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COMPTROLLER GENERAL OF THE UNITED STATES

WASHINGTON, D.C. 20548

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JAN 15 1973

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Dear Senator Proxmire:

On September 18, 1972, you asked us to look into a complaint about the award of a contract by the National Highway Traffic Safety Administration, Department of Transportation, to the Washington Hilton Hotel for services performed from May 29 through June 1, 1972, for the Third International Technical Conference on Experimental Safety Vehicles. It was alleged that (1) there was no competition in selecting the prime contractor, the Washington Hilton, (2) the Department had obtained all the management and support services for the conference through the Washington Hilton rather than through direct contracts for these services, and (3) the procurement was unnecessarily costly because there was no competition in the selection of the subcontractor and second-tier subcontractors who provided the management and support services.

We reviewed the records concerning the procurement and discussed the matter with Traffic Safety Administration officials. To a great extent, the decisions and negotiations in this case were carried out orally and, therefore, were not documented.

COMPETITION IN SELECTION OF WASHINGTON HILTON HOTEL

Selection of a facility to support the international conference was based on the following anticipated requirements:

1. Capability to handle formal luncheons for approximately 500 people.
2. Adequate sleeping rooms for participants.
3. Proximity to another hotel handling other conferences and the International Banquet.
4. Facility acceptable to Ministers of Transportation of foreign governments and presidents of foreign automotive companies.
5. Capability to handle approximately 700 people, set up in classroom style with adequate audiovisual and translation support.

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The Traffic Safety Administration was initially unable to locate a facility that could fulfill the requirements on the dates needed. Six major hotels and three other facilities in the Washington, D.C., area were considered. Two of the hotels and one of the other facilities were considered unsuitable. The other hotels and facilities were already reserved. The Washington Hilton, although already reserved, subsequently advised Traffic Safety Administration officials that it had received a cancellation and that it would be able to meet all conditions required for the conference.

Before finalizing its arrangements with the Washington Hilton, Traffic Safety Administration officials, as required by Federal Property Management Regulations, requested the General Services Administration to either provide Government-controlled space or approve their acquisition of private facilities. The General Services Administration advised the Traffic Safety Administration to acquire space under its own procurement authority.

MANAGEMENT AND SUPPORT SERVICES
ACQUIRED BY CONTRACT WITH HOTEL

Traffic Safety Administration officials originally decided that whoever provided the conference site should also provide support services and function as overall manager for the conference. This decision is consistent with Federal Property Management Regulations which provide that, when use of privately owned facilities are authorized, payment for the use of the conference or meeting rooms may include other services and furnishings, such as amplifier systems, screens, motion picture projectors, and other special equipment needed.

Traffic Safety Administration officials informed us that (1) the agency lacked the expertise necessary to manage a conference of this size and complexity and (2) it had neither sufficient time to enter into separate contracts for each service required to support the conference nor sufficient personnel to properly monitor separate contracts.

COST OF SUBCONTRACT WORK

The Traffic Safety Administration negotiated a firm fixed-price contract for \$43,970 with the Washington Hilton. About \$41,700 of this price was applicable to the Washington Hilton's subcontractor for management and support services and equipment. The subcontractor further subcontracted for some of the work required under the contract.

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Before awarding the contract, the Traffic Safety Administration obtained several breakdowns of prices from the subcontractor for the various services and equipment required and negotiated. Traffic Safety Administration officials then concluded that (1) subcontracting of a major portion of the contract was necessary and the most reasonable route to follow and (2) all labor and materials were necessary and reasonable in quantity, type, and rate.

Traffic Safety Administration officials did not require the Washington Hilton to obtain competition for its subcontract. They relied on the Washington Hilton's experience and judgment in selecting a subcontractor and on the hotel's opinion that the subcontractor's prices were fair and reasonable.

In the absence of price competition, contracting officers should use other means of determining reasonableness of price. Federal Procurement Regulations provide that some form of cost or price analysis be made for every negotiated procurement action. When the award is expected to be under \$100,000, the contracting officer is required to make a price analysis to determine the reasonableness of the proposed contract price. Price analysis techniques may include (1) comparison of prior prices with current proposals for the same or similar items, (2) use of rough yardsticks to point up apparent gross inconsistencies which should be subjected to greater pricing inquiry, (3) comparison of proposed prices with estimates of cost independently developed by personnel within the contracting activity, and (4) comparison of prices set forth in published price lists issued on a competitive basis.

Traffic Safety Administration officials informed us that they had compared the subcontractor's daily rate for interpreters with prices paid by others for similar services. About \$6,600 of the subcontract amount was expended for interpreters services. Otherwise, the agency's determination as to the reasonableness of proposed subcontractor prices for management and support services and equipment was based on the experience and judgment of officials of the Traffic Safety Administration and the Washington Hilton.

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The selection of the Washington Hilton to accommodate the conference and the use of the Washington Hilton to provide the management and support services appears to be within the

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authority of the contracting officer and to be a reasonable decision under the circumstances. However, the reasonableness of prices was based primarily upon subjective judgments rather than on comparisons with other data. We brought this matter to the attention of contracting officials in the Traffic Safety Administration and suggested that contracting officers be required to analyze prices in accordance with the Federal Procurement Regulations and to adequately document such analyses in the contract files. These officials informed us that this case was an exception to their regular procedure, which is to make price analyses on negotiated contracts under \$100,000.

We trust that the information furnished will serve your purposes. As you requested, we are returning the enclosures to your September 18 letter.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "James B. Peck".

Comptroller General
of the United States

Enclosures

The Honorable William Proxmire
United States Senate