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

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HUMAN RESOURCES
DIVISION

MARCH 28, 1979

B-164031

The Honorable Joseph A. Califano, Jr.
The Secretary of Health, Education,
and Welfare



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Dear Mr. Secretary:

We have completed a review of procedures and practices used by the Department of Health, Education, and Welfare (HEW) to obtain interoffice moving services. This review stemmed from a local moving and storage firm's complaint that these services are being obtained without competition, and that it is not permitted to compete for such work.

We wanted to see if HEW is following prescribed laws, regulations, and procedures in obtaining these services.

The review was made at HEW and General Services Administration (GSA) headquarters where we reviewed pertinent documents and talked to agency personnel involved in arranging office moves.

In summary, we found that HEW's procurement procedures used to obtain moving services do not comply with established regulations, because they do not make full use of available competition. As a result, HEW is paying too much for moving services. While our review revealed no fraudulent transactions, we noted that controls over components' (HEW offices) moving services are inadequate and provide opportunities for payment for fictitious moves and other fraudulent transactions.

BACKGROUND

Except for calendar year 1976, HEW has been obtaining its own interoffice moving services since 1972. These services involve the transfer of office furniture and equipment within and between HEW locations in the Washington, D.C., metropolitan area. In calendar year 1976, HEW used GSA's assistance to award a contract. The GSA contract was an indefinite quantity type against which components

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placed orders for services. When the GSA contract expired, HEW elected not to use GSA's assistance in awarding a contract. HEW officials told us that they were dissatisfied with the services provided by the contractor under the GSA contract and tried to convince GSA to default the contractor. These efforts were not successful.

HEW PROCUREMENT OF INTEROFFICE
MOVING SERVICES

HEW's Washington Facilities Division is responsible for providing interoffice moving services for HEW's various components. Upon a component's request for such services, the Division arranges for the services by telephoning private moving firms. (No contract is used.) The component pays the firms. In fiscal year 1978, more than 500 purchase orders--costing more than \$600,000--were filled for HEW components, as shown below.

Funds Spent by HEW for
Interoffice Moving Services (note a)

use and HEW

<u>Components</u>	<u>Fiscal years</u>			
	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>
?- Office of the Secretary	-	-	-	\$ 54,610
✓ Office of Human Development Services	\$ 11,797	\$ 12,544	\$ 15,976	26,606
✓ National Institute of Education	37,144	49,038	63,889	<u>b/99,001</u>
✓ Health Care Administration	N/A	N/A	N/A	208,680
✓ Food and Drug Administration	2,938	5,222	5,385	3,916
✓ Office of Education	<u>109,326</u>	<u>94,553</u>	<u>144,234</u>	<u>220,137</u>
Total	<u>\$161,205</u>	<u>\$161,357</u>	<u>\$229,484</u>	<u>\$612,950</u>

a/Amounts shown are understated because of difficulty and/or inability to locate all vouchers.

b/Approximately \$25,000 of this amount was obligated in fiscal year 1977.

Lack of competition in
obtaining moving services

The Code of Federal Regulations (1-1.301-1) requires that "All purchases and contracts, whether by formal advertising or by negotiation, shall be made on a competitive basis to the maximum practicable extent."

The Washington Facilities Division selects moving firms without the benefit of getting adequate price competition. The Division primarily uses two firms, J & M Moving Company and National Office Moving Company. The Division official responsible for placing orders said that in 1972 he used a GSA source list (now obsolete) to choose J & M, and has continued to use that firm. We noted that this firm was one of eight that bid on the 1976 GSA contract; however, its bid was the fifth lowest. This official said that National was formed by an employee of J & M.

On the basis of hourly rates charged for moving services under current GSA contracts for similar services, HEW could have saved more than \$70,000 of the more than \$600,000 spent in 1978 on interoffice moving. Approximately \$431,000 was paid to J & M, about \$120,000 to National, and about \$60,000 to other firms. The average hourly rate charged by J & M was 14 percent higher than the rate charged by contractors under current GSA contracts. Under a GSA contract, HEW could have saved about \$59,080 of the cost paid to J & M and, similarly, about \$10,620 of the cost paid to National.

Administrative controls over moving
requests and payment need strengthening

Controls over moving services requests and payments for services received are inadequate. For example, at one HEW component, only one person requests moving services, has access to workers' time sheets, and validates services rendered (hence, approves payment). We do not believe that this practice assures that (1) only necessary moves are made, (2) services are rendered, and (3) the amount charged for services is reasonable.

Agency comments

HEW officials agreed with the facts presented in this report. They stated that actions have already been taken

to develop "term-moving-contract specifications." They agreed to strengthen administrative controls over requests for moving services, and have taken actions to monitor services rendered.

CONCLUSIONS AND RECOMMENDATIONS

By not following established regulations, HEW is paying excessive costs for interoffice moving services. In addition, HEW's lack of adequate controls provides opportunities for unnecessary moves, payment for fictitious moves, and payments for services in excess of those rendered.

We recommend that HEW cease its present method of obtaining interoffice moving services. HEW should seek GSA's assistance in awarding a contract or follow prescribed regulations by awarding a contract, through competition, to the lowest responsive and responsible bidder. Because of the nature of interoffice moves, an indefinite quantity type contract (similar to the GSA contract) should be used to handle moves estimated to cost less than \$10,000. Each move estimated to cost over \$10,000 should be competed for separately and awarded to the lowest responsive and responsible bidder on a firm fixed-price basis.

We also recommend that individual components establish adequate checks and balances to prevent unnecessary moves and other potential abuses.

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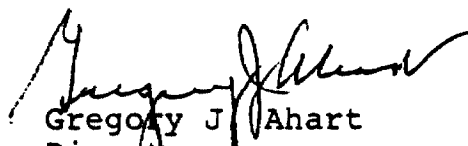
We are sending copies of this letter to the Director, Office of Management and Budget; Washington Facilities Division, Department of Health, Education, and Welfare; and the National Institute of Education. We are also sending copies to the Chairmen, House and Senate Committees on Appropriations; the House Committee on Government Operations; the Senate Committee on Governmental Affairs; the House Committee on Education and Labor; and the Senate Committee on Human Resources.

As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the House Committee on Government Operations and the Senate Committee on Governmental Affairs not later than 60 days after the date of the report and to the House and

Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

We would be happy to discuss this matter further and answer any questions you might have.

Sincerely yours,



Gregory J. Ahart
Director