

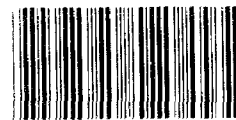
GAO

Briefing Report to the Honorable
Paul S. Trible, United States Senate

June 1987

PROCUREMENT

Defense General Supply Center's Management of Contractor Delinquencies



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United States
General Accounting Office
Washington, D.C. 20548

National Security and
International Affairs Division

June 30, 1987

B-227243

The Honorable Paul S. Tribble
United States Senate

Dear Senator Tribble:

In your January 13, 1986, letter you expressed concern over the Defense General Supply Center's (DGSC's), Richmond, Virginia, handling of companies that have contracts with past due delivery dates. We agreed to determine if companies are being treated equitably; that is, in accordance with DGSC's established policies, procedures, and practices. In addition, we agreed to assess the reliability of the data DGSC used to identify companies that have not met contract delivery dates. In May 1987 we briefed your staff on the results of our analyses. This report summarizes these results.

We found the policies, procedures, and practices DGSC used to manage contractor delinquencies are broad and allow contract administrators to use their judgment in handling contractors that do not meet delivery dates. Therefore, we expected, and did find, differences in the treatment of individual contractors. These differences occurred for a variety of reasons, but they were not inconsistent with DGSC's general policy of working cooperatively with delinquent contractors toward a goal of bringing them into compliance without undue adverse affect on DGSC's customers. We also found the data used to identify contractors with past due delivery dates were reliable. The results of our work are summarized below and described in detail in appendix I.

IDENTIFYING PROBLEM
CONTRACTORS

DGSC uses two basic approaches to identify contractors with past due contract delivery dates. The first focuses on identifying and ranking individual contractors having the largest number of delinquent contract lines (individual contract lines have a separate item description, price, delivery date, and destination and thus there may be several contract lines per contract). The second approach focuses on identifying individual contract lines that have been delinquent 90 days or more.

DGSC uses the Defense Logistics Agency's (DLA's) computerized Active Contract File data base to obtain information on past due contracts. Each month DGSC identifies the 100 contractors with the largest number of delinquent line items--the Top 100 Delinquent Contractor List. If DGSC contract administrators believe a contractor on this list is unresponsive and uncooperative with efforts to improve performance, they can recommend that the contractor be placed on the Contract Award Checklist, which involves automatic sanctions such as suspension from the Fast Payment Program. (A program that, under certain conditions, allows for expedited processing of invoices.)

We selected 34 contractors identified as delinquent from the July 31, 1986 top 100 list and the May 1 and August 1, 1986, checklists for analysis. We found DGSC treated contractors differently but the differences we found did not seem unreasonable. For example, sole-source contractors were less likely to have contracting sanctions placed against them.

We also analyzed the nature of the companies appearing on the top 100 list and the checklist over a 18-month period (May 1985 to October 1986). Our analyses focused on whether the companies were large or small, whether companies were manufacturers or dealers, and whether the companies provided predominantly sole-source items. We found that these lists generally included both large and small companies, as well as both manufacturers and dealers. However, sole-source contractors were rarely placed on the checklist. According to DGSC contract administrators, this occurs because in these instances, the government does not have any alternative sources of supply.

DGSC also uses DLA's Active Contract File to identify individual contract lines that are overdue by 90 days or more. This automated system, referred to as Project ACTION, identifies, categorizes, assigns responsibility for resolving these contract lines and maintains data on the progress on each identified contract line until it is resolved.

ACTIVE CONTRACT FILE IS RELIABLE
FOR IDENTIFYING DELINQUENCIES

The Active Contract File is one of a number of data bases maintained by DLA's Standard Automated Materials Management System. A record in the active file is created when a contract is awarded or an order is placed. The file maintains the status of each contract line until the contract or order is completed.

The reliability of the active file has not been reviewed, even though some of the file's users have experienced data inaccuracies. However, since early 1985, DGSC has initiated several actions to improve the accuracy of the active file. These include strengthening procedures to verify key data elements before an action is taken on a delinquency, revising procedures to ensure shipment data are entered into the file as soon as possible, and changing the method for determining delinquencies to recognize partial shipments within contract specifications as not being delinquent.


Our review of the active file's reliability included testing the data required to identify delinquent contract lines. Using a statistical sample of 150 contract lines, we compared the data in the active file with supporting documents. We found the average error rate for our sample was less than 2 percent for all of the data files examined. In addition, these errors affected the delinquency status of only three of the contract lines sampled--all erroneously identified as being delinquent. Consequently, we concluded that the active file is sufficiently reliable for identifying delinquent contract lines.

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We discussed the results of this review with responsible agency officials and considered their comments in preparing this briefing report. As requested, we did not obtain official agency comments on this report. The objectives, scope, and methodology of our review are described in appendix II.

