply Schedule contracts and therefore are not aware of any violations unless they are pointed out by a GSA contractor or are noted during one of GSA's procurement visits to agencies. When violations are noted, they write to the agency head pointing out that the mandatory sources under GSA contract should be used.

Our office is presently engaged in a broad-based nationwide review of "Agency Usage of GSA's Federal Supply Service Procurement Programs." That review will include the types of problems that have been found in this investigation.

Since VA's open-market purchases cost the Government over \$3,000 more than it would have cost had VA used Professional Carpet Service, we plan to send a letter to the Administrator of the Veterans Administration pointing out these findings.

We will not distribute this report further unless you agree or publicly announce its contents. We trust this information satisfies your request.

Sincerely yours,



Deputy Comptroller General  
of the United States