

145475



United States
General Accounting Office

National Security and
International Affairs Division

B-247401

February 25, 1992



145975

The Honorable Vic Fazio
House of Representatives

Dear Mr. Fazio:

In your November 5, 1991, letter you asked us to review investigations by the Department of Defense (DOD) and Navy Inspectors General (IG) of waste, fraud, and abuse in the procurement of a laser marking machine at the Mare Island Naval Shipyard. Specifically, you asked us to determine whether

- the DOD and Navy IGs had used sound procedures to investigate this case,
- the Navy had taken corrective action to prevent similar problems from arising in the future, and
- the Navy had taken disciplinary action against those found to have been negligent in the procurement of the laser marking machine.

In December 1991, we briefed a member of your staff on the results of our review, and this letter summarizes our findings.

On the basis of our review of the files of the Inspectors General and interviews with their staffs, we believe that despite initial shortcomings the investigations were ultimately based on proper procedures. The investigations found that the laser marker procurement had been mismanaged and that the responsible department at the shipyard had exclusive control of the requisitioning, contracting, and inspection functions. The Navy has since divided authority for these functions among different departments to better ensure that equipment purchased by the shipyard meets performance expectations.

GAO/NSIAD-92-115R, Laser Marker Procurement

053650/145475

The Navy has decided not to discipline the current Director of the department that mismanaged the laser marker procurement. Navy officials explained that the decision was based on three considerations: (1) the Director's predecessor shares responsibility for the mismanagement, (2) disciplinary action was not a necessary element of remedial action, and (3) there was no evidence that the Director willfully attempted to misrepresent the deficient nature of the laser marker.

CHRONOLOGY

The following summarizes the key events in the procurement and subsequent investigations.

In the summer of 1986, the Mare Island Naval Shipyard began the procurement of a laser marker. The laser was supposed to inscribe information on valves, tubing, and other parts accepted by the Quality Assurance Department (QAD) staff. The laser process was to replace manual marking done with an engraving tool, a slow and error-prone process. The QAD Director who started the laser procurement was replaced in the fall of 1986, about the time the contract was awarded. The laser marker was delivered on July 6, 1987. However, it has never worked as originally envisioned by the QAD Director who initiated the procurement. The failure of the laser to work properly is largely due to inadequacies in the specification and evaluation of proposals.

On April 15, 1988, a DOD IG hotline caller alleged that the \$140,000 laser marking machine at Mare Island was not being used. The DOD IG sent the complaint to the Naval IG, who forwarded it to the NAVSEA IG. The NAVSEA IG then tasked the shipyard staff to investigate the allegation. They reported that while the shipyard had experienced some start-up difficulties and the laser marker was still not working, it was expected to be fully operational by November 1988. The Naval Sea Systems Command reported this to the Navy and DOD IGs. The DOD IG then closed the case.

The NAVSEA IG reviewed the correspondence from the shipyard staff during a routine follow-up on the case. The NAVSEA IG felt that there might be reason to question the independence and possibly the qualifications of the shipyard staff assigned to the initial investigation. In July 1989, the NAVSEA IG requested an independent review by a shipyard industrial engineer from outside the QAD. That

report, issued in September 1989, stated that the laser could mark individual parts efficiently but was inefficient in marking pipe and bar stock.

In February 1990, the NAVSEA IG sent a team of technical specialists to conduct an on-site inquiry at the shipyard. The team examined the marker, interviewed a number of shipyard personnel, and had the Shipyard Command Evaluation and Review staff conduct follow-up interviews during June and July 1990.

On June 6, 1990, the DOD IG hotline Director sent a memorandum to the Navy IG stating that he had received an inquiry about the laser procurement from you and Representative Barbara Boxer. The memorandum instructed the Navy IG to submit a final report on the laser procurement within 30 days.

On August 21, 1990, the NAVSEA IG reported that the shipyard had mismanaged procurement of the laser marking machine. It also concluded that a charge of cover-up by the shipyard management was partially substantiated.

In a November 15, 1990, memorandum to the Secretary of the Navy, the DOD IG stated that the entire procurement had been mismanaged and the current Shipyard QAD Director had attempted to cover up the problem. Further, the DOD IG stated that the QAD Director had failed to provide either the shipyard Commanding Officer or the NAVSEA IG with accurate and objective information. Consequently, she recommended that the Navy discipline the QAD Director and supervise future procurements of the shipyard.


On April 1, 1991, the Under Secretary of the Navy responded to the DOD IG. He said that the QAD Director did not need to be disciplined because there was "no evidence that he knowingly gave false information to the Shipyard Commander or to investigators." The Under Secretary did agree that future procurements would be managed by a different department at the shipyard.

- - - -

B-247401

We trust that this information resolves your concern about investigations of the laser marker procurement. Should you require any additional assistance please call me at (202) 275-6504.

Sincerely yours,



for Martin M Ferber
Director, Navy Issues