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REPORT BY THE U.S.

# General Accounting Office

## The General Services Administration Needs To Improve Its Cleaning And Guard Contracting Activities

GSA needs to improve its basis for paying and retaining cleaning contractors in regions 3, 4, and 8. More frequent inspections are needed, better inspection reports should be prepared, additional inspectors are needed, and a formal inspector training program should be conducted. Also, cost efficient incentives should be provided in cleaning contracts rather than taking deductions for minimum labor hours not worked.

GSA needs to award guard contracts on a competitive basis in region 3. Because of problems in administering guard contracts, GSA, as of March 31, 1979, had extended 87 percent of its active contracts with incumbent contractors. To avoid recurring extensions of guard contracts, GSA needs to prepare timely specifications, award new contracts not affected by bid protests, and continue pursuing legislation permitting multiyear contracting.



008933

LCD-80-21  
MARCH 12, 1980



B-133150

The Honorable R. G. Freeman III  
Administrator of General Services

Dear Mr. Freeman:

This report summarizes the results of our review of the General Services Administration's contracting activities for cleaning and guard services. The points raised in this report were disclosed during our review of contract administration procedures and practices. Matters relating to the contracting activities have been discussed with agency officials and their comments have been included.

This report contains recommendations to you on pages 23 and 30. 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 Senate Committee on Governmental Affairs and the House Committee on Government Operations 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.

Copies of this report are being sent to the Chairmen, Senate and House Committees on Appropriations, House Committee on Government Operations, and Senate Committee on Governmental Affairs; and to the Director, Office of Management and Budget.

Sincerely yours,

*for Donald J. Horan*  
for R. W. Gutmann  
Director



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GENERAL ACCOUNTING  
OFFICE REPORT TO  
THE ADMINISTRATOR  
OF GENERAL SERVICES

THE GENERAL SERVICES ADMINISTRATION  
NEEDS TO IMPROVE ITS CLEANING AND  
GUARD CONTRACTING ACTIVITIES

D I G E S T

The General Services Administration (GSA) contracts for cleaning and guard services at Government owned and leased facilities. As of March 31, 1979, GSA had active cleaning and guard contracts at an annual cost of over \$59 million and about \$38 million, respectively. However, GSA has not always been able to justify the amounts paid to cleaning contractors because of problems in administering the contracts. Also, GSA has been unable to award guard contracts competitively because of administrative problems in managing annual contracts.

PROBLEMS IN ADMINISTERING  
CLEANING CONTRACTS

The Federal Procurement Regulations require agency inspection and acceptance of services before paying contractors. However, from June 1977 to January 1979, GSA authorized \$5.4 million to be paid to contractors cleaning 42 buildings without assuring that full payment was justified through inspections of contractor work. GSA made only 24 percent of the required inspections (1,141 of 4,739) in the three GSA regions reviewed by GAO. In addition, GSA did not adequately document and report the quality of cleaning to provide evidence of satisfactory or unsatisfactory contract performance. The inspections were limited and reports were inadequate because GSA (1) had a shortage of inspectors, (2) provided the inspectors little or no formal training, and (3) did not properly supervise inspectors. (See pp. 3 to 11.)

GAO recommends that the Administrator of General Services make sure that enough inspectors are assigned to handle workload requirements, develop a formal training program for inspectors, and improve the supervision of inspectors. (See p. 23.)

Contract provisions require contractors to work minimum labor hours or GSA to take deductions from monthly payments. In some cases, GSA took labor hour deductions regardless of performance. GAO believes this tends to discourage contractors from seeking more cost effective and efficient ways to provide the cleaning services. (See pp. 11 and 22.)

GAO found inconsistencies in the way GSA's field offices were applying the labor hour provisions. Also, due to administrative errors, misunderstanding of procedures, and inadequate documentation of cleaning deficiencies, GSA had difficulty implementing contractual labor hour requirements and sustaining deductions when minimum labor hours were not met. (See pp. 11 to 23.)

GAO recommends that the Administrator of General Services devise new contract provisions to provide greater incentives for contractor cost effectiveness and efficiency. Pending implementation of these alternative approaches, GAO recommends the Administrator (1) adjust the number of labor hours needed to obtain satisfactory performance under new contracts based on performance under the previous contract, (2) document the basis for rescinding appealed labor hour deductions, and (3) require buildings managers to closely monitor and promptly report labor hour deductions taken. (See p. 24.)

PROBLEMS IN CONTRACTING FOR  
GUARD SERVICES IN GSA's REGION 3

GSA region 3 has been unable to open many of its guard contracts to competitive bidding on an annual basis because of internal and external administrative problems.

As a result, GSA has denied guard contractors an opportunity to compete for contracts by noncompetitively negotiating extensions with incumbent contractors for 87 percent (72 of 83) of region 3's guard contracts in effect on March 31, 1979. Thirty-six percent of these extensions were for periods in excess of 2 years. By negotiating extensions on a sole-source basis, the Government was precluded from realizing the cost benefits accruing under competitive bidding. (See p. 25.)

GSA negotiated the contracts noncompetitively because it was unable to procure guard services in a timely manner and did not want to leave buildings unprotected. Procurement delays occurred when (1) specifications for 21 of 22 contracts reviewed were not available in a timely manner, (2) a bid protest against guard specifications delayed contract solicitations, and (3) requests for Small Business Administration certifications took unreasonable amounts of time. (See pp. 26 to 28.)

