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MAY

1973

Report To Senator William Proxmire  
On Our Examination Of  
The Transportation Exposition At  
Dulles International Airport B-157512

Department of Transportation

**BY THE COMPTROLLER GENERAL  
OF THE UNITED STATES**

**089953**

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MAY 18, 1973



COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D C 20548

B-157512

The Honorable William Proxmire  
United States Senate

Dear Senator Proxmire

Pursuant to your request of May 12, 1972, and subsequent discussions, we examined certain aspects of the United States International Transportation Exposition held at Dulles International Airport from May 27 to June 4, 1972

We have not determined the propriety of the financial assistance and other support provided by Federal departments and agencies for the exposition. As agreed with you, we will provide you with such information as soon as possible. The support provided by Federal departments and agencies is shown in appendix III of the report

Many of the matters contained in this report are in a similar report to be issued to another Member of Congress today. We will release this report only if you agree or publicly announce its contents

Sincerely yours,

A handwritten signature in cursive script, reading "James B. Stets".

Comptroller General  
of the United States

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ABBREVIATIONS

- TRANSPO United States International Transportation Exposition
- FAA Federal Aviation Administration
- FHWA Federal Highway Administration
- GAO General Accounting Office

COMPTROLLER GENERAL'S REPORT TO  
THE HONORABLE WILLIAM PROXMIRE  
UNITED STATES SENATE

EXAMINATION OF THE  
TRANSPORTATION EXPOSITION AT  
DULLES INTERNATIONAL AIRPORT  
Department of Transportation  
B-157512

D I G E S T

WHY THE REVIEW WAS MADE

In response to a request from Senator Proxmire, GAO examined operations of the U.S. International Transportation Exposition (TRANSPO), sponsored by the Department of Transportation at Dulles International Airport from May 27 to June 4, 1972 (See app. I.)

Primarily TRANSPO was designed to stimulate the development of new markets for U.S. transportation products and to exhibit innovations in transportation to the general public.

GAO's examination was directed primarily to charges that the cost of TRANSPO was excessive and might have involved the misuse of appropriated funds

FINDINGS AND CONCLUSIONS

Federal funds and support  
for TRANSPO

To supplement TRANSPO's initial appropriation and its estimated revenues, TRANSPO officials expected wide support from within the Department of Transportation and from the other Government agencies (See p 24 )

Although TRANSPO initially experienced difficulty obtaining staff, funds, and services from the Federal departments and agencies, it ultimately received total Federal

support in excess of that initially reported to the Congress in November 1971 during hearings on the need for a supplemental appropriation.

At that time Department officials informed the Congress that the total estimated cost of TRANSPO was about \$8.78 million, or \$2.20 million more than the anticipated revenues of \$3.78 million and the initial appropriation of \$2.80 million. This amount did not include any estimates for support from other departments and agencies. In December 1971 the Congress appropriated the \$2.20 million and authorized an additional \$1.25 million for defense contractors participating in TRANSPO (See pp 6, 7, and 25 )

Information furnished by officials of TRANSPO and the Federal departments and agencies involved indicates that as of February 1973 total Federal funds, support, and exposition revenues made available for TRANSPO totaled about \$20.24 million, of which the Federal Government had spent or committed about \$20.18 million.

At that date TRANSPO also had about \$1.55 million in contingent liabilities consisting of claims by TRANSPO contractors for additional compensation. Also restoration of the TRANSPO site was estimated to cost \$400,000. (See p 8 )

Agency officials said that, of the \$20.18 million spent or committed,

\$7.77 million, identified as demonstration and exhibit costs, could not be considered as exclusive TRANSP0 costs because such costs would have been incurred even if TRANSP0 had not taken place

For example, the Urban Mass Transportation Administration provided \$6 million to four corporations to demonstrate rapid transit systems (people movers) and gave TRANSP0 about \$400,000 for site development work related to the transit systems. The four systems were to be tested at Dulles during TRANSP0 and for 1 year after TRANSP0 (See p 9.)

#### Contract administration

GAO examined the reasonableness and appropriateness of TRANSP0's procurement actions. Authorizing legislation for TRANSP0 excluded it from the requirement of procurement by formal advertising procedures.

GAO reviewed 18 contracts amounting to \$7.29 million of the \$9.41 million in procurements for TRANSP0 operations. For most of the contracts, GAO found that competition was limited or nonexistent or that the procurement procedures and practices did not adequately insure that fair and reasonable prices had been obtained. Several contracts resulted in expenses in excess of anticipated amounts.

For the contracts without adequate competition, GAO found that

- an unreasonably short time was permitted for preparing and submitting bids or proposals,
- the need was not advertised in the Department of Commerce "Business Daily," where industry normally learns of Government contracting opportunities,

--the TRANSP0 staff had contacted only a small group of contractors,

--sole-source purchases were made because, according to procurement officials, the TRANSP0 staff did not submit their requirements early enough for the procurement group to solicit competition. (See pp. 12 and 15.)

Most of the negotiated contracts GAO reviewed, totaling at least \$100,000 each, were awarded without adequate competition. Under such circumstances, the contracting officer should make detailed cost analyses of the offerors' proposals to insure fair prices. This was not done. (See p 17.)

#### Management of TRANSP0

During the preparation for TRANSP0, the Department realized that it did not have the experienced management or sufficient operating staff to efficiently develop TRANSP0. Management problems were compounded by the difficulty TRANSP0 experienced in obtaining support from the Federal departments and agencies on a timely basis.

These factors, together with the short time in which the Department and TRANSP0 officials were operating, were not conducive to an efficient operation, as was particularly evident in their procurement activities.

Late in the planning and preparation process, the Department changed the management and organization of TRANSP0 so that it could open on time (See p 20 )

It is difficult to determine what effect the problems with management, staff, and time have had on the overall cost of TRANSP0.

However, it appears that these problems produced a situation which favored expediency. It seems reasonable to conclude that TRANSP0 costs were most likely affected by decisions concerning what activities and exhibits to include (See p. 25.)

Other matters

The Senator also requested GAO to examine a number of specific matters associated with TRANSP0 activities. GAO's views on these matters are presented in chapter 5.

AGENCY ACTIONS AND UNRESOLVED ISSUES

The Department of Transportation

stated that it did not agree with the statements in this report implying that most procurement practices were unsound and that there was little assurance that contract prices were reasonable or the best obtainable by the Government.

The Department emphasized the difficulty TRANSP0 had in obtaining staff, funds, and services from Federal agencies and stated that these factors, together with the short time in which the TRANSP0 staff was operating, were not conducive to the normal practices and procedures followed by the Government. (See app. II.)

## CHAPTER 1

### INTRODUCTION

At the request of Senator William Proxmire (see app. I), we have examined certain aspects of the United States International Transportation Exposition (TRANSPO) which was held at Dulles International Airport in Loudoun County, Virginia, from May 27 to June 4, 1972. We directed our examination primarily to charges that the cost of TRANSPO was excessive and might have involved the misuse of appropriated funds.

TRANSPO was primarily designed to stimulate development of new markets for U.S. transportation products. Manufacturers were invited to exhibit their products to present the most modern equipment and systems available and to preview the transportation technology of the future. In conjunction with the marketing approach, TRANSPO exhibited innovations in transportation to the general public.

Department officials claimed that about 400 exhibitors participated in TRANSPO, including 9 countries, 60 foreign firms, and about 17 Federal and State agencies. Following is a breakdown of exhibitors associated with a particular part of the transportation industry.

Aircraft and aerospace	127
Passenger cars, trucks, and buses	61
Rail and rapid transit	36
Cargo handling, storage, and warehousing	33
Trailers and mobile homes	17
Marine and boats	<u>10</u>

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The other exhibitors were Government agencies, associations, transportation service industries, and other companies with various miscellaneous products.

Paid attendance was about 449,000. In addition, free passes for the exposition were given to exhibitors, staff and support groups, the press, and special guests. A TRANSPO consultant estimated that about 1 million people attended.

## THE BACKGROUND OF TRANSPO

On December 5, 1969, the President signed the Military Construction Authorization Act of 1970 (83 Stat 317). Section 709 of this act authorized the President to establish and conduct an International Exposition

The President, by Executive Order 11538, dated June 29, 1970, assigned responsibility for the development and operation of the exposition to the Secretary of Transportation. On August 28, 1970, the Secretary delegated responsibility for the exposition to the Administrator of the Federal Aviation Administration (FAA). In September 1971 the Secretary appointed a Special Assistant to assume responsibility for managing the exposition.

The act required the first exposition to be held in 1971 and authorized \$750,000 to cover the initial organizational costs.

Some time before the initial appropriation, Department officials envisioned the scope of the exposition as broader than simply an exhibit of aeronautical technology. All aspects of advanced transportation technology were to be featured, including ground, air, and marine exhibits and symposiums.