As arranged with your Office, unless you publicly announce its contents earlier, we plan no further distribution of this briefing report until 10 days from the date of publication. At that time we will send copies to the Secretary of the Defense and the Directors of the Defense Logistics Agency and the Office of Management and Budget. We will also make copies available to others upon request.

Sincerely yours,


Michael E. Motley
Associate Director

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ABBREVIATIONS

DGSC	Defense General Supply Center
DLA	Defense Logistics Agency

REVIEW OF THE DEFENSE GENERAL SUPPLY CENTER'S
MANAGEMENT OF CONTRACTOR DELINQUENCIES

The Defense General Supply Center (DGSC) in Richmond, Virginia, is one of six Defense Logistics Agency (DLA) supply centers. During fiscal year 1986, DGSC spent \$822 million providing about 56,000 different types of supply items to Department of Defense activities. This required awarding slightly more than 661,000 contract lines to about 8,900 contractors. DGSC procures such items as electrical hardware, alarms, signal and safety equipment, food service equipment, and petroleum based products. It also procures parts for major weapons systems such as the Air Force's B-52 and F-15 aircraft, the Navy's Trident missile and F-14 aircraft, and the Army's M-60 and M-1 tanks.

During fiscal year 1986, DGSC managed a monthly average of 106,000 active contract lines involving an estimated 6,000 contractors. Of these active contract lines, an average of 10,200 were identified as delinquent (i.e., contract lines with past due delivery dates) and involved an estimated 1,800 contractors. The top 100 contractors with the most past due contract lines accounted for an average of one third of DGSC's total delinquent contract lines. As a result, DGSC concentrates much of its effort in managing these contractors.

The policies and procedures DGSC uses for managing delinquencies provide general guidance that allow contract administrators discretion in selecting and taking corrective actions. DGSC follows two basic approaches in managing contractors' delinquencies. One approach focuses primarily on individual contractors having the largest number of delinquent contract lines. The other focuses on identifying and reducing old, individual delinquent contract lines.

POLICIES AND PROCEDURES
ALLOW MANAGEMENT DISCRETION

The policies and procedures DGSC uses allow contract administrators to use their discretion in resolving contractors' delinquencies. Policy and procedural guidance used by administrators is found primarily in the

-- Federal Acquisition Regulation,

- Department of Defense Federal Acquisition Regulation Supplement,
- Defense Logistics Acquisition Regulation 4105.1, and
- DGSC Directorate of Contract and Production Staff Memorandum 4105.1 and in other DGSC internal instructions and standard operating procedures.

None of these regulations or DGSC's instructions and procedures provide a specific set of management actions to be used in particular situations. Rather, they permit DGSC contract administrators to use their judgment in deciding what action best fits a delinquent contractor's situation. For example, contract administrators use their judgment when deciding to cancel or extend a contract line's delivery date or to suspend a delinquent contractor from certain contracting programs such as Fast Payment.

MANAGEMENT OF DELINQUENCIES

DGSC uses two different approaches to address the problem of late contract delivery. One approach is directed primarily at improving the performance of the top 100 delinquent contractors. The other approach is directed at resolving contract lines that are 90 days or more overdue.

According to Production Division officials, their philosophy is to work with delinquent contractors to obtain needed items rather than to cancel or terminate the contract lines and restart the procurement cycle. They believe that working with the delinquent contractors is quicker and less costly than restarting the procurement cycle. In addition, they believe delinquent contractors are generally given every opportunity to deliver the items.

Addressing contractors with the most delinquencies

DGSC uses DLA's computerized Active Contract File data base, which is part of DLA's Standard Automated Materials Management System, to identify delinquent contractors. At the end of each month, this system generates a listing of the 100 contractors with the largest number of past due contract lines, called the Top 100 Delinquent Contractors List. DGSC's Production Division contract administrators review and discuss performance problems with each contractor. In addition, each quarter DGSC reviews the

performance of the top 100 delinquent contractors, as well as other problem contractors, to identify marginal performers. These marginal contractors are placed on the Contract Award Checklist, which suspends certain contracting privileges and alerts contracting officers to poorly performing companies.

According to Production Division officials, a contract administrator's review generally consists of the following:

- Comparing the number of delinquent contract lines in the current month to that of the previous month for each contractor.
- Examining each contractor's total business with DGSC to determine (1) percentage of delinquencies to total business, (2) dollar value of delinquencies, and (3) age of delinquencies.
- Reviewing the contract files of the delinquent contract lines for information concerning the contractor's problems.
- Ascertaining the existing stock level and urgency of need for the contracted items.
- Determining if the delinquency is a special or non-recurring situation (i.e., a purchase order or contract may be a one-time special purchase requirement).
- Deciding if the delinquency is government or contractor caused.