GAO recommends that the Administrator of General Services

- replace currently extended contracts with newly awarded competitive contracts;
- promptly notify contracting personnel when new procurement actions are needed;
- use competitive procurement procedures, regardless of whether formal advertising or negotiation is used; and

--submit Letters of Notification to the Small Business Administration in a more timely manner. (See pp. 30 to 31.)

GSA is limited to 1-year contracting authority for guard and other contracts. However, 1-year contracts have created problems because changing contractors every year increases contract costs to the Government for guard training, obtaining security clearances, and administrative functions associated with advertising and awarding a new contract. (See pp. 25 to 28.)

GAO addressed the issue of multiyear procurements in a January 10, 1978, report and found it to be an advantageous method of procurement. GSA stated that it has supported multiyear contracting as a savings measure in the best interests of the Federal Government. In February 1980, GSA sought legislative authority to award service contracts for periods up to 3 years. As a result, a bill was introduced in the Congress providing for multiyear contracting authority for protection and other services. (See pp. 28 and 29.)

GAO recommends that the Administrator of General Services continue to pursue legislation permitting multiyear contracting. Such legislation would remove the statutory constraints on multiyear contracts. This would allow GSA to award multiyear contracts to achieve the economic and administrative benefits discussed in GAO's earlier audit report. (See p. 31.)

#### AGENCY COMMENTS

In response to this report, GSA officials said that employees other than inspectors evaluate cleaning work and do not always document their evaluations. GSA believes only deficiencies warrant inspection reports and disagrees with GAO that warehouse space



should be included in determining the number of inspectors needed. GSA planned to give its first course on inspection procedures in February 1980. (See pp. 6, 8, and 11.)

GAO, however, believes all inspections need to be documented, reporting both satisfactory and unsatisfactory performance, in order to use the information effectively. GSA guidelines do not exclude warehouse space and therefore should be included in determining inspector requirements. (See p. 9.)

GSA said that GAO did not consider all case records of labor hour deductions appealed by the contractor. GAO, however, reported on all case files furnished to it by region 3. These files showed that GSA was unable to sustain labor hour deductions, especially those without a Board of Appeal decision. (See p. 21.)

GSA officials said it is not their intent to use minimum labor hour requirements to get the contractor to clean more efficiently, but only to reinforce performance requirements. GAO believes that required minimum labor hours do not assure a satisfactory level of cleaning because the contractor's personnel may not work efficiently and perform satisfactorily. Because the contractor will not be fully paid unless it provides the minimum labor hours, the contractor has no incentive to reduce labor cost by cleaning more efficiently. GSA also said it is in the process of revalidating the minimum labor hour level. (See p. 22.)

GSA said its region 5 has included an annual renewal option clause in its guard contracts, which permits renewal of 1-year contracts annually not to exceed 3 years in total. GSA's general counsel is reviewing this clause to see if it conflicts with existing statutes and regulations. (See p. 29.)



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ABBREVIATIONS

GAO	General Accounting Office
GSA	General Services Administration
SBA	Small Business Administration

## CHAPTER 1

### INTRODUCTION

The General Services Administration (GSA), under the Federal Property and Administrative Services Act of 1949, as amended, is responsible for real property management and related activities in the Government. This includes operating about 12,000 Government owned or leased facilities totaling about 257 million square feet by providing cleaning, protection, maintenance, and other services.

GSA uses Federal employees and contracts to provide the services, particularly cleaning and protection. As of March 31, 1979, GSA was contracting for cleaning services for over 69 million square feet of office and warehouse space in 627 buildings, at an annual cost of over \$59 million. Contracts for guard services in 520 buildings were valued at about \$38 million.

GSA's Public Buildings Service, through its Office of Buildings Management and Office of Federal Protective Service Management and their 10 regional counterparts, manages the cleaning and protective service programs. Regional contracting officers are responsible for managing the contracts for cleaning and protection. For the most part, they rely on buildings managers, as their authorized representatives, to closely monitor contractors' work.

Two of our prior reports commented on specific weaknesses in GSA's contracting practices. One report (PSAD-78-54, Jan. 10, 1978) addressed the need for multiyear contracting authority for supplies and services. The other report (GGD-78-76, Aug. 28, 1978) noted that GSA was not adequately monitoring protection contracts.

This report focuses on GSA's overall administration of the contracts for cleaning and protection. We evaluated GSA's contract administration procedures and practices to determine whether they were carried out economically, efficiently, and effectively. Our examination was directed primarily to those aspects of the activities which appeared to be in particular need of attention rather than to a general evaluation of activities.

## SCOPE OF REVIEW

We made our review at GSA's Central Office, Washington, D.C.; region 3 (currently National Capital Region and region 3), Washington, D.C.; region 4, Atlanta, Georgia; and region 8, Denver, Colorado. These regions represent about 39 percent of the buildings under cleaning service contracts and about 43 percent of the buildings under protective service contracts.

We reviewed contract files, inspection reports, sign in and sign out logs, personnel folders, specifications, and other documents. This included 39 cleaning service and 55 protection contracts. We also interviewed GSA personnel, tenants, and contractors.

## CHAPTER 2

### PROBLEMS IN ADMINISTERING

#### CLEANING CONTRACTS

GSA is not making the required number of cleaning inspections to effectively monitor contractor performance. Where inspections are made, the reports do not adequately document the quality of cleaning performed. This is due to a shortage of inspectors and a lack of necessary training for the inspectors employed. Therefore, GSA frequently has no sound basis for paying or retaining cleaning contractors.