The Department evaluated the effort required to plan and construct the necessary facilities and considered whether the amount initially authorized would be adequate. On the basis of these evaluations, the Department requested and obtained an amendment to the original legislation. This amendment (approved October 26, 1970, 84 Stat 1224) provided that the exposition would be held no later than 1972 and authorized appropriations not to exceed \$3 million

The Congress appropriated \$2.80 million in May 1971. Together with anticipated revenues of \$3.78 million from TRANSPO activities, Department officials considered the funds to be sufficient to meet estimated total exposition costs of \$6.58 million. The anticipated revenues would be received from such sources as admission and parking fees and rental of exhibit space

Internal memorandums indicated that Department officials expected a high level of nonreimbursable support from within the Department and from other Government agencies. When they did not receive this support and when increased unforeseen costs were incurred, Department officials requested increased funding for TRANSPO. In November 1971 Department officials stated that

"The cost of developing the TRANSPO-72 site and installing the necessary facilities has increased significantly since the submission of the initial appropriation request. This increase is due to several factors (1) a significant inflation in construction costs, (2) the greatly expanded concept for the Exposition, and (3) inability to obtain accurate estimates or actual cost data until the master planning was completed."

Department officials requested an additional \$2.2 million to meet their revised cost estimate of \$8 78 million

In December 1971 the Congress appropriated an additional \$2.2 million to TRANSPO (85 Stat 627) with the provision that \$2 million of this be available only upon congressional approval of increased authorization. The remaining \$200,000 had previously been authorized (See p 6.) In March 1972 the Congress increased the authorization for TRANSPO from \$3 million to \$5 million (86 Stat. 63).

Also in December 1971 the Congress, under the Department of Defense Appropriation Act of 1972 (85 Stat. 716), allowed defense contractors which would participate in TRANSPO to charge a portion of their exposition costs to their contracts, not to exceed a total of \$1.25 million. The Department of Defense had not allocated the \$1.25 million to any specific contracts as of February 1973

### SCOPE

We examined the legislative history of TRANSPO and reviewed pertinent TRANSPO records, files, and reports. We interviewed officials responsible for TRANSPO and those familiar with TRANSPO and similar expositions. In addition, we requested each Government agency which provided support to TRANSPO to provide us with information on the extent of and authority for that support.

## CHAPTER 2

### FEDERAL FUNDING AND SUPPORT OF TRANSPO

A final analysis of the financial aspects of TRANSPO was not available during our review because all transactions had not been completed. However, on the basis of information and estimates from officials of TRANSPO and other Federal agencies, we estimated that, as of February 1973, the total amount of Federal funds and support and exposition revenues made available for TRANSPO totaled about \$20.24 million and that the Federal Government had spent or committed about \$20.18 million. In addition, TRANSPO had about \$1.55 million in contingent liabilities consisting of claims submitted by TRANSPO contractors for additional compensation. Also, restoration of the TRANSPO site was estimated to cost \$0.40 million.

#### FUNDS AND SUPPORT FOR TRANSPO

The funds and support to operate TRANSPO were derived from appropriated funds, exposition revenues, and support from Department of Transportation agencies and other Government agencies. The sources of the funds and support are summarized below.

Funds for which TRANSPO officials were responsible		
Direct appropriations		\$ 5,000,000
Estimated revenues		
Space sales	\$1,628,600	
Admissions	<sup>a</sup> 973,200	
Support services	100,000	
Parking	<sup>a</sup> 71,700	
Food, Souvenirs, and concessions	61,300	
Catalogs and programs	8,500	
Commemorative sales	75,200	
Bus service	38,000	
Contributions	21,200	
Telephone cable	27,500	
Sale of exhibit buildings	<u>127,100</u>	3,132,300
Direct financial assistance from the Department of Transportation and its agencies		<u>1,766,100</u>
		<u>9,898,400</u>
Contributed support from Government departments and agencies		<sup>b</sup> <u>10,344,700</u>
Total		<u>\$20,243,100</u>

<sup>a</sup>In a March 16, 1973, report, the Office of Audits, under the Office of the Secretary of Transportation, pointed out that the estimated loss of revenues to TRANSPO due to a lack of proper control over free admission tickets and parked cars during TRANSPO totaled at least \$186,000. It was estimated that about 66,000 admission tickets, valued at about \$150,000, were issued without charge. In addition, about 60,000 cars were parked at TRANSPO without a free pass or a paid parking ticket, resulting in a loss of about \$36,000.

<sup>b</sup>In April 1973 Department of Transportation officials informed us that FAA was planning to absorb approximately \$120,000 of additional expenses for TRANSPO into the FAA appropriations. This action will increase FAA's financial support to TRANSPO by \$120,000 and decrease the expenses charged to the TRANSPO appropriation by the same amount. (See p 22)

COSTS INCURRED

We estimated that as of February 1973 the Government had spent or committed \$20.18 million for TRANSP0, as shown in the following table.

	<u>Amount</u>	
	(000 omitted)	
Exclusive costs (note a):		
General site--grading, roads, parking, stabilization, utilities, and design service	\$4,460	
Operations--master plan, administration, site security, cleaning, and other site services	2,880	
Buildings--exhibit and business centers	1,741	
Assistance to defense contractors which exhibited	1,250	
Marketing and promotion	574	
Air and ground demonstration	376	
Bus service	260	
Graphics	223	
Miscellaneous costs	<u>649</u>	<u>\$12,413</u>
Other costs (note b)		
Demonstrations and exhibits	6,676	
Support for demonstrations and exhibits	<u>1,090</u>	<u>7,766</u>
Total		<u>\$20,179</u>

<sup>a</sup>Exclusively for TRANSP0.

<sup>b</sup>Costs which agency officials said would have been incurred if TRANSP0 had not taken place.

The \$4.46 million for general site work includes \$973,000 for roadwork and parking facilities that the Federal Highway Administration (FHWA) considered to be a demonstration for new construction material and therefore not an exclusive cost of TRANSP0. If FHWA had not contributed the

support, TRANSP0 would have had to expand operating funds for the projects. Also included in this amount is \$676,000 for road and site preparation work which FAA considers as permanent improvements to Dulles Airport. We considered both of these items exclusive costs because they were necessary for the operation of TRANSP0.

Most of the \$7.77 million categorized as other costs concerned the following.

1. The Urban Mass Transportation Administration provided (a) grants of \$6 million to four corporations under its Research, Development, and Demonstration Program to design rapid transit systems (people movers) and to demonstrate and test those systems at the TRANSP0 site for about 1 year, (b) \$414,000 for site development work related to the people movers, and (c) \$108,000 to exhibit urban transit research vehicles
2. FAA provided \$510,000 for (a) displaying flight-line navigational aid and uses of aeronautics in transportation and (b) supporting a man-in-motion theme<sup>1</sup> and a Department-wide exhibit on its role in providing a balanced transportation system.
3. The Federal Railroad Administration provided \$208,000 to transport a high-speed rail research car to TRANSP0 for exhibition and to support the Department's theme and exhibit costs.
4. The Department of Commerce, through the Bureau of International Commerce and the Maritime Administration, constructed and operated two exhibits at a cost of \$88,000. Commerce officials told us that they intend to use these exhibits in future trade shows.

Appendix III lists department and agency contributions and cited authority for them. We have not determined the propriety of these contributions.

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<sup>1</sup>A series of exhibits, supported by the Department, depicting man's technological progress in transportation from the beginning of recorded history.

### CHAPTER 3

#### CONTRACT ADMINISTRATION

Although the authorizing legislation for TRANSP0 excluded it from the requirement of procurement by formal advertising procedures, our examination was concerned with the reasonableness and appropriateness of procurement actions for insuring that goods and services were obtained at fair and reasonable prices.

TRANSP0 and Department organizations procured about \$9.41 million in goods and services through contracts, interagency agreements, and purchase orders. We found that competition for most procurements we reviewed was restricted or nonexistent or that the procurement procedures and practices did not adequately insure that fair and reasonable prices had been obtained. Several contracts resulted in expenses in excess of anticipated amounts

TRANSP0 officials stated that they lacked sufficient procurement and technical support personnel to manage the large volume of procurements and that they followed sound procurement practices when possible within the time available to them

The procurements are summarized below.

Contract awarded by	Formal advertising procedures		Negotiation procedures				Total	
	Num-ber	Amount	Sole-source		Competitive		Num-ber	Amount
			Num-ber	Amount	Num-ber	Amount		
TRANSP0	26	\$3,011,277	112	\$2,708,106	18	\$1,482,591	156	\$7,201,974
FHWA	4	1,110,069	1	601,577	-	-	5	1,711,646
Office of the Secretary	-	-	-	-	1	283,349	1	283,349
Total	<u>30</u>	<u>\$4,121,346</u>	<u>113</u>	<u>\$3,309,683</u>	<u>19</u>	<u>\$1,765,940</u>	<u>162</u>	<u>\$9,196,969</u>

TRANSP0 officials issued, in addition to the 162 contracts, 301 purchase orders for \$217,338, resulting in total procurements of \$9,414,307 for TRANSP0 operations.

We reviewed the procurement practices and examined in detail 18 contracts amounting to about \$7 29 million Our observations follow.