Based on this review, Production Division officials determine the course of action for each contractor. This course of action, according to Production Division officials, may include one of the following:

- Writing the contractor a letter explaining it is on DGSC's computer listing of delinquent contractors. The letter further explains that DGSC is concerned about its performance and requests the contractor to provide the current status of the delinquent contract lines.
- Writing the contractor a letter that explains that the company is on the top 100 list and requests the current status of its delinquent contract lines. In addition, the letter states the possible consequences of continued

poor performance, such as being suspended from the Fast Payment Program or being determined ineligible for future awards.

- Telephoning the contractor to discuss its delinquent contract lines, determine the status of the delinquencies, identify any problems the contractor may be having, and try to resolve its delinquency situation.

Depending on the contractor's response to DGSC's inquiries, contract administrators can (1) allow the contract lines to remain delinquent if the contractor is expected to ship the items within 30 days, (2) extend the contract delivery date for the delinquent contract lines, or (3) cancel or terminate the delinquent contract lines if the contractor cannot deliver the items. Contract administrators told us that delinquent contractors are generally given time to resolve their delinquency problems. However, should a contractor's performance not improve, contract administrators can recommend that the contractor be placed on the Contract Award Checklist.

Each quarter, Production Division officials identify potential candidates for the checklist by reviewing the performances of contractors on the top 100 list and of other problem contractors identified during the previous 3 months. The primary factors considered in identifying contractors to be placed on the checklist, according to Production Division officials, are trends of increasing delinquencies and contractors' unresponsiveness or uncooperativeness with DGSC's efforts to improve their performance. Other factors include product quality and discrepancies in packaging, marking of packages, and in billing.

After all potential problem contractors have been identified and their problems discussed, the Production Division Chief decides which contractors are to be placed on the checklist. Once a contractor is placed on the checklist, DGSC sends a letter to the contractor explaining what has happened and the basis for DGSC's action. Being placed on the checklist imposes automatic contracting sanctions that remain in effect for at least a 90-day period. In addition, placement on the checklist requires that (1) a preaward survey be made for any proposed award over \$25,000, (2) the Contracts Division Chief approve proposed awards to those firms listed for the first time, and (3) the Contracting and Production Deputy Director approve proposed awards for those firms listed twice in a 12-month period. A contractor is removed

from the checklist when Production Division officials believe its performance has improved.

In the past, DGSC contracting officers used the checklist as a basis for withholding contract awards and purchase orders. However, due to the Small Business and Federal Procurement Competition Enhancement Act of 1984 and subsequent changes in procurement regulations, contracting officers can no longer withhold any award to a small business because of a finding of nonresponsibility without first referring the matter to the Small Business Administration. Thus, DGSC contracting officers now use the checklist only as an indicator of poor performance and of a need for further research into a contractor's performance history.

Resolving long-standing delinquencies

DGSC identifies and attempts to resolve contract lines 90 days or more overdue through a system referred to as Project ACTION. Project ACTION uses an on-line personal computer network to identify, categorize, and assign responsibility for resolving and tracking these past due contract lines.

Biweekly, the Standard Automated Materials Management System transfers information on contract lines that are 90 days or more past the contract delivery date into the Project ACTION personal computer network system. Project ACTION then generates a worksheet for each contract line, assigns responsibility for resolving it, and tracks it until it is resolved. If a delinquent contract line is not resolved within 30 days, Project ACTION will continue to identify it every 2 weeks until it is resolved. If no significant action is recorded for a delinquent contract line after 60 days, Project ACTION will generate a follow-up worksheet for contract administrators who contact the contractor, determine the status of the delinquent contract line, and attempt to resolve the delinquency. Acceptable solutions under Project ACTION include the following:

- Contracted items already shipped by the contractor.
- Contracts extended with the government receiving compensation or terminated for default or convenience.
- Delinquency allowed to continue if the contractor states shipment will be made within 30 days.

- Contracts extended with the government receiving compensation or terminated if the contractor fails to ship items within a 30-day grace period.

A different course of action, however, may be necessary when circumstances such as legal action involving the contractor are pending.

ANALYSIS OF DGSC'S PRACTICES

Our review of DGSC's actions on 34 delinquent contractors selected from the July 31, 1986, top 100 list and the May 1 and August 1, 1986, checklists revealed differences in the actions taken by DGSC contract administrators. The differences we observed seemed reasonable and were not inconsistent with DGSC's general policy in resolving contractor delinquencies.