GSA, for the most part, has used the system of reviewing labor hours to ascertain the status of contractor performance so that correct payment can be made to cleaning contractors. However, GSA regional and field offices have used inconsistent policies to determine labor hours provided. This is compounded by the use of contract time records which, in several cases, have been unreliable. When labor hour deductions are necessary, GSA has not processed them in a timely manner. Further, labor hour deductions taken were not always sustained on appeal by the contractor. We believe that GSA's method of measuring contractor performance by labor hours furnished is not a reliable substitute for actually inspecting the work.

#### INADEQUATE INSPECTION OF CLEANING WORK

GSA pays millions of dollars to cleaning contractors, but in regions 3, 4, and 8, GSA's files indicate that only 24 percent of required inspections are made to determine whether contractor performance is satisfactory before payment. Federal Procurement Regulations and GSA internal procedures and policies require that contractor performance be assessed through inspections. Inspection reports are to be used by the contracting officer as a basis for authorizing payments under the contracts and for determining whether the contractors should be retained. However, because GSA does not always make the inspections, it frequently has no sound basis for paying or retaining the contractors. From June 1977 to January 1979, GSA awarded contracts valued at \$5.4 million to clean 42 of the buildings in regions 3, 4, and 8. The contracting officers authorized payments under these contracts but, for the most part, they did not have adequate assurance that full payments were justified.

As applied to cleaning contracts, Federal Procurement Regulations (41 CFR 1-14) require that inspection on behalf of the Government shall be conducted in all cases prior to acceptance of the goods or services procured. The regulations state the following requirements concerning inspection and acceptance:

- The type and extent of inspection depend on the particular procurement.
- Inspection, or the arrangement therefore, is the responsibility of the contracting activity.
- Inspection of supplies and services shall be made at such times and places as are necessary to determine that the supplies and services conform to contract requirements.
- As used in Government contracts, "acceptance" generally means the act of an authorized representative of the Government by which the Government assents to ownership by it of existing and identified supplies, or approves specific services rendered, as partial or complete performance of the contract.
- Acceptance is the responsibility of the contracting officer or his authorized representative.

GSA's Operations and Maintenance of Real Property Handbook (PBS P 5800.18A) states that the contracting officer shall be responsible for the overall administration of cleaning contracts. In fulfilling this responsibility, the contracting officer may designate representatives to closely monitor the contractor's work. These designated representatives must (1) evaluate the quality of the contractor's work by, among other things, making daily spot inspections and making thorough and periodic inspections, (2) determine penalties and chargebacks against the contractors for unacceptable performance, and (3) report inspection results to the contracting officer.

Our review of GSA files and discussions with personnel in the Central Office and in regions 3, 4, and 8 showed that to effectively monitor contractor performance GSA needs to

- make more inspections of cleaning work,



- report inspection results more adequately,
- provide additional inspectors, and
- increase formal training of inspectors.

More inspections of cleaning work are needed to effectively monitor contractor performance

Only 24 percent of the required daily spot inspections were made in the three regions examined, and there was no evidence that the more thorough inspections had been made. As a result, these regions were not making the required number of cleaning inspections to effectively monitor contractor performance. Applying GSA's inspection criteria, 4,739 daily inspections should have been made at 36 buildings during the period we reviewed, but GSA files disclosed that only 1,141 were made. Only one building had inspections made at the prescribed frequency. Details for each region are shown in the following table.

GSA region	Buildings reviewed		Number of daily inspections			
	No.	Value of contracts	Required for period examined	Made	Not made No.	Percent
3	13	\$2,416,843	1,612	582	1,030	64
4	12	1,293,804	2,201	282	1,919	87
8	<u>11</u>	<u>1,488,548</u>	<u>926</u>	<u>277</u>	<u>649</u>	70
Total	<u>36</u>	<u>\$5,199,195</u>	<u>4,739</u>	<u>1,141</u>	<u>3,598</u>	76

The reports on daily spot inspections referred to above were the total spot inspections made, as evidenced by the files. According to GSA's Custodial Management Handbook, the buildings managers should also inspect the building every 2 months. Our examination of the files and discussions with the managers disclosed that very few of these inspections were being made.

Despite the absence of required inspection reports to show whether the contractors were complying with contract provisions, contracting officers authorized that payments be made based on buildings managers' certifications that quality work was received.

According to GSA officials, many GSA employees experienced in cleaning make daily visits to contractor cleaned buildings for purposes other than inspections. These employees include buildings managers and their assistants, production scheduling assistants, custodial supervisors, and regional staff officers. Most of these employees, using their training and experience, consciously or subconsciously evaluate cleaning as they walk through the buildings. Significant deficiencies would be reported to the buildings manager for action. Additionally, many inspections were made even though they were not documented in the files we reviewed.

We believe documentation of inspections, whether formal or informal, is needed to assure that inspections are carried out adequately. Accordingly, the inspections mentioned above need to be properly documented and reported so that the information can be used effectively.

#### Inspection results are not adequately reported

In those instances where inspections were made, inspection reports did not adequately document the quality of cleaning performed so as to provide clear evidence of satisfactory or unsatisfactory contract performance. Also, the inspection results were not always provided to contracting officers. Our examination of 1,187 inspection reports, covering 35 buildings under 19 contracts valued at \$4.6 million, showed that regions 3, 4, and 8 were not following established procedures for preparing inspection reports. As a result, contracting officers lacked information needed to assess contractor performance, make appropriate payments, and sustain deductions made according to contract provisions.