LIMITED COMPETITION IN ADVERTISED  
AND NEGOTIATED TRANSPO CONTRACTS

Seven of the 12 formally advertised or competitively negotiated contracts which we reviewed were awarded by TRANSPO after solicitations which limited competition. At least one of the following characteristics was associated with the award of each of the seven contracts, which totaled about \$3.57 million.

1. An unreasonably short time was permitted for preparing and submitting bids or proposals.
2. The need was not advertised in the Department of Commerce "Business Daily," where industry normally learns of Government contracting opportunities.
3. Competition was limited because, in making procurements, the TRANSPO staff contacted only a small group of contractors.

The limited competition for the seven contracts is illustrated in the following cases.

Case 1

A formally advertised solicitation for leasing toilet and other sanitation facilities was made to eight firms selected from the Washington area telephone directory's yellow pages. There were no public advertisements of the proposed procurement. Potential bidders were given 7 days to prepare bids. Of the three bids received, the low and high bidders were declared nonresponsive because TRANSPO determined that they failed to adequately describe the facilities, such as their color and size. The remaining bidder was awarded the contract for \$124,300.

A TRANSPO official informed us that the need for the facilities had not been advertised and that bidding time had been limited because TRANSPO knew that most of the potential contractors would need as much time as possible to buy or manufacture toilets to meet the contract requirements.

The Department, in its comments dated February 20, 1973 (see app. II), stated that our report implies that the TRANSPO staff did not use sound procurement practices in soliciting bidders for sanitation facilities because the procurement staff used the yellow pages for solicitation. The Department stated that our report failed to note that the yellow pages and the Thomas Register were used to supplement a list which was considered too small to insure adequate competition.

Our review indicated that TRANSPO officials recognized the need for the facilities months before solicitation. Therefore, the initiation of procurement should not have been delayed until little time was left. Advertising and earlier solicitation could have greatly increased the competition and allowed adequate time for preparing bids.

#### Case 2

TRANSPO made two attempts through formal advertising procedures to solicit competition for the construction and lease of business centers, but it did not receive bids within the TRANSPO budget. TRANSPO then requested 14 potential contractors to submit proposals subject to negotiation. Three of the contractors submitted proposals within the budgeted amount, but two later withdrew because, according to TRANSPO records, TRANSPO officials had failed to make a timely award.

The remaining contractor (two companies in a joint venture) was awarded a firm fixed-price contract for \$384,000 on December 10, 1971.

TRANSPO officials seemed to have relaxed their requirements to get the contract awarded. TRANSPO accepted the contractor as reliable and competent and accepted a \$25,000 letter of credit in lieu of a 100-percent performance bond as initially intended, even though an official from each of the two companies in the joint venture had to pledge personal assets as a result of the unfavorable financial position of their company.

A TRANSPO official told us that requiring such a bond would have tied up all of the contractor's capital. Financial information provided to TRANSPO on the two companies

was based on unaudited financial data. Also, the preaward survey of the contractor's technical ability seemed to contain more favorable conclusions than the data justified, since it showed that the contractor had never built the type of structure required.

The records show that, from the time the contract was awarded, TRANSPO considered the contractor marginal from a financial and performance standpoint. The partially constructed buildings blew down in April 1972, at which time the contractor had been paid \$192,000.

TRANSPO officials terminated the contract because of default and collected \$25,000 under the letter of credit when they determined that the contractor could not possibly complete reconstruction in time for the TRANSPO opening. Two days after termination, TRANSPO awarded a contract to another contractor for a firm fixed price of \$420,000, plus a cost-reimbursable provision for removing certain portions of the previous contractor's material at an estimated cost of \$116,000. The new contractor placed prefabricated units on the foundations constructed by the previous contractor.

In commenting on the draft report, the Department stated that the buildings in question were only leased to the Government and that at no time did the Government have or intend to have title to them; therefore, the Miller Act, which contains the normal requirements for a performance bond, did not apply. It also stated that the use of performance bonds for such contracts is restricted by the Federal Procurement Regulations.

The Federal Procurement Regulations generally do not require performance bonds for other than construction contracts, but they do not restrict the use of such bonds. Such bonds may be required for other than construction contracts when essential to the best interests of the Government. We believe that TRANSPO officials had sufficient information about the shortcomings of the contractor at the time the contract was awarded to justify requiring a 100-percent performance bond. If TRANSPO officials had required such a bond, the Government would have been protected against the additional costs resulting from the default of the initial contractor.

### Case 3

TRANSPO invited nine small businesses in the Washington area to submit bids within 8 days for fencing to surround the exposition site. TRANSPO's design contractor had estimated the fencing would cost \$82,000. Two bids were received, of which the lower was for about \$170,000.

Rather than reject both bids and solicit new bids, TRANSPO personnel stated that they accepted the low bid because of time limitations. They also indicated that the job may have been too big for most small contractors and that 8 days may not have given small contractors enough time to prepare proposals.

The fencing was provided for in the design specification in October 1971, however, TRANSPO did not solicit bids until March 1972, about 2 months before the opening of TRANSPO. TRANSPO personnel stated that the fencing was a low-priority item and that sufficient funds were not available for this project until March 1972.

### SOLE-SOURCE CONTRACTING

TRANSPO awarded 112 sole-source contracts totaling about \$2.71 million for personnel, goods, and services. Sixty-one of these, for about \$360,000, were for such goods and services as antique vehicles, temporary military bridges, and airshow performers, which did not appear susceptible to competition. We reviewed 5 of the remaining 51 contracts and the 1 sole-source contract awarded by FHWA. The six contracts amounted to about \$1.81 million.

Competition for three of the six contracts appeared to have been unnecessarily limited. In each case a TRANSPO technical representative informally contacted organizations which he believed might meet TRANSPO's needs.

On the basis of such contacts, the technical representative picked an organization he decided would be acceptable and submitted a sole-source purchase request to the contracting officer. Officials told us that this practice was typical of other TRANSPO sole-source procurements because time restraints prevented them from advertising. Procurement officials stated that many of the TRANSPO staff were not

familiar with Government procurement procedures and that they frequently did not submit their requirements early enough for the procurement group to solicit competition.

For example, the contract for installing a public address system at the exposition site had to be awarded early so that the public address contractor could coordinate his activities with the master plan design contractor. This coordination was necessary because all of the public address cables were to be underground.

In May 1971 TRANSPO attempted to arrange for a large manufacturer to provide a public address system in return for free exhibit space. The manufacturer declined but recommended another firm.

The TRANSPO technical staff contacted the recommended firm and requested it to submit a proposal on the basis of verbal specifications. The firm submitted a proposal on July 7, 1971, which TRANSPO considered too costly. After further discussions, the firm submitted a revised proposal on August 6, 1971, based on a 50-percent reduction in equipment and services.

On August 10, 1971, the technical staff submitted a purchase request to the procurement staff for a sole-source procurement from the firm for \$24,900, the approximate amount of the firm's August 6 proposal. The justification stated that "insufficient time was available to draft specifications and necessary plans to solicit, research, develop, and award a contract." When we asked why the formal procurement action had not been started earlier, TRANSPO technical representatives stated that sufficient staff had not been available to prepare the detailed specifications needed to solicit competition.

At least one other firm was interested in supplying the public address system, and it had contacted top TRANSPO officials asking to be considered. However, the request was not passed down to the operating levels until too late to be considered in the procurement process.

## WEAKNESSES IN NEGOTIATING CONTRACTS

When adequate competition does not exist in Government procurements, the procurement agency is normally expected to negotiate for the best possible terms. When the amount of a negotiated contract is expected to exceed \$100,000, the contracting officer should make a detailed cost analysis of the offeror's proposal to insure a fair price.

It is the contracting officer's responsibility in such cases to require the prospective contractor to submit, or specifically identify in writing, the existing verifiable information used to develop the price proposal (cost or pricing data) and to certify that such data is accurate, complete, and current.

Eight of the 10 negotiated contracts we reviewed, each for at least \$100,000, were awarded without adequate competition. However, in none of these cases (six contracts awarded by TRANSPO and one each awarded by FHWA and the Office of the Secretary) did the contracting officer request cost or pricing data.

As a result, the agencies were not able to make cost analyses of the contractors' proposals. For three contracts the agencies stated that they had made price analyses, that is, they compared the proposals with agency estimates or prices paid for similar goods or services. For the other five contracts, neither cost nor price analyses were made, and for four of these, the contractors' proposed prices were accepted without any negotiations.

A TRANSPO procurement official said that sufficient procurement personnel were not available to analyze proposed prices. It was his view that, if time had been taken to obtain cost or pricing data and make detailed cost analyses, TRANSPO would not have opened on time.

The following cases illustrate the practices followed which, in our opinion, did not adequately insure that the Government had a reasonable basis for accepting the contractors' proposals

## Case 1

TRANSPO awarded a contract for \$128,700 to provide graphic panels for TRANSPO's theme. The technical representative who handled this procurement discussed TRANSPO's needs with the contractor and, after the contractor submitted a proposal, requested the contracting officer to award the sole-source contract.