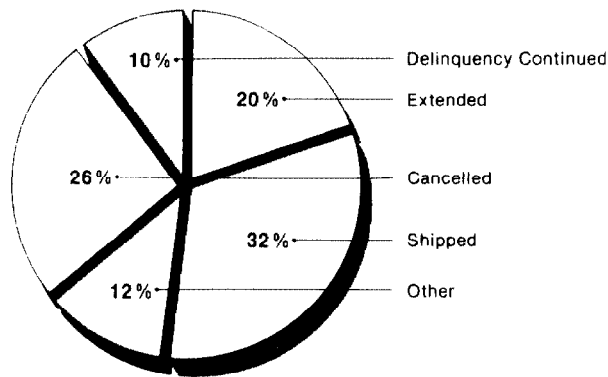
The 34 contractors in our sample consisted of 26 small businesses, 7 large businesses, and a prison industry. Six of these were sole-source contractors. The resolution of delinquent contract lines appeared to support Production Division officials' philosophy. The majority of the actions resulted in the

- items being shipped,
- contract delivery dates being extended,
- contract line remaining delinquent, or
- order for the contract line being cancelled.

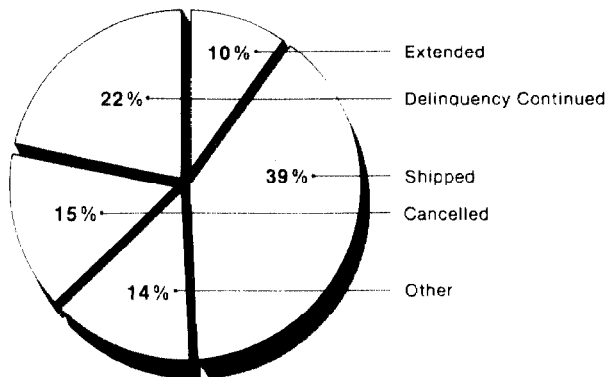
In some cases, we were unable to determine what action had been taken. In other cases, by the time the contracting officer had contacted the contractor the item had already been shipped and, consequently, no action by the contracting officer was required.

Figures I.1 through I.3 show how frequently these actions were used to resolve the delinquent contract lines for three different categories of the 34 contractors. These categories include (1) the size of the company (small or large), (2) the nature of the company's business (manufacturer or dealer), and (3) whether the company supplied sole-source items or items for which alternative sources of supply were available.

Figure 1.1: Comparison of DGSC's Actions Taken on 7 Large Companies' with 26 Small Companies' Contract Line Items



Small 574 Contract Lines

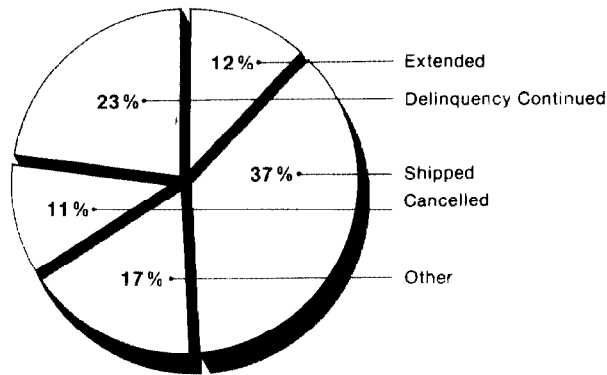


Large 354 Contract Lines

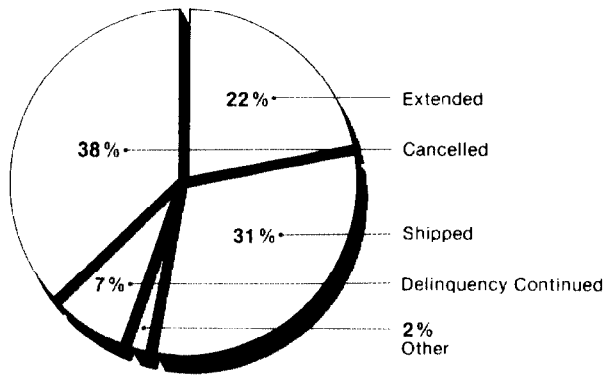
Figure I.1 compares DGSC's actions taken on small and large businesses.¹ This figure shows that, among other things, large companies were more likely to have their delinquencies continued, while small companies showed a higher frequency of cancelled contract lines. Also, the comparison shows that line items were either shipped or extended for large and small businesses at about the same frequency.

¹We have deleted the prison industry from this comparison since DGSC does not classify it as a large or small business.

Figure 1.2: Comparison of DGSC's Actions Taken on 21 Manufacturers' with 13 Dealers' Line Items



Manufacturer: 650 Contract Lines



Dealer: 353 Contract Lines

Figure I.2 compares DGSC's actions taken on manufacturers and dealers. Among other things, the figure shows that manufacturers were somewhat less likely to have contract lines cancelled and were more likely to have their delinquencies continued. This appears reasonable because manufacturers have greater control over their resources than dealers that must rely on another organization to produce the product.