Inspectors are required to prepare precise written summaries of each inspection. If cleaning standards are not being met, inspectors should determine and report in writing the degree of noncompliance and the nature and extent of the problem, so that GSA management can (1) determine if contractors have adhered to contract specifications and (2) take what actions are needed.

GSA policy requires that inspection results are to be reported on a Cleaning Inspection Report (GSA Form 1181) which provides a means for evaluating all the services performed using a numerical score. According to GSA, a standard

system of measurement is necessary to determine the efficiency by which a building is being cleaned. Thus, a numerical rating is computed when the score for each service is totaled. A rating as high as 100 is possible.

The three GSA regions have not consistently followed GSA's standard system of measurement. GSA Form 1181 is used for daily inspections by regions 4 and 8, but not by region 3. Although region 4 uses the prescribed form, it does not use the numerical rating. The region's Cleaning Contract Administration Handbook states:

"It is not recommended that a numerical rating be given, but a "+" for work outstanding, "✓" for work meeting specifications, and "-" for work unsatisfactory should be used."

Region 3 procedures provide that daily inspection reports should be prepared on a Contract Cleaning Inspection Report (Form R3-1381), which does not require a numerical rating.

Region 3 procedures also provide that each element of the report is important because of the nature of the contract agreement, noting that:

"The exact time of the inspection is necessary to establish the fact that the work was not officially inspected before the contractor was ready. It is necessary to have the report reviewed so that serious omissions do not escape notice. The person who reviews (inspection reports) will, of course, spot check the area inspected to make certain that conditions described exist and that the inspector has used proper inspection methods."

As a result, regions 3, 4, and 8 each use a different measurement system. We believe GSA should stress training and guidance to obtain consistent measurement requirements.

We noted several deficiencies in inspection report preparation in all three regions. Some were:

- Regions lacked consistency in their use of inspection rating systems.
- Indications as to whether the contractor was performing satisfactorily were omitted.

- The reviewer's signature was omitted.
- The starting and completion inspection dates were not shown.
- Reports were prepared before inspections were made.
- Unsatisfactory performance was noted but the extent of unsatisfactory performance was omitted, such as square feet, number of units, or other measurements.
- Reports were prepared, in some cases, only when deficiencies were found.

Regarding the last item above, GSA officials believe this to be a sound management practice that can save time and administrative work, resulting in savings in contract administration costs.

However, we believe that to be useful, inspection report data should be adequately summarized, appropriately reviewed, and properly analyzed to provide pertinent information on unsatisfactory, as well as satisfactory, performance. Without this, buildings managers cannot effectively

- evaluate the inspector's activities,
- monitor the frequency of inspections,
- identify and quantify the amount of space covered by inspections,
- ensure that reinspections, when needed, are timely, and
- determine the need for deductions from contractor payments.

Shortage of inspectors and lack of training cause inadequate inspections

GSA needs additional cleaning inspectors and increased inspector training to provide adequate inspections in regions 3, 4, and 8. In these regions, we noted a shortage of 12 inspectors, or 39 percent of those needed. Also, we found that most inspectors had little or no formal training.

GSA regional and field office staff said the limited frequency of inspections is due to the

- insufficient number of inspectors,
- diversion of inspectors to other duties,
- geographical dispersion of locations to be inspected, and
- regional officials' determinations that inspection frequencies less than required were adequate.

GSA Central Office Guidelines on Contract Cleaning Inspectors and Technical Managers state that the criteria of 500,000 gross square feet per inspector is instituted when establishing inspector positions. Buildings from 300,000 to 500,000 square feet may also be authorized such positions. For locations having less than 300,000 square feet of space, the inspections should normally be accomplished by the custodial supervisor, with periodic inspections on a scheduled basis by the assistant buildings manager.

Using Central Office guidelines, we compared the number of inspectors needed for buildings cleaned by contractors with the number of inspectors authorized and onboard in the three regions. Our comparison showed that for the 15.7 million gross square feet to be cleaned, GSA needed 31 inspectors, but only 26 were authorized and 19 were onboard. Therefore, GSA had a shortage of 12 inspectors, or 39 percent of those needed as shown in appendix I.

This shortage involved regions 3 and 4 but not region 8. Although region 3 was authorized 15 inspectors and needed 14, it had only 9. According to region 3 officials, inspectors were not being hired at this time because of the region's reorganization. Region 4 needed 11 inspectors, but it was authorized 4 inspectors, and had 4 onboard because it used custodial supervisors at many locations, not inspectors. Region 8 had all of its needed inspectors onboard.

According to GSA officials, warehouse space should not be included with office space in determining contract inspector requirements. However, GSA's guidelines do not specify the type of space which should be included in determining contract inspector requirements. Since warehouse space needs to be inspected to determine if it has been cleaned, we have included warehouse space in our computation.

On the basis of our interviews with inspectors and examination of personnel files, we found that most inspectors had little or no formal training. None of the regions visited had an ongoing inspector training program. Although most inspectors had extensive experience as custodial laborers or supervisors, their skills to identify and report inspection results were questionable.

According to GSA's position description for a custodial inspector, an inspector needs proficiency in identifying and documenting cleaning deficiencies to monitor contractor performance and to support deductions. This inspector also needs to be thoroughly knowledgeable of contract provisions and the manner in which the contractor should carry them out. GSA specifies that experience, judgment, and common sense are prerequisites for such assignments.

According to the October 14, 1976, GSA Central Office guidelines, GSA regions should establish training programs to adequately train inspectors. Technical training concerning work requirements and performance expectations should be provided by the Public Buildings Service. Training in report writing should be provided in cooperation with the personnel division.

