



UNITED STATES GENERAL ACCOUNTING OFFICE
REGIONAL OFFICE
3086 FEDERAL OFFICE BUILDING, 909 FIRST AVENUE
SEATTLE, WASHINGTON 98104

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JUL 1 - 1970

Commanding Officer
Naval Supply Center, Puget Sound
Bremerton, Washington 98314

Dear Sir:

We have completed our review of emergency procurement procedures at the Naval Supply Center and have discussed the following matters with you and members of your staff. The purpose of this letter is to confirm our understanding of the actions taken or planned on these matters.

DETERMINATIONS AND FINDINGS STATEMENTS

We noted instances in which Determinations and Findings Statements recommending sole-source procurement were apparently based on time or cost considerations. These statements, which were prepared by the PMS Planning Department, cited such factors as the impossibility of drafting complete enough specifications, the time for drafting specifications, and the modification of existing installation plans. However, in each instance, the detail cost or time data needed to evaluate the validity of these reasons was not provided.

In discussing this matter, it was agreed that detailed time and cost analyses should not be required of requisitioning activities, but that quantified time and cost data available to and used by the shipyard estimator recommending sole-source procurement should be obtained for the contract file. It was also agreed that item procurement ordinarily should not be delayed pending receipt of such data, if the requisitioning activity agrees to provide available supporting documentation.

CONTRACTING FOR REPAIR OF DECK WINCHES

Our review disclosed three fixed price contracts, Nos. 67-G-0041, 42, and 43 for the opening, inspection, and repair of deck winches which were not formalized with the winch repair firms until after the required repair work was substantially completed.

In discussing procurements of this type, we were advised that the shipyard usually performs winch repairs in-house but that it is very difficult to obtain competition when such repairs are obtained through normal supply channels primarily because winches must be

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opened and inspected to estimate repair costs. However, we were advised that if time permits, competitive bidding will be tried on future procurements and, in any event, that procurement effort will be directed toward formalizing such contracts at the time of award. In this connection, contractual arrangements should be completed before the work is performed.

PROCEDURES FOR OBTAINING COMPETITION

Section 3-102(c) of the Armed Services Procurement Regulations requires that the purchasing activity whenever possible take action to avoid the need for subsequent noncompetitive procurements.

Our review disclosed that there are no formalized procedures requiring the documentation of actions taken to foster competition or the results of such efforts, and we noted only one instance in which the actions taken were documented in procurement files.

The Director of the Purchase Department advised us that formalized procedures requiring the documentation of recommendations and actions taken to foster competition would be developed. We were also advised that the shipyard would be asked to participate in developing and/or approving recommended actions for procurement under competitive conditions.

We would appreciate receiving your advice as to the final actions taken or planned on the foregoing matters. We wish to express our appreciation for the cooperation extended to our staff by Supply Center officials during our review.

Sincerely yours,

WILLIAM N. CONRARDY
William N. Conrardy
Regional Manager

cc: Director, FOD
Director, DD
Associate Director, Procurement, DD
Assistant Director, PD&E, DD
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Commanding Officer
Puget Sound Naval Shipyard
Bremerton, Washington 98314

Dear Sir:

We have completed our review of emergency procurement procedures at the Naval Supply Center (NSC), Puget Sound, and have discussed these matters affecting the Puget Sound Naval Shipyard (PSNS) with appropriate members of your staff. The purpose of this letter is to bring these matters to your attention and to confirm our understanding of agreements reached at that time.

SOLE-SOURCE PROCUREMENT OF ENGINEERING SERVICES

Our review of the negotiation of three contracts which were recorded as having been carried on an emergency procurement sole-source basis disclosed that they should have been and perhaps were negotiated competitively. However, any competitive negotiation that may have taken place was not documented, and the NSC Purchase Department was not given an opportunity to participate in the negotiation as required by SECNAV Instruction 4200.23. Details of the contracts, which were for the procurement of qualified engineering services needed for the overhaul and refueling of selected ships, are as follows:

| <u>Contract No.</u> | <u>Contractor</u> | <u>Ship</u> | <u>Amount of Contract</u> |
|---------------------------------|---|-----------------------------|---------------------------|
| 68-C-1678 | General Dynamics Corp., Electric Heat Div. | USS Adams | \$ 44,500 |
| 68-C-1698 (overhaul only) | Harport Navy Ship- building and Dry- Dock Co. | USS Adams USS Enterprise | 85,000 |
| 69-C-1047 | General Dynamics Corp., Electric Heat Div. | USS Grant | <u>210,188</u> |
| Total | | | <u>339,688</u> |

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Although these contracts were designated as sole-source procurements, PSSS Nuclear Power Division officials advised us that Newport News Shipbuilding and Drydock Co., and the Electric Boat Division of General Dynamics Corporation, were equally qualified to perform the required services in each of the above contracts, except for that portion of contract 1678 relating to the overhaul of the U.S.S. Enterprise. We were advised that, as construction contractor for the U.S.S. Enterprise, Newport News was the only qualified source for those services. In discussing contract 1047, we were advised that Newport News had been contacted by the Nuclear Power Division but was unable to provide the required engineers at that time. This telephone contact with Newport News was not documented.

According to the requirements of ASPB, sections 3-102(c) and 1-306 (a), such procurements should be negotiated competitively and we believe that the purchase contract files should have indicated the extent of such negotiated competition. Also, the procedures followed in this procurement action were not in accordance with the requirements of SECNAV instruction 4200.23, dated May 19, 1965, which states in part:

"Oral discussions with commercial concerns that involve substantive matters in connection with pending or prospective procurement actions shall be conducted through the appropriate Contracting Officer. This includes the oral solicitation of prices and management type information or engineering data in connection with a contemplated procurement."

The Superintendent of the Nuclear Power Division advised us that, while he did not believe that the contacts made with Electric Boat and Newport News to determine the availability of engineering services were contractual procedures, in the future the NSC Purchase Department would be advised of such proposed contacts to permit participation in determining the availability of required nuclear engineering services.

RECOMMENDATIONS FOR SOLE-SOURCE PROCUREMENT

We also noted instances in which statements recommending sole-source procurement prepared by the Planning Department and directed to the NSC Purchase Department were apparently based on time or cost considerations. These statements, identified as "proprietary statements" by the Planning Department, cited such factors as the impossibility of drafting complete enough specifications, the time for drawing specifications, and the modification of existing installation plans.

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However, in each instance, the detail cost or time data needed to evaluate the validity of these reasons was not provided.

In this connection, Volume II, para. 22036, of the BUYANDA Manual states that sufficient facts should be made available to the contracting officer to demonstrate that a valid reason exists to preclude competition.

In discussing the preparation of proprietary statements with PSNS personnel, it was stated that detailed time and cost analyses would not ordinarily be prepared to support sole-source justifications. However, so that the Contracting Officer will have a sound basis for making procurement decisions, it was agreed that future proprietary statements would include the specific data related to time and cost factors available to and used by the estimator in support of his sole-source recommendations.

We would appreciate receiving your advice as to the final actions taken or planned on the foregoing matters. We wish to express our appreciation for the cooperation extended to our staff by shipyard officials during our review.

Sincerely yours,

WILLIAM N. CONRARDY

William N. Conrardy
Regional Manager