Figure 1.3: Comparison of DGSC's Actions Taken on 6 Sole-Source Suppliers' with 28 Competitive Suppliers' Line Items

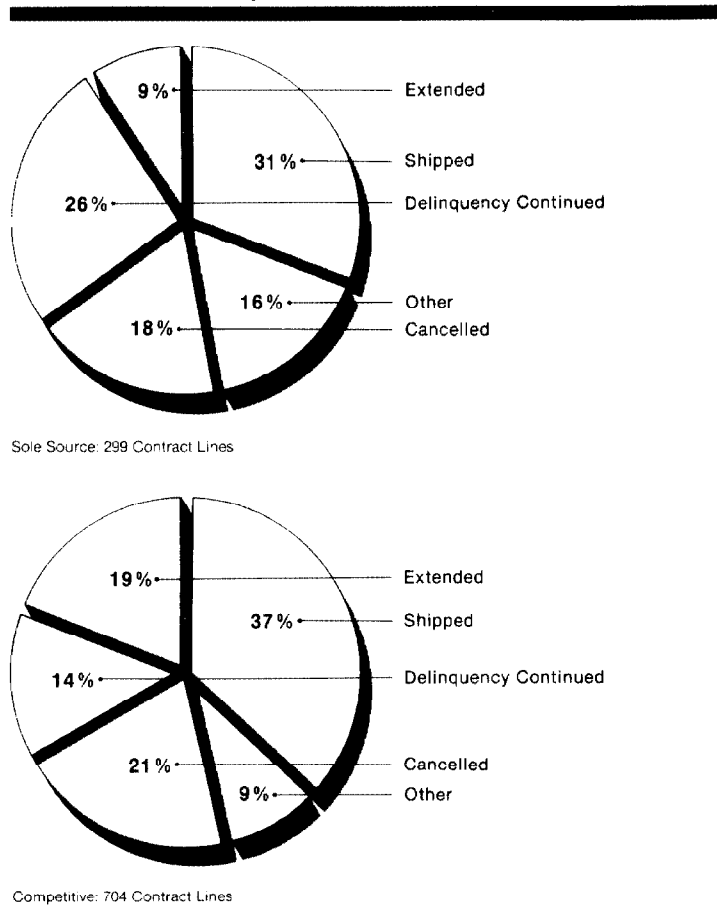


Figure 1.3 compares DGSC's actions on sole-source suppliers with suppliers that have to compete with others. Among other things, the figure shows that line items procured competitively were more likely to be shipped and were less likely to have their delinquencies continued. The differences seen in these figures appear consistent with DGSC officials' explanations of their approach for dealing with contractors.

Of the 34 sample contractors, 12 had been placed on the checklist. Our discussions with Production Division personnel and our analysis of available documents indicated that there was justification for placing these contractors on the checklist. The factors primarily involved in placing these contractors on the checklist were (1) not responding to or cooperating with DGSC's efforts to improve their performances and (2) continuing poor performance.

We were informed that placing the sole-source contractors and prison industries on the checklist was not considered an appropriate action because most sole-source contractors are manufacturers and are the only available source of supply for the items. In addition, some of the sanctions associated with being placed on the checklist are not appropriate because, for example, the contractors often are not participating in the Fast Pay programs. They also said that DGSC is required by law to do business with prison industries, whenever possible.

We were also told there are several reasons that large businesses do not appear on the checklist as often as small firms. The majority of companies doing business with DGSC are small firms. Large businesses usually have more resources available to correct their delinquencies once they become aware of the performance problems. Also, sole-source contractors generally are large businesses. Furthermore, the Defense Contract Administration Service frequently monitors the contracts with large businesses and works with them to identify and resolve delinquencies before they become significant enough for DGSC to place the contractors on the checklist.

To further determine if DGSC was treating contractors differently, we analyzed the composition of 359 companies on the top 100 list and 82 companies on the checklist for the period May 1985 through October 1986. We categorized these companies based on (1) the size of the company (small or large), (2) the nature of its business (manufacturer or dealer), and (3) whether the company was a predominant supplier of sole-source items (sole-source or competitive).

The analyses revealed a difference between the size of the companies on the two lists. As shown in figure I.4, the checklist was composed of 93 percent small companies and 7 percent large companies as compared to 67 percent small companies and 33 percent large companies on the top 100 list. The difference is not unexpected since sole-source companies, which are often large businesses, are not placed on the checklist and large businesses frequently have more resources to devote to solving delivery problems.