Training for inspectors in the three regions have varied. Region 3 files indicate that their inspector training has centered around supervisory functions and on subjects such as floor maintenance and occupational safety. Also, in regions 3 and 4, most inspector training is derived from on-the-job experience.

Region 8 officials stated that about 2 years ago preliminary efforts were made to develop an inspection training course but this was terminated due to staff shortages. Training for new inspectors is limited to about 3 hours of informal training which consists of providing an inspection guide, explaining contract requirements, showing two films on cleaning, and discussing inspection forms. On-the-job training is then provided for several days by a senior inspector.

Although GSA Central Office officials are aware of the limited training contract inspectors receive, they have provided little guidance to the regions to assist in improving inspection procedures and reporting. One official said that contract inspectors do not adequately describe the

unsatisfactory conditions in their inspection reports. Accordingly, GSA has not been able to sustain deductions from contracts due to poor performance because it did not have proper documentation.

In April 1979 GSA Central Office distributed a Custodial Supervisory Development Course Manual to all GSA regions. For the most part, the manual emphasizes the custodial supervisor's job (noncontract cleaning), his/her responsibilities, work schedules, and cleaning job assignments. Also, the manual includes a brief description of the contract cleaning inspector's duties, but it does not address contract inspection procedures and report writing.

In July 1979 GSA expanded its supervisory training manual to include instructions on contract cleaning administration. The instructions cover reports, schedules, and inspection. However, this training will not be completed until December 30, 1980.

According to GSA officials, a contract has been awarded for development of a contract administration course which will include cleaning contract inspection and administration. The first class is planned for February 1980.

#### PROBLEMS IN IMPLEMENTING CONTRACTUAL LABOR HOUR REQUIREMENTS

GSA has several problems in carrying out its procedures for implementing contractual labor hour requirements. Contract provisions require GSA to take deductions from contractors when minimum labor hours are not met, regardless of performance. We believe this requirement prevents contractors from having incentives to develop methods which would be more cost effective and efficient. Further, the labor hour deductions must be supported by written documentation. However, GSA has had difficulty sustaining deductions because of problems in documenting, computing, and processing labor hour shortages. These problems have occurred due to (1) administrative errors, (2) misunderstanding of processing procedures, and (3) inadequate documentation of deficiencies.

Minimum labor hour deductions are based on the buildings manager and his staff's recommendations. These recommendations result from the buildings manager accumulating pertinent labor hour data which are considered before

deductions are proposed. The proposed deductions must be based on factual evidence which can be verified by reviewing official contract records.

If deductions are proposed, the contractor must be notified in writing within the specified time limit stated in the contract. The proposed letter and the applicable contract log sheets are sent to the Buildings Operations Division for review and concurrence. If concurrence is obtained, the proposed deduction letter is returned to the buildings manager through the area manager whose concurrence is also required. Once the area manager has approved the letter, it may be sent directly to the contractor's representatives with copies being sent to the buildings manager or directly to the buildings manager for distribution. In the following month, the buildings manager authorizes the Accounts Payable Section to make the deductions by noting the deductible amount on a report of material received.

Within 45 days following the expiration of the contract, the contracting officer will summarize the decisions made with respect to deductions taken during the life of the contract. The contracting officer then sends to the contractor a final decision which is appealable within 30 days under the dispute clause.

Our review showed that GSA's procedures and practices for carrying out the minimum labor hour contract provisions resulted in

- inconsistent computations used to determine labor hours provided by contractors,
- unreliable contract records of hours worked not being detected,
- undue delays in taking labor hour deductions,
- difficulty in sustaining labor hour deductions, and
- lack of incentives for contractors to be cost effective and efficient.



Inconsistent computations are used to determine labor hours provided by contractors

GSA regional and field offices, rather than using Central Office policies, set their own policies as to when and if labor hour deductions should be taken and on what basis. As a result, the impact of the labor hour requirement has diminished. Some field offices had documented labor hour deficiencies, but they did not take labor hour deductions unless an arbitrary shortage level occurred. In addition, some field offices were computing labor hour shortages on an annual basis contrary to guideline specifications.

According to a Central Office official, the contracting officer is not given flexibility in taking minimum labor hour deductions. Fixed-price contract guidelines issued to GSA regions in March 1979 require productive labor hour shortages to be computed on a monthly basis and supervisory labor hour shortages on a daily basis. Productive labor hours not furnished may be made up during the month; however, minimum daily supervisory labor hours not furnished on a given day may not be made up.

In region 3, contractor labor hour shortages were generally computed on a monthly basis. Some field offices were taking deductions whenever the contractor had shortages, regardless of contractor performance. However, one field office was not taking deductions unless the shortage was over 100 hours. Two offices took deductions only after GSA's Contract Assurance Task Force had informed them of chronic and substantial labor hour shortages and had advised them to take remedial action to correct labor hour deficiencies.

Field offices in region 4 were not consistent in taking labor hour deductions. Personnel at two of the region's field offices stated they did not take minimum labor hour deductions whenever a contractor was a few hours short if the cleaning was satisfactory. Another field office was taking deductions only if productive shortages were over 5 hours and cleaning was unsatisfactory. No deductions were made if supervisory minimum hours were not met and work was satisfactory. Other field offices took labor hour deductions regardless of the shortage or contractor performance.