At least three other firms were interested in the contract, but the technical representative decided they were unacceptable. TRANSPO officials did not request cost or pricing data in support of the proposal and received none. Therefore they could not make a price or cost analysis. The contractor submitted only a cost breakdown without supporting data. A preaward audit was made, however, the auditors stated that, because of the lack of time, they were unable to obtain adequate data on labor and overhead rates. The contract was later amended to cover additional work at a total contract price of \$143,495.

## Case 2

FHWA awarded a contract to cover part of the parking area at the TRANSPO site with a stabilized sulfate sludge base and other materials. The research and development group of FHWA was testing this substance because it was made with various waste materials which, if acceptable, could be a convenient means of waste disposal.

FHWA officials told us that there had been no competition because only one of two companies which FHWA considered to have the necessary experience was willing to do the work. FHWA estimated that the job would require 520,000 square yards of the base at 80 cents a square yard--a total of \$416,000. The contractor proposed 98 cents a square yard, or \$93,600 more than FHWA had estimated.

FHWA did not make a cost analysis of the proposed price but awarded a contract totaling \$759,790 for the sludge base at 98 cents a square yard, other materials, labor, and overhead. When asked about the lack of cost or pricing data, FHWA procurement personnel told us that their construction personnel had adequate experience and knowledge in highway construction costs to determine the reasonableness of the proposed cost.

Because FHWA did not have cost experience with this new substance, it appears that the available data did not adequately insure the reasonableness of the proposed price. Later contract modifications reduced the amount of the base to 357,000 square yards, which reduced the difference between the amounts computed at 80 cents a square yard and 98 cents a square yard to \$64,300.

In commenting on a draft of this report, the Department stated that, even though this contract involved an experimental material, the material was to be mixed and placed by standard construction processes. The Department stated that it also knew of several prices received by the Virginia Department of Highways for similar work and that the contracting personnel were assured that the price negotiated was fair. It is the Department's belief that, as a result of a review of nine similar projects, it paid no more than the going market price for the item we questioned.

Although the Department stated it had adequate assurance that it paid a reasonable price for the contract through comparison with similar projects, it had made no detailed cost analysis, as called for by the Federal Procurement Regulations, to provide such assurance.

## CHAPTER 4

### MANAGEMENT OF TRANSPO

During the preparation for TRANSPO, the Department realized that it did not have the experienced management personnel or sufficient operating staff to efficiently develop a transportation exposition of the size and complexity of TRANSPO. Late in the planning and preparation process, the Department changed the management and organization of TRANSPO so that it could open on time. Also, TRANSPO experienced difficulty in obtaining staff, funds, and services from the Federal departments and agencies on a timely basis. These factors, together with the short time in which the Department and TRANSPO officials were operating, were not conducive to an efficient operation, as was particularly evident in their procurement activities.

#### STAFFING

In June 1970 the Department detailed three people to TRANSPO. One, who was the Acting Managing Director and later Managing Director, had been doing preparatory work for a possible exposition for a number of years and had participated in the Government's involvement in the Paris Air Show.

In October 1970 the Department contracted for a study of TRANSPO's organizational needs. The contractor's report, dated October 28, 1970, discussed the organization of the Paris Air Show and, by comparing TRANSPO with that event and considering the short time available, recommended an organization plan for TRANSPO. The contractor stressed the need to begin immediately.

The TRANSPO staff began to increase during the early part of 1971. By March 1971, eight persons were on the TRANSPO payroll and a number of agency personnel had been detailed to TRANSPO. During March 1971 the Secretary designated heads of (1) the Technical Planning and Installations Division, which was responsible for the master plan and overall construction and operations, (2) the Marketing and Promotion Division, which was responsible for development, sales, concessions, and special events, and (3) the Facilities and Operations Management Division, which was responsible for administrative control and management support.

By June 1971, 14 persons were on the TRANSPO payroll and 16 were detailed to it, however, it was becoming apparent to the Department that TRANSPO would not open on time under the existing staffing level. The Managing Director had recommended a staff of 59 by June 1971.

TRANSPO's Second Quarterly Report, issued in June 1971, stated that progress had been slow due to lengthy delays in obtaining administrative approvals from the Office of the Secretary of Transportation for the day-to-day operations and the hiring of personnel.

TRANSPO memorandums indicate that key vacancies sometimes existed. TRANSPO's Third Quarterly Report, issued in September 1971, stated that

"We still lack staffing in a few vital areas. We particularly need the services of two specialists in flight line operations. We are severely hurt by the long delay involved in securing \* \* \* [the Secretary's] approval of our personnel actions, including these two. We frequently encounter delays or outright refusals for staff assistance we request from \* \* \* [the Department] and operating administrations, with disastrous results to deadlines which cannot sustain further slippage."

On September 10, 1971, the Secretary appointed a Special Assistant for developing TRANSPO. The Special Assistant, who was a vice-president of a large industrial concern with considerable experience in business and public affairs, served the Secretary without compensation during TRANSPO.

On January 6, 1972, the Secretary announced realignment of the top executive structure of TRANSPO to strengthen management. A Consulting Executive Director, an Exposition Consultant, and a Consulting Director for Entertainment and Special Events were engaged as part of the new management team under the Special Assistant. The Managing Director was reassigned to the position of Executive Secretary.

After analyzing the adequacy of the TRANSPO staff and management, the Consulting Executive Director reported to the Special Assistant in January 1972 that.

--Few, if any, people in Government had the highly specialized talent needed to run an exposition of the magnitude of TRANSPO.

--Some bad judgment had been used in projecting costs caused by lack of experience.

He concluded that, if the lack of experience had been recognized in the beginning, many of the difficulties could have been avoided.

The TRANSPO organization under the new management team was divided into 10 units.

Office of the Special Assistant to the Secretary  
Comptroller  
Design  
Public Affairs  
Visiting Dignitaries  
Construction and Building  
Marketing  
Concessions and Services  
Air and Ground Demonstrations  
Plant Operations

Staffing increased under the new management team. In February 1972, 33 persons were on the TRANSPO payroll and 30 were detailed from various agencies. Staffing peaked during the exposition in May 1972, when 47 persons were detailed to TRANSPO from within the Department and other agencies and 58 were on the payroll

After the exposition the staffing level dropped considerably, most of the initial reductions were from the TRANSPO payroll. As of February 1973, only one person remained on full-time detail to TRANSPO to do "wrap up" work and one person remained part time to close contracts

#### FUNDS AND SUPPORT FROM FEDERAL AGENCIES

##### Interim funding of TRANSPO

Funds were not appropriated to TRANSPO until May 1971, but FAA officials recognized in the fall of 1970 that interim funding was needed to meet salary obligations and enter into key contracts which required significant lead time. These officials stressed their belief that, if funding was not made available at that time, TRANSPO could not be held when planned.

Therefore they authorized TRANSPO to obligate and expend funds and charge such obligations and expenditures against FAA's facilities and equipment account, under the condition that such charges would be transferred to the TRANSPO account after TRANSPO received its appropriation.

FAA officials informed us that this authorization was based on a broad, informal interpretation of FAA's authorizing legislation (49 U S C. 1301), which states that

"The Secretary of Transportation is empowered and directed to encourage and foster the development of civil aeronautics and air commerce in the United States and abroad "

The obligations and expenditures which were charged to the FAA account (about \$120,000) were transferred to the TRANSPO account after the TRANSPO appropriation was received in May 1971.

Department officials informed us in April 1973 that FAA officials had reconsidered this transfer and planned to return such obligations and expenditures from the TRANSPO account to the FAA appropriations. This action will increase FAA's financial support to TRANSPO by \$120,000.

#### Efforts to obtain supplemental support

To supplement the initial appropriation and estimated revenues, TRANSPO officials anticipated that they would receive wide support from within the Department and from other Government agencies. Internal memorandums indicated that they did not receive this support as soon as anticipated.

For example, TRANSPO's First Quarterly Report to the Secretary of Transportation for the period ended February 28, 1971, included this comment.

"We continue to be hampered in our overall operations by the apparent lack of understanding by operating administrations and offices outside FAA that the Exposition is a Department-wide undertaking and as such, necessitates their contributing on a nonreimbursable basis certain in-house support and resources required to properly develop and stage the Exposition."

The Secretary of Transportation, in a May 1971 memorandum to heads of operating agencies and secretarial officers, directed them to assist and support TRANSPO, within reasonable bounds, on a nonreimbursable basis

Federal support was apparently a continuing problem. For example, the Managing Director of TRANSPO, in a September 1971 letter to the Special Assistant, stated

"Our major problem is really that few Federal agencies realize the significance of TRANSPO, or seem to be willing to participate even as exhibitors."

TRANSPO's Third Quarterly Report to the Secretary in September 1971 stated

"The single major problem we face is lack of adequate funding. Much of this disadvantage could be overcome by inputs of personnel and funds from other elements of the Department of Transportation and other Federal departments and agencies. Unfortunately, an understanding of our mission and the need for cooperation has been slow in coming or nonexistent in most cases, in spite of our persistent and earnest efforts to explain that we are merely the department assigned action by the President to produce and manage the Exposition for the entire Government. In too many areas, our requests are treated as matters of annoyance, rather than matters of high priority."