Figure 1.4: Comparison of the Top 100 Contractor List with the Checklist by Company Size
(May 1985 through October 1986)

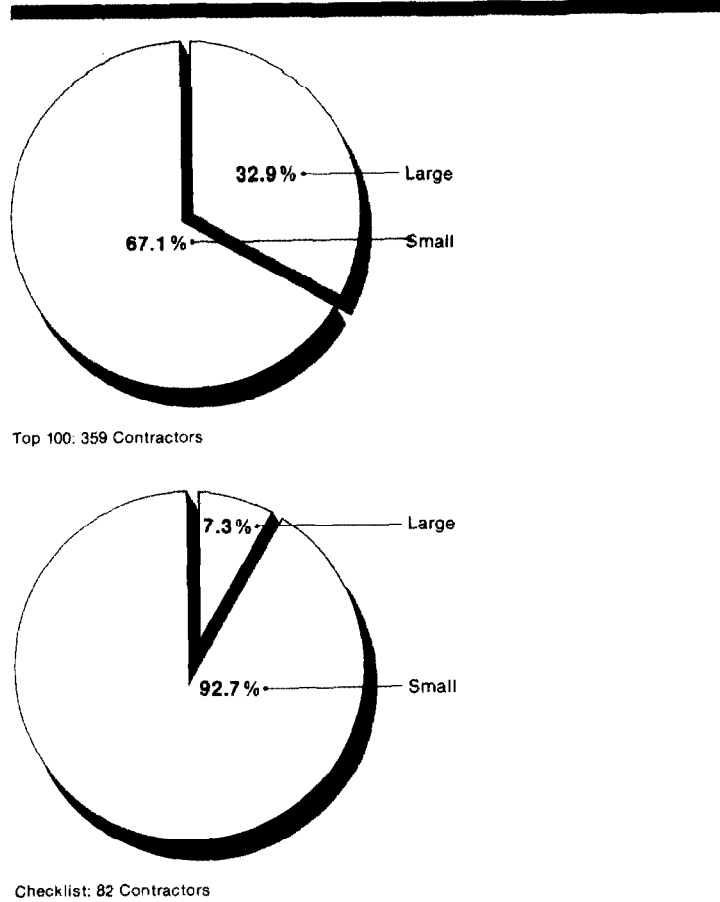
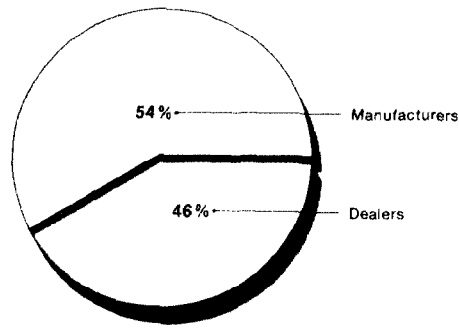
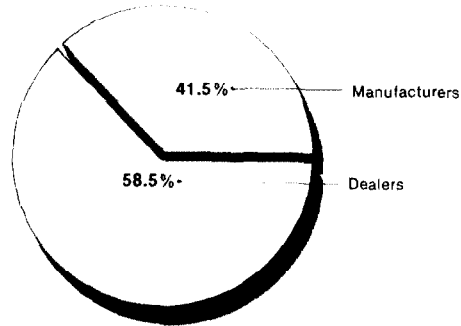


Figure I.5 shows that the mix of manufacturers and dealers placed on the checklist and the top 100 list was also different. Although manufacturers appeared more frequently on the top 100 list, they appeared less frequently on the checklist. This difference can probably be attributed to manufacturers' greater control over their resources, which enables them to more quickly resolve their delinquencies.

Figure 1.5: Comparison of the Top 100 Contractor List with the Checklist by Business Type
(May 1985 through October 1986)