During our review, we found that region 8 took very few minimum labor hour deductions because of the contracting officer's liberal application of the requirement. From April 1, 1977, through August 31, 1978, region 8 did not compute, recommend, or make any deductions. However, we found that after August 1978, region 8 had taken one 36-hour deduction for productive labor hours and five deductions for supervisory labor hours.

The 36-hour deduction was taken in October 1978, even though the buildings manager had reported that all other services were satisfactory. The five deductions for supervisory hours totaled \$1,120. One supervisory labor hour deduction was for 8.5 hours and had it been computed daily, instead of annually, the deduction would have been 144 hours or 41 days. The remaining four deductions were taken by one field office from September 1978 to April 1979 and were computed daily.

According to region 8 officials, as long as the cumulative minimum labor hours furnished during the contract period substantially equal the number of required minimum labor hours, the Government has received full value under the contract and no deductions are justified.

The above interpretation was questioned by GSA's Contract Assurance Task Force during the fall of 1978. The contractor, on a recently expired contract, was required to provide an annual total of 31,124 productive labor hours and he furnished 31,151 or 27 labor hours more than required. The task force, using the monthly computation basis, computed a minimum productive labor hour shortage of 701 hours for 6 months of the 1-year contract. The shortage, however, was not offset with the 728-hour overage computed for the remaining 6 months, as appropriate. The task force then advised the regional finance section to take a deduction for the 701 hours from the final payment due the contractor.

The contracting officer objected to the task force's action and alleged that the monthly method of computation was incorrect. GSA's regional counsel and Central Office seemed to support the contracting officer's interpretation. The Regional Commissioner, Public Buildings Service, issued a decision that it would be inappropriate to take deductions because:

--The contracting officer had not computed or taken deductions on a daily, weekly, or monthly basis.

--The contractor was not given an opportunity to correct shortages in a timely manner.

--Minimum labor hours for the total contract term were provided.

As a result of the task force's action, the contracting officer amended all active cleaning contracts to provide for computation of hours not furnished on a daily, weekly, monthly, or quarterly basis, and at the discretion of the contracting officer, a longer term. According to the contracting officer, the most likely basis for computing minimum labor hours not furnished is quarterly and at the end of the contract for productive hours and daily for supervisory hours. Written notice of the proposed deduction should be sent to the contractor within 10 days following the period for which the deduction is to be made.

In region 3, GSA added excessive supervisory hours to productive hours under two contracts to offset productive labor hour shortages, contrary to contract provisions. Cleaning contracts break down minimum labor hours into two categories: productive and supervisory. Productive and supervisory labor hours cannot be used to offset each other's shortages. Clerical and administrative personnel do not qualify as productive employees and may not be included in the total number of hours furnished by the contractor to meet the minimum productive labor hour requirement.

The following schedule shows the effect of GSA's computations using supervisory hours to offset productive hour shortages and our computations excluding supervisory hours.

Computation of Productive Labor Hour Shortages

<u>Case No.</u>	<u>Computed by GSA</u>	<u>Computed by GAO</u>	<u>Difference</u>
1	Shortage 95.0	216.5	
	Amount de- ductible \$ 537	\$1,223	\$686
2	Shortage 206.5	215.5	
	Amount de- ductible \$1,817	\$1,896	79
	Total		<u>\$765</u>

The chart indicates that GSA is due about \$765 for productive labor hours which were never provided. Our computation of labor hour shortages includes only those months in which we reviewed the contract log. We did not attempt to determine whether errors existed during other periods.

Contract records of hours worked  
are not always reliable

Contract records of hours worked have not always been reliable, but are accepted by GSA. We reviewed contract sign in and sign out logs maintained under eight contracts and identified a number of questionable practices followed by contract personnel which preclude the use of the contract log as a reliable source for verifying labor hours provided.

According to GSA's Operations and Maintenance of Real Property Handbook, all contract employees must sign in and out on a log established for contract administration purposes. The contractor's supervisor must indicate his/her title alongside his/her signature and is responsible for seeing that all employees sign in and out. The contractor must ensure that this log (or timeclock) is maintained at the point where employees report to work. This log is turned in to the contracting officer or designated representatives the following day. The contracting officer or a designated representative compares the contractor's supervisory and productive labor hours with the minimum labor hours required in the specifications and takes appropriate action as necessary.

Some of the questionable practices are:

- Employees not signing in and/or out, but being given full credit for hours worked.
- Lack of chronological sequence in time entries.
- Altered sign in and sign out times.
- One person signing in for several employees.
- Misclassification of supervisory hours as productive.
- Deductions not made for breaks or lunch periods.
- Converting productive hours to supervisory time.

In some cases, GSA's contract files did not show that these practices had been brought to the contracting officers' attention or to the contractors' attention for corrective actions. As a result, GSA has allowed contractors credit for labor hours not furnished and has not always taken accurate deductions to the extent that time logs are unreliable. For example:

- During the period from December 18 to 22, 1978, we identified 276 hours that were not verifiable by the log. When an employee's hours could not be verified, the buildings manager merely checked the contractor's records and if the contractor gave the employee full credit for hours worked, GSA accepted it. Although the contractor was subsequently notified to take corrective action, effort was not made to determine whether the labor hours were actually provided since the contractor's work report had already been accepted.
- Lunch periods had not been excluded from daily supervisory hours furnished for 70 days during the period October 1978 through March 1979. As a result, the Government was being charged 1/2 hour a day for supervisory hours not furnished. The employee reviewing the contract log stated that only the math was verified.
- Several log entries from February through May 1979 appeared to contain altered sign in and sign out times at one building. In addition, according to a

task force report, an inspection of the logs for the first month of performance (September 1978) showed (1) many employees' names were registered in the same handwriting, (2) the sign in and out times for five employees were altered, and (3) rest and meal periods were not subtracted from the times of employees working 6 hours or more. A high incidence of changed entry times was again observed in October, with an increase in severity for November. The technical monitor said he overlooked all of the discrepancies encountered because it was common practice to allow the first month as a grace period. He had written a letter proposing deductions for cleaning deficiencies; however, there was no indication that improper employee entries had been discovered.