Although TRANSPO initially had difficulty in obtaining staff, funds, and services from Federal departments and agencies, it ultimately received total Federal support in excess of that initially reported to the Congress in November 1971 during hearings on the need for a supplemental appropriation. At that time Department officials informed the Congress that the estimated cost of TRANSPO was about \$8.78 million. This amount did not include any estimates for support from other departments and agencies because TRANSPO officials did not know the total estimate. We noted, however, that certain support was being provided to TRANSPO at that time, such as personnel on detail and contracts funded by other agencies.

The actual cost will exceed the \$8 78 million estimate by a considerable amount. In addition to the \$1.25 million authorized by the Congress in December 1971 for defense contractors and the \$7 77 million furnished primarily by the Urban Mass Transportation Administration for people mover exhibits (see pp. 7 and 10), about \$11.16 million was spent or committed for TRANSPO. Possible additional liabilities (see p. 8) could increase that amount by several million dollars. It is difficult to determine what effect the problems with management, staff, and time have had on the overall cost of TRANSPO. However, it appears that these problems produced a situation which favored expediency rather than a carefully planned program. It seems reasonable to conclude that the cost of TRANSPO was most likely affected by decisions concerning what activities and exhibits to include in the exposition.

The sources and cited authorities for support provided to TRANSPO are detailed in appendix III.

## CHAPTER 5

### OTHER MATTERS

We also examined a number of other matters associated with the administration of TRANSPO on which there were questions concerning the authority for or reasonableness of actions taken. Our comments follow.

#### EXPENSES OF SPECIAL ASSISTANT FOR TRANSPO

On September 10, 1971, the Secretary appointed a special Assistant for TRANSPO Development. This official, who served without compensation, was a ranking officer of a large industrial firm. He resided on the west coast and, under the terms of his appointment, was considered in travel status when he was working in Washington, D.C.

Each weekend after working in Washington, he returned to his residence in California under a blanket Government travel order covering fiscal year 1972 which authorized first-class airfare "when necessary for the conduct of the trip."

The Special Assistant's travel vouchers for August 25, 1971, through June 17, 1972, showed that he was in a travel status for 141 days. He was reimbursed on an actual travel expense basis up to \$40 a day, including lodging, for August 25, 1971, through October 10, 1971, and up to \$27 a day, excluding lodging, for October 11, 1971, through June 17, 1972. The vouchers show that he made 24 first-class and 2 coach round trips between California and Washington. In addition, he made one round trip between California and Europe. His travel and subsistence claims amounted to about \$15,000. Also, the Department usually provided him with chauffeur-driven transportation in and around the Washington area and to and from Dulles Airport.

Effective October 11, 1971, the Department leased a room at the Watergate Hotel for TRANSPO meetings and conferences at a cost of \$854 a month. Billings from the Watergate and statements made by Department officials indicate that the Special Assistant lived in the room while in Washington. Department officials stated that the room also was used for meetings and conferences but that they did not keep records of such activities.

Questions have arisen as to the propriety of the Department's (1) rental of the room at the Watergate and (2) allowances to the Special Assistant, including subsistence amounts and first-class air travel.

There is sufficient authority in TRANSPO's authorizing legislation for leasing the room at the Watergate on the basis of the Secretary's determination that it was necessary to carry out the purposes of the exposition. Similarly, under the circumstances of his appointment, the Special Assistant was eligible to receive reimbursement for actual and necessary travel expenses not to exceed \$40 a day, subject to the administrative discretion of the Department. He was also entitled to receive transportation expenses for travel between his home and duty station. The frequency of his trips and his use of a Government car were matters subject to the Department's discretion.

#### CONTRACT FOR MANAGEMENT STUDIES

On January 6, 1972, the Secretary appointed a Consulting Executive Director for TRANSPO. Originally, the official had requested \$25 an hour (\$200 per 8-hour day) in return for his management services and periodic progress reports. To accommodate this request, the Department had drafted a time and materials contract with an estimated cost of \$40,000. The proposed contract was not executed.

The Consulting Executive Director's services were obtained through a \$40,000 contract with his consulting firm. The contract included \$34,100 for a series of nine interim reports and one final report and travel and subsistence expenses not to exceed \$5,900. The firm was to conduct studies to identify management and operational problems confronting TRANSPO and to recommend corrective action. A final report was to summarize TRANSPO and make recommendations for future expositions.

In our opinion, the nine interim reports and one final report submitted by the Consulting Executive Director were brief and shallow. His final report stated that the report had been hastily prepared and completely lacked depth but that a more detailed report giving information that would be helpful in planning for future TRANSPOs would be submitted. At the time of our review, he had not submitted such a report.

We were asked to consider whether it was appropriate for the Department to contract in the above manner considering that TRANSPO's authorizing legislation permitted the Secretary to obtain temporary or intermittent services at rates not to exceed \$100 per diem for an individual. In view of the nature of the work called for under the contract and the broad contracting authority contained in the authorizing legislation, we are unable to conclude that the contractual arrangement was improper.

#### CONTRACT FOR TOILETS

The Department contracted for single-unit toilets which were primarily push-button flush toilets fitted with larger holding tanks than normal. This permitted servicing only once a day when there were no crowds at TRANSPO.

We sought to determine whether applicable sanitary and health standards were met by this type of toilet. We contacted health officials of Loudoun County, who explained that TRANSPO officials permitted Loudoun County to periodically inspect the toilets and the method of cleaning and disposing of the refuse even though Loudoun County had no jurisdiction over the Federal property. These officials stated that they were totally satisfied with the sanitary conditions at TRANSPO.

## CONCESSION CONTRACTS

TRANSPO officials awarded 14 concession contracts for such things as exhibit space sales, support services to exhibitors, sales of food, souvenirs, programs, catalogs, and film; and grandstand, photography, receptionist, floral, and parking concessions. These contracts were awarded under the broad authority which the Congress gave TRANSPO in its authorizing legislation.

TRANSPO received about \$1,865,800 in gross revenues from these 14 contracts, the largest amount, \$1,629,000, was from the sale of exhibit space and business centers. The exhibit space sales contractor was entitled to a maximum fee of \$401,000, leaving TRANSPO with the net receipts of \$1,464,800 for the 14 contracts.

Some of the contracts were awarded competitively and some on a sole-source basis. For the competitive awards, TRANSPO selected the proposals which offered the greatest return to the Government, and for the sole-source contracts, it negotiated higher fees than initially offered. The two largest of these contracts--sale of exhibit space and support services--are discussed in more detail below.

### Contract for sale of exhibit space

We reviewed this contract to determine whether its terms were in the best interest of the Government and conformed to general industry practice.

TRANSPO officials indicated that they lacked the necessary experience to promote and sell exhibit space at TRANSPO and considered it essential to TRANSPO's success to hire a qualified firm to sell the space. After competitive solicitations and negotiations, a firm was selected not only to sell the exhibit space but also to sell space in 38 business centers, to produce and distribute announcement and promotional sales material, and to act as a consultant to the TRANSPO staff.

To give the contractor an incentive to sell as much space as possible, the following contract terms were approved.

<u>Gross sales of exhibit space</u>	<u>Percent to contractor</u>	<u>Increment maximum</u>	<u>Cumulative maximum</u>
\$ 0 to \$ 200,000	10	\$20,000	\$ 20,000
\$ 200,001 to \$ 400,000	25	50,000	70,000
\$ 400,001 to \$ 600,000	33	66,000	136,000
\$ 600,001 to \$ 800,000	37	74,000	210,000
\$ 800,001 to \$1,000,000	42	84,000	294,000
\$1,000,001 to \$1,200,000	45	90,000	384,000
\$1,200,001 and up	40		

The contractor also was to receive \$500 for each business center sold.

At the time the contract was awarded, TRANSP0 officials did not know whether the above percentages were reasonable. The contractor agreed to spend about \$335,000 to do the necessary work. Therefore, the contractor would have had to sell about \$1,100,000 of exhibit space to break even. TRANSP0 officials accepted the proposal. Although the officials compared the costs to do work in-house with the proposed price, they made no attempt to verify or analyze the proposed cost. They stated that it was more important to offer a strong incentive to the contractor to sell the space.

An FAA contract audit report, dated December 21, 1972, stated that the contractor was entitled to a fee of \$392,800, plus an additional fee of \$8,200 contingent upon the collection of revenues for certain space sales. The contractor also asked for approximately \$50,000 more because TRANSP0 had provided free exhibit space to organizations to which the contractor expected to sell space. The audit report states that the contractor's actual expenses totaled about \$356,200.

We are unable to say whether this contract was in the best interest of the Government or conforms to general industry practice. But, in light of the broad contracting authority provided by TRANSP0's authorizing legislation, we have no legal basis for questioning the contract.