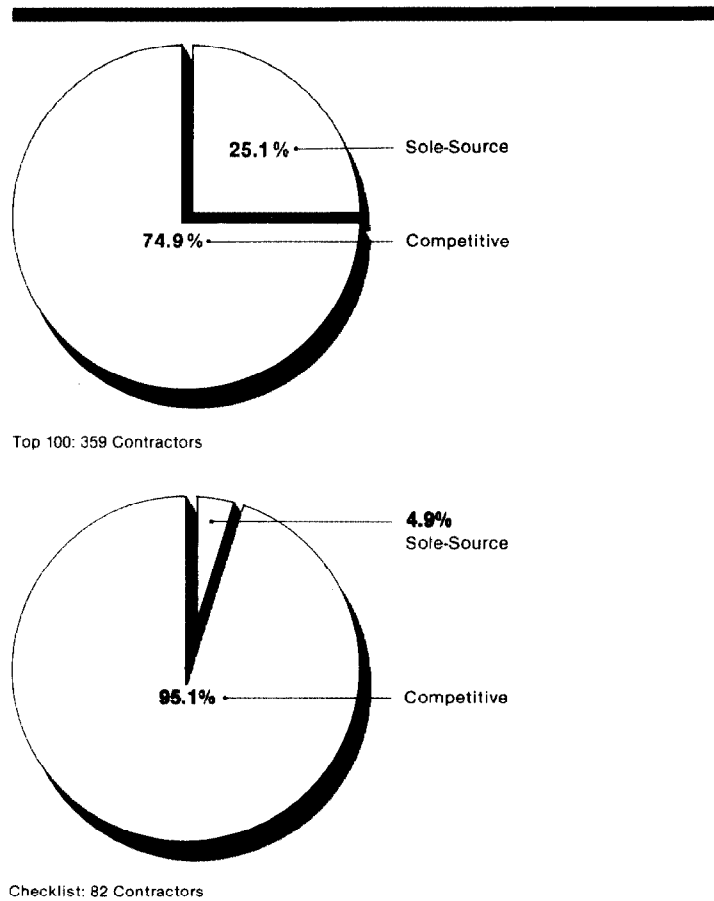
Top 100: 359 Contractors



Checklist: 82 Contractors

Our analysis showed that fewer sole-source contractors appeared on the checklist than on the top 100 list (see fig. I.6). This is consistent with DGSC officials' description of their approach, as previously discussed.

Figure 1.6: Comparison of the Top 100 Contractor List with the Checklist by Level of Competition
(May 1985 through October 1986)



We also determined if companies (1) stayed on either of these lists for extended periods of time and (2) kept reappearing on the lists. In both cases, we found relatively few companies remaining on either list for extended periods. Of the 359 companies appearing on the top 100 list (which is generated monthly) during this 18-month period, 189 companies were listed 3 or fewer times, 71 companies were listed between 4 and 6 times, and 27 companies were listed over 13 times. Similarly, of the 82 companies appearing on the checklist (which is generated quarterly), 43 companies appeared once, 32 companies appeared either 2 or 3 times, and 3 companies appeared 6 times.

RELIABILITY ASSESSMENT OF DATA
USED TO IDENTIFY DELINQUENT CONTRACTORS

Our reliability assessment of the Active Contract File data base DGSC used to identify contractor delinquencies showed an insignificant error rate. Therefore, we believe the active file is generally reliable for identifying contractor delinquencies. In addition, DGSC has taken some actions to further improve this file's reliability.

The Active Contract File--An
important part of DLA's Standard
Automated Materials Management System

The Active Contract File is the primary source of information for determining the status of a current contract line and provides data for delinquency determinations using the Standard Automated Materials Management System. The file contains information on all current contract lines from the time a contract is awarded or a purchase order is placed to the time it is closed. It maintains about 125 fields of data per contract line. During the life of a contract, any action affecting the data requires the record to be updated. A change could result from modifying the price, the quantity being bought, or the contract delivery date.

DGSC's two basic approaches to identifying delinquencies depend on a search of the active file. The primary means of identifying delinquent contract lines is through the Contract Delinquency Report, which identifies all contract lines that are 31 or more days past due and lists all delinquent contract lines for each contractor for the month. This report also identifies the top 100 contractors with the greatest number of delinquent contract lines at the end of each month. Additionally, a second report provides selected Active Contract File data for all open contract lines for each delinquent contractor. This report shows the delivery status of all contract lines and summarizes the number of days delivery is overdue. Project ACTION, discussed previously, also makes extensive use of the file by analyzing data on contract lines over 90 days delinquent to determine the nature of the problem and to track progress in resolving the problem.

Active file accuracy--
A continuing concern

DGSC officials stated that the reliability of the active file has not been reviewed, even though some of the file's users have experienced data inaccuracies. However, since early 1985, DGSC has initiated several actions to improve the accuracy of the active file. Actions include the following:

- Changing procedures to obtain a more timely file update with contract modifications.
- Implementing procedures to verify delinquency data and review a contractor's files before a contractor is placed on the checklist.
- Modifying the Contract Delinquency Report's logic to consider if there is a contract quantity variance that would allow the shipped or received quantity to differ from the contract delivery quantity.
- Entering shipment data when received with the invoice information rather than holding it until the payment date.
- Modifying the Contract Delinquency Report's logic to determine if the contract line has been cancelled or if any of the quantity received was unacceptable when determining a contract line delinquent.
- Implementing the Project ACTION program.

In addition, parts of the Standard Automated Materials Management System will be more fully automated. While the active file will not change directly, officials stated that with increased automation fewer opportunities for introducing error will exist and the active file's accuracy should improve.

