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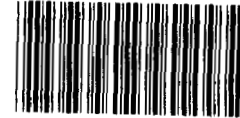
UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON, D.C. 20548

ENERGY AND MINERALS  
DIVISION

B-201676

JANUARY 16, 1981

The Honorable Charles W. Duncan, Jr.  
The Secretary of Energy



114149

Dear Mr. Secretary:

Subject: [Small purchase activities at the  
Department of Energy] (EMD-81-43)

We have recently completed a limited examination of the Department of Energy's small purchasing practices to determine, among other things, whether the Department is complying with Federal Procurement Regulations. Small purchases are generally those procurements under \$10,000. These purchases are usually subjected to less stringent procedures and scrutiny than are contracts over \$10,000. Based on the methodology used in our work, we found that, with few exceptions, the Department is in general compliance with the regulations. We discussed these few exceptions with your staff.

In doing our work, we first reviewed the regulations to identify those areas where possible violations would most likely occur. We then took a random statistical sample of small purchase actions at both the headquarters office and a major government-owned contractor-operated facility. Although the contractors of such facilities are not subject to the Federal Procurement Regulations, their actions must be consistent with the intent of the Federal regulations. We selected 56 procurement actions from the Washington Office and 74 from the contractor facility--Sandia Laboratories--for review.

Some of the areas we looked at included whether:

- the most effective procurement method was used;
- the purchases were being awarded to small businesses, and were not exceeding the \$10,000 limitation or being manipulated into smaller awards to circumvent the limitation; and
- reasonable competition was being obtained.

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Furthermore, we reviewed the timing of the Department's small purchases to determine whether an excessive number was being made during the last quarter of the fiscal year and also attempted to determine whether awards were being made by only those authorized to make such purchases.

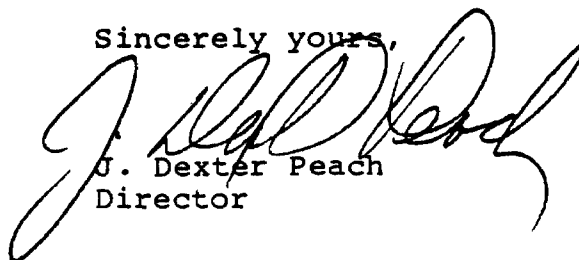
Although we noted areas where improvements could be made with some of the procurement actions sampled, we did not judge them to be significant enough or occurring with sufficient frequency to warrant additional work. For example, we found that the Washington office sometimes deviated from using the most economical procurement methods, but noted that these purchases were justified by Department officials on the basis that using the least expensive method would decentralize many small purchases from the control of the procurement office to the program offices. This situation would reduce the Department's assurance that small purchases would be awarded to small business as required by law.

In addition, our work at Sandia in several areas indicated a need for better documentation particularly in justifying contract awards made on a non-competitive basis. We also noted that some awards were being made at both locations after the beginning of a new fiscal year even though the Department had not yet received its appropriation for that year. This is a violation of the Anti-Deficiency Act. This final point, however, has been covered in detail in a report we recently issued to the Chairman, Subcommittee on Energy and Power, House Committee on Interstate and Foreign Commerce, entitled "Unauthorized Commitments: An Abuse of Contracting Authority in the Department of Energy" (EMD-81-12, December 4, 1980). All of the above concerns have been discussed with your staff.

In summary, the concerns we had with the Department's small purchasing activities did not appear to be statistically significant to justify further work on our behalf. At some point in the future, we plan to followup on our work to help ensure continuing compliance.

We appreciate the cooperation and courtesy extended to our staff in carrying out our work.

Sincerely yours,



J. Dexter Peach  
Director