



UNITED STATES GENERAL ACCOUNTING OFFICE
 REGIONAL OFFICE
 ROOM 201, 415 FIRST AVENUE NORTH
 SEATTLE, WASHINGTON 98109

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MAR 29 1979

Major General Richard E. Cavazos
 Commanding Officer
 Fort Lewis, Washington 98433

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Dear General Cavazos:

We recently completed a limited survey of procurement practices at Fort Lewis. Although we found no improper payments or significant weaknesses in procurement practices, we wish to bring two procurement transactions to your attention. These matters, which concern (1) actions to assure the reasonableness of a contract price modification and (2) a purchase order to paint two buildings that did not require painting, were discussed with your staff.

LACK OF ASSURANCE THAT CONTRACT
 MODIFICATION PRICE WAS REASONABLE

Fort Lewis issued contract DAKF57-78-D-0146 to Empire Painting Company, Inc., Tacoma, Washington, for painting the interiors of miscellaneous buildings from May 1, 1978, to April 30, 1979, at an estimated price of \$132,857.50. A contract modification (P00002, dated November 16, 1978) was issued to add the painting of an estimated 50,000 square yards of building interiors with two coats of fire retardant paint at \$2.42 per square yard, or \$121,000. In establishing this price, the Directorate of Facilities Engineering did not develop an adequately supported estimate and the contracting officer did not obtain required pricing information from the contractor.

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Empire Painting proposed a unit price of \$2.42 a square yard and Facilities Engineering estimated a unit price of \$1.80. Based on a statement by Facilities Engineering that the Government estimate was not adequately supported by realistic costs, the contracting officer concluded that the contractor's offer appeared to be reasonable. The estimator who developed the Government's estimate said that his estimate was based on telephone contacts or quotations and personal knowledge. However, no record was developed to show the pricing information obtained by telephone or how the Government's estimate was computed.

Also, according to the Armed Services Procurement Regulation, paragraph 3-807.3, (DAC#76-16 August 1, 1978) the contracting officer shall require the contractor to (1) submit cost or pricing data in

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support of his price proposal when a contract modification is expected to exceed \$100,000 and (2) certify that the cost or pricing data submitted are accurate, complete, and current. The contracting officer did not take these required actions.

UNNEEDED PAINTING

A purchase order was issued to paint the interiors of two buildings that did not need painting.

North Fort Lewis buildings 8A2 and 8A3 were painted by Empire Painting Co. under the prior year's interior painting contract and the job was accepted by the Government on April 24, 1978. On January 17, 1979, another order was issued to paint these same buildings, under contract DAKF57-78-D-0146, at a price of \$2,261.76. As the normal painting cycle for building interiors is 4 to 5 years, this repainting was not necessary. After we brought this matter to the attention of Facilities Engineering officials, action was taken to delete these two buildings from the purchase order.

While we discussed these matters with Facilities Engineering and Procurement Division officials, who concurred with our findings, your comments, including any further corrective actions taken, will be appreciated.

We appreciate the cooperation and courtesies extended to our staff during this survey.

Sincerely yours,

JOHN P. CARROLL

John P. Carroll
Regional Manager

bc: Assistant Director, PSAD - John A. Rinko ✓