The reliability of the active
file's data is acceptable

Our reliability assessment of active file data indicated an insignificant overall error rate. Even though several data fields had relatively high error rates, reportedly due to internal control problems, correcting them would have had minimal affect on changing the contract lines' delinquent status.

OBJECTIVES, SCOPE, AND METHODOLOGY

Our objectives were to review DGSC's policies, procedures, and practices for identifying and dealing with companies having contracts with past due delivery dates; determine if companies were being treated differently and, if so, why; and assess the reliability of the data used to identify overdue contract lines.

We reviewed regulations DGSC uses to manage contractor delinquencies, such as the Federal Acquisition Regulation, Department of Defense Supplement, and Defense Logistics Agency regulations, and DGSC's policy and procedures. We also reviewed contract and contractor documentation and documentation on the Active Contract File. We interviewed appropriate DGSC officials and officials from the DLA's System Automation Center at Columbus, Ohio.

To evaluate DGSC's practices in managing contractor delinquencies, we reviewed the actions taken on a judgmental sample of 34 delinquent contractors. Twenty-two were randomly selected from the July 1986 Top 100 Delinquent Contractor List and 12 contractors were selected from the May and August 1986 Contract Award Checklists. We then discussed actions taken on each selected contractor with DGSC officials.

To determine if and why companies were treated differently, we analyzed these actions and DGSC officials' comments by categorizing the 34 contractors into three characteristic groups. These groups included the size of the company (small or large), the nature of their business (manufacturer or dealer), and whether the company was a supplier of sole-source items as opposed to a supplier that had to compete with other potential suppliers.

We also analyzed the companies on the Top 100 Delinquent Contractor List and the Contract Award Checklist during an 18-month period (May 1985 through October 1986) for these characteristics to identify any indicators of treatment differences. These characteristics were obtained from data bases maintained by DGSC contract administrators.

Our assessment of the reliability of the Active Contract File's data involved reviewing a statistical sample of 150 contract lines from the Active Contract File as of October 10, 1986. This sample, which is projectable to DGSC, was stratified to include 75 contract lines identified as delinquent and 75 nondelinquent contract lines. For each contract line, we compared the information in 17 Active Contract File data fields used to

determine a contract line's delinquent status to source documents. While we did not analyze each error to determine the specific cause(s), we did analyze the errors collectively for each contract line to determine if the reported status would have changed.

Our review was conducted from September to December 1986 at DGSC, Richmond, Virginia, in accordance with generally accepted government auditing standards. The views of responsible officials were sought during our work and were incorporated into the report, where appropriate. As requested, we did not obtain official agency comments.

(396004)

To perform our assessment, we reviewed the 17 data fields in the file DGSC used to identify delinquent contract lines. We then statistically sampled the contract lines from a universe of 102,773 records as of October 10, 1986. (The Contract Delinquency Report had identified 9,722 as overdue.) We stratified our sample to include 75 records identified as delinquent and 75 not identified as delinquent.

We compared the 17 data fields with source documentation maintained at DGSC. Our criterion was that if the data in the active file matched the source records, the field was reliable; if a match did not occur or source records were not present, then the field was considered unreliable. We attempted to locate unavailable records and discussed questions raised during our analysis with a Production Division official.

Each of the 17 data fields for all 150 contract lines was examined for a total of 2,550 data field examinations. We found 50 errors, or an overall rate of 1.5 percent plus or minus .5 percent. The errors were in 8 of the 17 data files, with most occurring in the award and contract delivery date fields. (See table I.1.)

Table I.1 Analysis of Frequency of Errors

<u>Fields with errors</u>	<u>Number</u>	<u>As a Percent of field examined</u>
Award date	12	8.0
Contract delivery date	12	8.0
Quantity variance	1	0.7
Quantity paid	3	2.0
Quantity shipped	6	4.0
Date shipped	6	4.0
Quantity received	5	3.3
Date received	<u>5</u>	3.3
Total	<u>50</u>	1.5

According to a DGSC official, the errors we found were primarily due to internal control problems, including input errors. In one case, for example, source records in a contract file indicated a contract delivery date of August 26, but the active file showed an August 13 date. A DGSC official stated that this apparently was an input error. In another instance, a contract delivery date modification was made and placed in the contract file but was not entered into the active file.

The 50 errors we identified occurred in a total of 24 contract lines; 14 had been identified as delinquent and 10 had not. We examined each line to determine if its status would have changed if the erroneous data had been correct as of our October 10, 1986, sample date. Of these 24 contract lines, 3 would have changed from being delinquent to not being delinquent and 21 would have remained the same. Thus, since we used a stratified sampling plan and the errors all occurred in one part of the sample, our calculations indicate the rate of miscalculation is about 4 percent, plus or minus 3.7 percent.

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