One cleaning contractor performing services under seven GSA contracts openly admitted to GSA's Inspector General that contract sign in and sign out logs had been falsified to circumvent labor hour deficiencies. GSA identified 1,317 hours, covering a 2-month period, which appeared to be padded. Further, the contractor alleged that falsifying this document was a common practice in the cleaning industry.

#### Undue delays occur in taking labor hour deductions

We noted that GSA had not processed labor hour deductions in a timely manner. We found \$11,097 in labor hour deductions which were either not taken or were taken in an untimely manner. For example:

- On December 8, 1978, a letter was sent to a contractor proposing deductions in the amount of \$154 for labor hours not furnished during November 1978. Because the letter was not processed through the regional office, this deduction was not taken until March 1979 after we brought it to the region's attention.
- Three instances were identified where deductions totaling \$2,953 had been proposed for labor hour shortages during October 1977, December 1977, and July 1978. Due to oversight and misunderstanding of deduction procedures, deductions were not taken until January 4, 1979, following a review of the contract's payment history.

--Labor hour shortages totaling \$4,756 were never acted on by the field office until GSA's Contract Assurance Task Force brought the deficiencies to the attention of field personnel. The contractor had been short a total of 540.5 hours over a 6-month period. We were unable to determine whether these deductions had actually been taken at the time of our audit.

In the above examples, finance personnel were not notified in a timely manner of labor hour shortages and that deductions from contractors' payments were to be made. Also, because monthly status reports indicated that no deductions were proposed, the contracting officers were not alerted to any problems.

Labor hour deductions are difficult to sustain in region 3

Because of insufficient support for deductions, nearly 50 percent have been restored to the contractors upon appeal. We reviewed the appeal files maintained by region 3 and identified seven contracts in which the contractors appealed the deductions to GSA's Contract Board of Appeals. Deductions were made for failure to provide minimum labor hours under the seven contracts and for unsatisfactory performance under four of the seven contracts. Only one appeal for labor hour deductions was denied. The remaining appeals were settled before the cases reached GSA's Board of Contract Appeals. As a result, between 42 and 76 percent of the deductions taken under these contracts were reimbursed on appeal.

The amounts reimbursed the contractors represented lump-sum payments for both labor hour and performance deductions based on settlement agreements. Although available documentation did not indicate why or how the settlements were reached, one GSA attorney noted that GSA was not always able to adequately document shortages. Further, deductions were not always taken as specified in the contract. As a result, GSA reimbursed contractors as follows.

Performance and Labor Hour Deductions Appealed

<u>Contract</u>	<u>Deductions taken by GSA</u>		<u>Deductions appealed by contractors</u>		<u>Amount rescinded by GSA</u>	
	<u>Labor hour</u>	<u>Performance</u>	<u>Labor hour</u>	<u>Performance</u>	<u>Dollar value</u>	<u>Percentage</u>
A	\$ 8,099	\$ -	\$ 8,099	\$ -	\$ 3,600	44
B	8,057	30,373	8,057	30,373	16,000	42
C	5,344	2,682	4,771	1,136	4,250	72
D	3,630	-	3,630	-	-	-
E	2,016	1,256	2,016	1,256	2,500	76
F/G (note a)	<u>4,422</u>	<u>8,307</u>	<u>4,422</u>	<u>8,307</u>	<u>8,700</u>	68
Total	<u>\$31,568</u>	<u>\$ 42,618</u>	<u>\$30,995</u>	<u>\$ 41,072</u>	<u>\$35,050</u>	49

a/Appeals made by same contractor, contracts F and G were settled jointly.

Some of the reasons contractors gave for seeking reimbursement were:

--The cleaning level was consistent with GSA's cleaning objectives throughout the duration of the contract. All GSA inspection reports reflected satisfactory performance. Deductions for minimum labor hours are punitive when there are no complaints by tenants or GSA inspectors.

--GSA inspection reports were inadequate to show deficiencies or nonperformance of contract requirements. Notices and opportunity to correct alleged shortages or nonperformance were not afforded the contractor as required.

According to a GSA official, settlements are generally made when both parties are unsure of their positions. In addition, some cases are difficult because they are not factually oriented, not based on principles of law, not documented--personal recollection of what happened must be relied upon. In other cases, GSA fails to take deductions in the time specified in the contract or contract specifications are not clear regarding the criteria for taking deductions.



Further, settlements are likely to occur when the Government would suffer a substantial loss due to the impact of the decision on other contracts.

Although GSA officials said that labor hour shortages were more easily documented than performance deficiencies, we believe GSA's difficulty in sustaining both labor hour and performance deductions exists because its contract records are inadequate and unreliable.

A Central Office official said that we did not consider all Contract Board of Appeals case records concerning labor hour deductions. The official stated that GSA had lost very few cases decided by the Board. However, the cases referred to in this report were, for the most part, settled without a Board decision. We believe that our review included all pertinent labor hour appeals files furnished by region 3. As a result, region 3's files show that GSA is unable to sustain labor hour deductions, especially those cases which have been settled without a Board decision.