#### Contract for support services

The Department executed a contract which gave one contractor the exclusive right to supply TRANSP0 exhibit support services and which required the contractor to pay the Government a percentage of its billing. We inquired into the

degree of competition, whether the contract was consistent with industry practice, and the suitability of the clause requiring the return of a percentage of billing to the Government.

The contract was competitively negotiated. Seventeen companies were asked to submit proposals. Four proposals were received and evaluated, and one was declared non-responsive. Of the remaining three proposals, the one that was rated third best, but still acceptable, was awarded the contract because the Department concluded that it offered the greatest return to the Government.

The terms of the contract created some controversy with the trade show associations. These associations objected not only to the exclusive nature of the contract but also to TRANSPO's receiving a percentage of the gross receipts. They stated that such arrangements unnecessarily increased the cost and reduced the quality of services to exhibitors.

We discussed with a member of a national trade show association the extent to which such arrangements conform with industry practice. He said that, although the association does not condone the practice, such arrangements had been made occasionally. The association's recommended rules and regulations do not provide for percentage-return support contracts or exclusive contract arrangements.

We also talked with a Department of Commerce official who was responsible for most U.S. exhibits in trade shows and expositions. He noted that the Government had participated in expositions with an exclusive support service contractor. Our cursory review of the Government's participation in six trade shows and expositions showed two instances of an exclusive service arrangement.

TRANSPO officials told us that they had awarded such a contract because

1. The short time to prepare for such a large exposition made it important to control the flow of activities. By having one support service contractor, coordination of activities was easier.

2. The sizable investment of public money in TRANSP0 should permit some returns to the Government. TRANSP0 officials said that this practice takes place in the exhibit profession, even though it is not always made public.

In light of the broad authority provided by TRANSP0's authorizing legislation, we have no legal basis for questioning the contract provision requiring the contractor to pay the Government a percentage of its billing.

SUBSIDY OF BUS TRANSPORTATION

We examined the authority for the Department of Transportation's bus transportation to and from TRANSPO, which was provided under a cost-plus-a-fixed-fee contract for \$251,500. Included in the \$251,500 was an estimated \$180,000 for bus charters, \$17,500 for the contractor's fee, and \$54,000 for estimated administrative costs. A TRANSPO official stated that the bus transportation was needed to alleviate the traffic conditions to and from TRANSPO and to provide retired persons and low-income families the opportunity to visit TRANSPO at reduced bus fares.

Two days after the bus system started operations, the bus service requirements were reduced substantially from those which were initially anticipated. As of October 1972 TRANSPO had paid \$175,400 to the contractor. As a result of an audit of the contractor's cost, which is required in a cost-plus-a-fixed-fee contract before final settlement, an additional payment of \$47,900 was recommended by the auditors.

A breakdown in the total contract cost is as follows:

Bus charters	\$193,000
Contractor's fee	17,500
Administrative costs	<u>51,200</u>
	261,700
Less revenues collected	<u>38,400</u>
	<u>\$223,300</u>

In spite of the overall decrease in cost resulting from the cutback in service, the cost of bus charters increased over the initial estimate. A Department official told us that this increase was the result of difficulties in accurately estimating the required services and their related costs.

Because the Department determined that special bus service to and from the TRANSPO site was necessary, the TRANSPO appropriations were available to provide and subsidize such service. Moreover, the broad contracting authority given to

the Secretary by the authorizing legislation was sufficient to permit him to enter into this contract.

### ENVIRONMENTAL IMPACT STATEMENT

Questions have arisen about whether the Department's refusal to file an environmental impact statement for TRANSPORT was a violation of Federal law.

Section 102 of the National Environmental Policy Act of 1969 (42 U.S.C. 4332) requires Federal agencies to prepare detailed environmental statements on proposals for legislation and other major Federal actions significantly affecting the quality of the human environment. Whether a proposed Federal action will significantly affect the quality of the human environment is primarily a matter for determination by the head of the agency having major responsibility for such a project.

The law is silent about preparing a statement on proposed Federal actions which, in the agency's judgment, would not significantly affect the environment. Some agencies, including the Department of Transportation, use documents resembling environmental statements, sometimes called negative environmental impact declarations, to record agency judgments that statements are not warranted.

The Department began to develop a negative declaration in late 1971. The Council on Environmental Quality guidelines do not require negative declarations to be circulated for comment outside the agency. In response to demands by environmental groups, however, the Department released to the public a negative declaration dated April 12, 1972, when the construction at the Dulles Airport site was substantially complete. It stated that "The Exposition is expected to have negligible impact on the environment because of short duration and the consideration of environmental factors in planning."

Although agency determinations that a particular action would not significantly affect the environment have frequently been challenged in the courts, we have no basis for questioning such determinations unless they are clearly without a reasonable basis. In this situation, we cannot say that the Department's determination was unreasonable. We are

also aware of no legal basis to question the Department's decision that an environmental impact statement was not required.

Regarding their conclusion that TRANSPO would have negligible environmental impact, Department officials claimed that promptly after the exposition all structures would be removed. In October 1972 the four main exhibit hall buildings were sold and were to be removed by the buyer.

Officials in the Department's Office of Environmental Quality told us that, in preparing the negative declaration, they understood that the Dulles site would be restored to its natural state and that the parking lots would be removed. As of January 1973 the site had not been restored. A Department official told us that a decision on restoration is contingent upon a final determination on holding future expositions.

#### DESIGN CONTRACTS

We reviewed all design contracts for indications of duplication of effort.

TRANSPO awarded 12 design contracts totaling \$372,416. Most of this amount pertained to one contract for \$280,535 for the development of a master plan for TRANSPO. Modifications to the contract increased the scope of work to include such things as

- The design and preparation of working drawings, cost estimates, and specifications for technical, engineering, and architectural work.
- The design of prototypes for graphic displays.
- The assignment of one designer to do onsite graphics work as part of TRANSPO's Design Division.

Nine of the other 11 contracts were for personal services of professional designers to work in TRANSPO's Design Division. The Design Division took the original and more basic designs produced under the large contract and made the final designs and drawings. There was some redesign of those products, but according to a TRANSPO official, it was minor and was caused by changes in TRANSPO's overall design.

The remaining two contracts were for landscaping design and construction and for graphic work which the Design Division could not do. There did not appear to be any significant duplication of design effort.

WILLIAM PROXMIRE  
WISCONSIN

## United States Senate

WASHINGTON D C 20510

May 12, 1972

Honorable Elmer Staats  
Comptroller General  
General Accounting Office  
Washington, D. C

Dear Elmer.

Over the past few weeks I've been looking into the way in which federal dollars are being spent on TRANSP0 72, the international transportation exposition to be held from May 27 through June 4 at Dulles International Airport. In view of the substantial amount of Federal funding going into this undertaking -- well in excess of \$10 million -- I would like the General Accounting Office to report to me on a number of matters that have come to my attention involving the possible misuse of appropriated monies.

First, in order to determine just how much the federal government is spending on TRANSP0 72 I would like to receive from your office a budget breakdown showing the amount of money each participating Federal agency has put into the exposition or, if the input involves services rather than dollars, the dollar equivalent of those services. For example the Urban Mass Transportation Administration is spending \$6 million on four personal rapid transit systems that will be a major feature of the exposition. Furthermore, I understand that the public information offices of a number of Department of Transportation agencies have been spending a substantial amount of time promoting the exposition.

I'd also like to receive a rough budget breakdown showing how much was spent to prepare the site, construct buildings, promote the exposition, etc

Now to the specifics. Mr William J. Bird, General Manager of TRANSP0 72, has been staying at an \$854 a month suite at the Watergate Hotel at federal expense. Secretary of Transportation Volpe has justified this expenditure on the ground that the suite is used to discuss TRANSP0 72 with exhibitors and foreign embassy personnel yet has not seen fit to provide any specific information on these meetings. I'd like to learn to what degree the suite is being used for official business. Is this use sufficient to justify the expenditure involved?

Mr. Bird has a \$27 a day expense account, exclusive of travel and room. This account is used primarily to pay for meals that average \$9 for lunch and \$15 for dinner. Is this an improper use of federal funds?

APPENDIX I

Page Two  
Honorable Elmer Staats  
May 12, 1972

Mr Bird has over a long period of time taken weekly first class flights to his home on the west coast at federal expense. Is this expense justified?

Mr Harry J Krusz has a \$40,000 contract with the Department of Transportation for studies to identify management and operational problems confronting TRANSP0 72. The cost of the contract is over \$200 a day. In view of the fact that the only output under the contract is a series of superficial reports which cost the government \$3,000 each and are typically about four pages long it occurs to me that the contract may be a subterfuge to pay Mr. Krusz for consultant work at a rate far greater than he would be entitled to under the law as a consultant. Would you report to me on this possibility?

I'm particularly interested in the extent to which contracts were entered into under the TRANSP0 authority without going through acceptable competitive and negotiated bid procedures. I was first alerted to the possibility of irregularities in this area by the following Statement in one of Mr. Krusz' memoranda:

We must find a way to cut through many governmental restrictions, such things as competitive bids in critical areas which need to be contracted for now. ..

I'd like to have a report from you on all TRANSP0 72 contracts, but I'm particularly interested in the following specific contract problems

--I've received a number of complaints regarding TRANSP0 72's exhibitor support concession contract with Hargrove Displays. Officers of the Exhibit Designers and Producers Association as well as the Executive Secretary of the National Trade Show Exhibitors Association have complained that this is an exclusive contract that shuts out competition in violation of normal industry practice. I'd like to know to what degree competitive bid procedures were used in letting this contract, the extent to which it violates normal industry practice, and the suitability of a clause in the contract that requires Hargrove to pay to the federal government a percentage of its billings

--Information has come to my attention indicating that a contract with Monogram Sanitation Systems for toilet facilities may well violate good health and welfare procedure as set forth in a National Park Service letter to Under Secretary of Transportation Beggs. I'm enclosing a copy of that letter for your use. Does the contract indeed condone poor sanitation practices because of the types of units to be provided?

Page Three  
 Honorable Elmer Staats  
 May 12, 1972

--I understand that in a number of instances firms that indicated an interest in bidding on a contract in a specific area were completely ignored when the bid procedure took place. I'm enclosing documentation of one case involving a firm that indicated an interest in bidding over an 18 month period only to be told, finally, that the contract had been let to another company.

--The firm of Clapp and Poliak stands to make as much as \$384,000 for selling exhibition space at TRANSCO 72 for the Federal government. This amounts to an over-all commission as high as 38.4%. Was this contract in the best interests of the Federal government? Does it conform to general industry practice?

--A number of design study contracts have been let under the TRANSCO 72 authority. To what extent were these contracts duplicative?

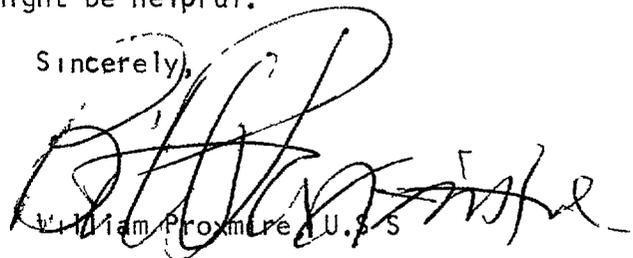
--According to the Washington Post for May 11 the Department of Transportation will subsidize bus travel to TRANSCO 72 at a cost of \$108,000. What authority does the Department have to provide this kind of one-shot subsidy?

Finally, the Department of Transportation has declined to file an environmental impact statement despite the fact that the exposition will pave 280 acres of grassland, and is expected to produce 500 tons of solid waste and attract 50,000 cars a day. Is this refusal to file a statement a violation of Federal law?

I recognize that this request will involve a great deal of work by your staff. However in view of the fact that the Department of Transportation plans to hold this sort of an exposition every two years and the magnitude of federal financial involvement -- the largest ever in a trade show -- I think it is essential for the Congress to get the best possible information on which to evaluate future proposals of this sort.

Tom van der Voort of my staff will be delighted to discuss this request further with your staff and provide them with access to any documentation we possess that might be helpful.

Sincerely,



William Proxmire, U.S.S.



OFFICE OF THE SECRETARY OF TRANSPORTATION  
WASHINGTON, D C 20590

ASSISTANT SECRETARY  
FOR ADMINISTRATION

February 20, 1973

Mr. Richard W. Kelley  
Associate Director, RED Division  
United States General Accounting Office  
400 Seventh Street, S.W.  
Washington, D.C. 20590

Dear Mr. Kelley:

This is in response to the General Accounting Office draft report dated January 19, 1973, on the transportation exposition at Dulles International Airport (TRANSP0). The Department is in general agreement with the findings of the report to the extent of the facts presented. However, we cannot agree with general statements which infer that most procurement practices were unsound and there was little assurance that contract prices were reasonable or the best obtainable by the Government. We recognize GAO's acknowledgment of the disadvantages under which the TRANSP0 had to operate, namely difficulty in obtaining staff, funds, and services from Federal agencies. These factors, together with the time frame in which the TRANSP0 staff was operating, were not conducive to the normal practices and procedures followed by the Government.

Though we agree generally with the facts presented in the report, we believe that some of the examples cited could lead the reader to generalizations relative to the overall operation of TRANSP0, which would not correctly portray the results of the staff's efforts. Therefore, it is necessary to comment on some of these examples to make clear the Department's position, and to point out the continuous efforts by the TRANSP0 staff to operate in a manner which was most advantageous to the Government.

The report implies that the TRANSP0 staff did not use sound procurement practices in soliciting bidders for sanitation facilities, because the procurement staff used the yellow pages of the telephone directory for solicitation. The report fails to note that the yellow pages and the Thomas Register were used to supplement a source list which was considered too small to assure adequate competition.

GAO concludes that, had the TRANSPO staff required a performance bond on the construction and lease of the business centers, the cost to the Government would have been less. The point is, the buildings in question were only leased to the Government, and at no time did the Government have, or intend to have, title to them. Consequently, the Miller Act, which contains the normal requirements for a performance bond, did not apply and the decision as to whether or not to require a performance bond would be no different than in a contract for radar equipment. In such instances performance bonds are the exception, and their use is restricted by the Federal Procurement Regulations.

The report infers that the contract price negotiated for the surfacing of the TRANSPO-72 parking lot with a stabilized sulfate sludge base may not have been reasonable. Even though this was an experimental material, the mixing and placing of the material were to be accomplished by using standard construction processes similar to mixing and placing of central plant mixed cement treated base. The Department also had knowledge of several prices received by the Virginia Department of Highways for similar work. The contracting personnel were assured that the price negotiated was fair. As the result of a review of nine similar projects, it is our belief that the Department paid no more than the going market price for the item questioned by the GAO.

For the most part, we consider the report to be accurate and constructive. Considering the highly unusual circumstances of the TRANSPO operation, we believe that the report reflects favorably on the Department of Transportation. This is not to minimize those deficiencies which were found by the GAO, but to keep them within the perspective of the TRANSPO pressures and deadlines.

We appreciate the opportunity to comment on the draft report.

Sincerely,

  
William S. Heffelfinger

APPENDIX III

SUPPORT PROVIDED TO TRANSPO  
BY FEDERAL DEPARTMENTS AND AGENCIES

<u>Department</u>	<u>Support rendered</u>	<u>Exclusive cost</u>	<u>Other cost</u>	<u>Total department cost</u>	<u>Cited authority</u>
Department of Health Education and Welfare	Secretarial services	\$ 4,500	\$ -	\$ 4,500	Section 709, Public Law 91-142 (note a)
Department of the Interior	Park police services, loan of park benches and loan of cleanup truck	17,157	-	17,157	Executive Order 11538 (note b)
Export Import Bank of the United States	Cost to provide information at TRANSPO	6,951	-	-	Title IV of the Foreign Assistance and Related Programs Appropriation Act (Public Law 92-242) (note c)
	Cost to demonstrate the various services that could be rendered to potential exporters	-	11,133	-	
<b>Total</b>		-	-	18,084	-
Department of Defense	Various air demonstration teams and space trade-off for military personnel temporarily as signed to TRANSPO	<sup>d</sup> 115,185	-	-	Department of Defense Directive 5410-18, section IV, "Community Relations" (note e), Executive Order 11538 (note b), and section 709, Public Law 91-142 (note a)
	Funds available to assist defense contractors which exhibited products at TRANSPO	1,250,000	-	-	Section 734, Public Law 92-204 (note f)
<b>Total</b>		-	-	1 365,185	-
Government of the District of Columbia	Painted heliport station and standby fire and ambulance protection	6,873	-	6,873	Office of the Director, Department of Highways and Traffic, and section 4-401, District of Columbia Code (note g)
Environmental Protection Agency	Technical assistance in setting up a solid-waste collection system for TRANSPO	689	-	689	Solid Waste Disposal Act of 1965, as amended by the Resource Recovery Act of 1970 (note h)
Department of Justice	Provided deputy marshals	16,830	-	16 830	Provided at the request of the Department of Transportation
General Services Administration	Assignment of supply management representatives police service and onsite inspection of cleaning services	39,915	-	-	Executive Order 11538 (note b)
	Design and proposed model of the GSA exhibit area	-	500	-	-
<b>Total</b>		-	-	40,415	-
Department of Agriculture	Exhibit to demonstrate to shippers Agriculture's research and its effect on transporting agriculture commodities	-	18,000	18,000	Organic Act establishing the Department (May 15, 1862, 7 U S C 2201) and annual appropriation language (note i)
Department of State	Personnel cost for matters of protocol and a reception for visiting dignitaries	10 977	-	10,977	Services furnished were considered functions which routinely fall within the Department's responsibility
Department of Transportation					
Office of the Secretary	Administrative and audiovisual services	97,275	-	-	Public Law 91-142 (note a)
	Funds for man-in-motion theme	-	384 000	-	Public Law 91-142 (note a)
United States Coast Guard	Administrative services	83,411	-	-	Public Law 91-142 (note a)
Federal Aviation Administration	Administrative services	814,239	-	-	

APPENDIX III

Department	Support rendered	Exclusive cost	Other cost	Total department cost	Cited authority
Department of Transportation (continued)					
Federal Aviation Administration	Flight line navigation aid exhibit aeronautic display share of the Department's exhibit and funds for man-in-motion theme	\$ -	\$ 510 000	\$ -	Public Law 91-142 (note a)
National Capital Airports	Fund for permanent improvements to Dulles Airport	\$ 676 000	-	-	Appropriations for National Capital Airports (note k)
FHWA	Administrative services and road and parking facilities	\$ 1 136 624	-	-	Public Law 91 142 (note a), 23 U S C 307(a), and 23 U S C 104(a) (note m)
	Exhibit of role of FHWA and funds for man-in-motion theme	-	\$ 100 000	-	-
St. Lawrence Seaway Development Corporation	Administrative services	9 000	-	-	Public Law 91 142 (note a) and 23 U S C 104(a) (note m)
	Share of Department's exhibit	-	3 687	-	-
Federal Railroad Administration	Exhibit of high speed rail system share of the Department's exhibit Funds for man-in-motion theme	-	\$ 208 300	-	Public Law 89-220 (note n)
National Highway Traffic Safety Administration	Safety vehicle exhibit sponsor of an International Safety Conference and funds for man-in-motion theme	-	\$ 149 393	-	Public Laws 89-563 (note o), 89-564 (note p) and 91-142 (note a)
National Transportation Safety Board	Share of Department's exhibit	-	2 000	-	Public Law 91 142 (note a)
Urban Mass Transportation Administration	Exhibit of people movers and buses, share of the Department's exhibit, and funds for man-in-motion theme	-	\$ 6,591 809	-	Urban Mass Transportation Act of 1964, as amended (note q)
Total				10 465 742	
Department of Commerce					
Bureau of Domestic Commerce	Planning and promotional assistance	11 781	-	-	Trade Fair Act of 1959 (19 U S C 1752) (note r)
Bureau of International Commerce	Service of staff designer and exhibit	\$ 27 100	37,791	-	15 U S C 1512 (note s) and appropriation act for fiscal year 1972 (Public Law 92 77) (note t)
United States Travel Service	Multilingual interpreters	4,250	-	-	International Travel Act of 1961 (22 U S C 2121) (note u)
National Oceanic and Atmospheric Administration	Weather data	950	-	-	15 U S C 313 (note v)
Maritime Administration	Exhibit	-	49,830	-	Merchant Marine Act of 1936, as amended (46 U S C 1101 1121(j), 1122(d), and 1122(f)) (note w) and 15 U S C 1512 (note s)
Total				131,702	
Department of the Treasury	Customs assistance and the trade-off of space for selling medals by the United States Mint	\$ 11,626	-	11,626	Executive Order 11538 (note b) and Public Law 92-266 (note x)
Smithsonian Institution	Delivery and installation of a display	207	-	207	20 U S C 41-57 (note y)
Government Printing Office	Sales of documents	\$ 2 600	-	2,600	44 U S C 1701-1716 (note z)
Total		\$ 4,344,140	\$ 7,766,447	\$ 12,110,587	

## APPENDIX III

- <sup>a</sup>Section 709 of Public Law 91-142 the Military Construction Authorization Act of 1970, authorized the establishment of an International Aeronautical Exposition and authorized the head of each agency or department to detail personnel for such purpose, with or without reimbursement. This section also allowed the exposition to accept donations of money, property, or personal services.
- <sup>b</sup>Executive Order 11538 issued by the President on June 29, 1970, delegated to the Secretary of Transportation the responsibilities and powers vested in the President by Public Law 91-142. This order also directs each Federal department and agency to cooperate with the Secretary and, to the extent permitted by law and the availability of funds, to furnish him such assistance as he may request.
- <sup>c</sup>Title IV of Public Law 92-242 the Foreign Assistance and Related Programs Appropriation Act of 1972, provides the annual operating authority for the Export-Import Bank.
- <sup>d</sup>Support includes sales value of exhibits' space traded for services.
- <sup>e</sup>Section IV of Department of Defense Directive 5410.18 "Community Relations" urges active participation of military units and personnel in civilian programs to maintain a state of mutual acceptance, respect, and cooperation between the Armed Forces and civilian communities.
- <sup>f</sup>Section 734 of Public Law 92-204 Department of Defense Appropriation Act for fiscal year 1972, allows defense contractors which exhibited their products at TRANSPO to charge a portion of their exhibit costs to their defense contracts, not to exceed an aggregate total for all contracts of \$1.25 million.
- <sup>g</sup>The District of Columbia Code 4-401 cites the establishment of a fire department by authority of the Congress. The department is maintained for the general public in the District of Columbia.
- <sup>h</sup>The Solid Waste Disposal Act of 1965 as amended (42 U.S.C. 3251), authorizes the Secretary of Health, Education, and Welfare to provide technical and financial assistance in the planning and development of resource recovery and solid-waste disposal programs.
- <sup>i</sup>The act establishing the Department of Agriculture stated that the general design and duties of the Department shall be to acquire and diffuse among the people of the United States useful information on subjects connected with agriculture.
- <sup>j</sup>Includes part of the \$1,766,100 in funds given to TRANSPO by the Department of Transportation and its agencies. (See p. 8)
- <sup>k</sup>The Appropriation for National Capital Airports for 1972 (85 Stat. 206) authorizes the use of appropriated funds for the development of Dulles International Airport and Washington National Airport.
- <sup>l</sup>Direct support from FHWA includes \$972,517 in demonstration costs. (See p. 10)
- <sup>m</sup>23 U.S.C. 307(a) authorizes the Secretary of Transportation to engage in research on all phases of highway construction and to test and develop any material or process. 23 U.S.C. 104(a) authorizes the Secretary of Transportation to obligate 3-3/4 percent of the funds appropriated for Federal-aid systems for the purposes of 23 U.S.C. 307(a).
- <sup>n</sup>Public Law 89-220 (49 U.S.C. 1631) authorizes the Secretary of Transportation to contract for demonstrations to determine the contributions that high-speed ground transportation could make to more efficient and economical intercity transportation systems.
- <sup>o</sup>The National Traffic and Motor Vehicle Safety Act of 1966 Public Law 89-563 (15 U.S.C. 1381) authorizes the Secretary of Transportation to conduct research, testing, and development in the area of motor vehicle safety and to insure that all information obtained from this activity is made available to the public.
- <sup>p</sup>The Highway Safety Act of 1966, Public Law 89-564 (23 U.S.C. 403) authorizes the Secretary of Transportation to use appropriated funds to carry out safety research and demonstration projects.
- <sup>q</sup>The Urban Mass Transportation Act of 1964 as amended Public Law 88-365 (49 U.S.C. 1601) authorizes grants and loans to assist the development of improved mass transportation facilities. It also authorizes the Secretary of Transportation to undertake research, development, and demonstration projects in all phases of urban mass transit including the development, testing, and demonstration of new facilities and equipment.
- <sup>r</sup>The Trade Fair Act of 1959 (19 U.S.C. 1752) allows the Secretary of Commerce to designate events for duty-free entry privileges for participating foreign nations and firms.
- <sup>s</sup>15 U.S.C. 1512 prescribes the general authority of the Secretary of Commerce to foster, promote, and develop foreign and domestic commerce.
- <sup>t</sup>Public Law 92-77 (85 Stat. 245-271) contains the fiscal year 1972 appropriation for the Department of Commerce and appropriates money for expenses incurred for the promotion of domestic and foreign commerce.
- <sup>u</sup>The International Travel Act of 1961 (22 U.S.C. 2121) states that the Secretary of Commerce is responsible for promoting friendly understanding and appreciation of the United States by encouraging foreign residents to visit the United States and by generally facilitating international travel.
- <sup>v</sup>15 U.S.C. 311 established the Weather Bureau. 15 U.S.C. 313 authorizes the Chief of the Weather Bureau to take charge of forecasting the weather and distributing meteorological information.
- <sup>w</sup>The Merchant Marine Act of 1936, as amended, authorizes the Secretary of Commerce to foster, promote, and develop domestic and international commerce, the shipping industry, and U.S. transportation facilities.
- <sup>x</sup>Public Law 92-266 (86 Stat. 116) authorized the Secretary of the Treasury to strike medals in commemoration of TRANSPO.
- <sup>y</sup>The general provisions of the Law regarding the Smithsonian Institution are set forth, in part, in 20 U.S.C. 41-57. 20 U.S.C. 50 authorizes the Smithsonian Board of Regents to deliver to such persons as it authorizes all objects of art and of foreign and curious research and all objects of natural history, plants, and geological and mineralogical specimens belonging to the United States.
- <sup>z</sup>The general authorization regarding the distribution and sale of public documents is contained in 44 U.S.C. 1701-1716. Under this authorization the Superintendent of Documents may order public documents required for sale, subject to the approval of the Secretary of the department in which the public document originated.