The number of contractor labor hours furnished is not a reliable substitute for actual inspection

The number of labor hours furnished by a contractor does not measure the efficiency of its personnel and is not a reliable substitute for actual inspection of the quality of its work. GSA, however, applies its minimum labor hour provision regardless of contractor performance in some cases. Although contractors satisfactorily perform cleaning services in less than GSA's required labor hours, GSA still takes deductions. As a result, contractors lack the incentive to develop more efficient cleaning methods. We believe that it is not prudent for GSA to require, in its contracts, that minimum labor hour deductions be taken even though performance is satisfactory.

Central Office Guideline Specifications for Fixed Price Cleaning Contracts requires cleaning contractors to provide a minimum number of supervisory and productive labor hours. When contractors do not provide the specified labor hours, GSA deducts the number of labor hours not furnished, regardless of performance, from the contractors' monthly payments. Contracting officers are not given discretion in enforcing the provision.

We examined the daily inspection files for the three regions and concluded that GSA had taken a total of \$25,793 in labor hour deductions for 17 contracts. These deductions were taken despite a lack of documented performance deficiencies. The following schedule shows the labor hour deductions taken for each region.

<u>Region</u>	<u>Number of contracts</u>	<u>Value of deductions</u>
3	7	\$24,118
4	4	349
8	<u>6</u>	<u>1,326</u>
	<u>17</u>	<u>\$25,793</u>

GSA officials, however, contend that a direct relationship exists between labor hours furnished and quality of cleaning. GSA believes, therefore, that the minimum labor hour requirement is needed to assure that the contractor provides a satisfactory level of cleaning. By requiring contractors to provide a minimum number of labor hours, GSA believes the contractors will hire the necessary personnel and will not allow them to stand idle.

GSA officials also said the minimum labor hour requirement is a separate contractual agreement which must be met along with cleaning performance requirements, but it has never been GSA's intent to supplant contract performance with minimum labor hour requirements. Minimum labor hour requirements are utilized to reinforce contract performance requirements. These minimum hours are based on GSA's custodial standards which have been in existence for over 20 years and have been the subject of regular review, updating, and revision. Also, GSA believes there is ample opportunity for a contractor to be efficient and cost effective. According to these officials, GSA is in the process of reviewing and revalidating the minimum labor hour level.

We believe that required minimum labor hours do not assure a satisfactory level of cleaning because the contractor's personnel may not work efficiently and perform satisfactorily. Because the contractor will not be fully paid unless it provides the minimum labor hours, the contractor has no incentive to reduce labor cost by cleaning more efficiently.

## CONCLUSIONS

GSA has not effectively administered and controlled its contract cleaning inspection program. As a result, GSA pays cleaning contractors without adequate assurance that they have performed according to contract provisions. GSA can provide a more effective inspection program by using more inspectors, improving inspection reports, and increasing inspector training.

Administration and enforcement of the minimum labor hour provisions of cleaning contracts have not been equitable to contractors or to the Government. Contractors who have not provided the minimum labor hours have deductions taken in some field offices but not in others. Contractors who have provided unreliable records of hours work have not had deductions taken in many cases because GSA has not always detected this. In other cases, deductions are taken, but GSA withdraws the deductions and pays the contractors.

Equitable and consistent practices are needed to afford equal treatment to the many contractors in GSA's regions. GSA can accomplish these goals, in part, by not requiring deductions when performance is satisfactory and by computing the deduction, when warranted, on a consistent and equitable basis. Thus, contractors will be afforded an incentive to clean buildings more efficiently, with the overall benefit accruing to the Government and the contractors. Additionally, GSA would be in a better position to reevaluate the hours to be required in future contracts. Therefore, GSA should not rely upon the minimum labor hour provision to get buildings cleaned.

## RECOMMENDATIONS

To improve GSA's inspection program, we recommend that the Administrator of General Services:

- Develop and implement a formal training program for cleaning inspectors, including instructions in inspection methods and report preparation, to be adhered to by all regions on a consistent basis.
- Provide additional inspectors where the workload exceeds the volume which can be handled by onboard inspectors.
- Improve the supervision of inspectors to assure more frequent inspections, the proper preparation of

inspection reports, and the providing to contracting officers sufficient documentation on contractor performance so that the contracts can be properly managed.

We also recommend that the Administrator of General Services examine the current cleaning contracts and devise new provisions that will provide greater incentives for contractors to develop methods which are more cost effective and efficient than contracts allowing minimum labor hour deductions to be taken, regardless of contractor performance. Pending implementation of these alternative approaches, we recommend that the Administrator:

- Adjust the number of minimum labor hours required to be supplied in a building under a new contract to reflect the number of hours needed to obtain satisfactory performance based on the performance under the previous contract.
- Require buildings managers to
  - (a) increase surveillance over contractor sign in/sign out logs to detect improper entries,
  - (b) promptly notify contractors of labor hour shortages,
  - (c) adequately document labor hour shortages using criteria required by legal counsel to properly sustain deductions, and
  - (d) provide contracting officers with timely reports and supporting documentation to avoid delays in taking deductions when appropriate.
- Maintain documentation to show the basis for settlements on appealed minimum labor hour deductions.

CHAPTER 3

MANAGEMENT OF SINGLE YEAR GUARD CONTRACTS

LEAD TO SOLE-SOURCE EXTENSIONS

AND OTHER CONTRACTING PROBLEMS

GSA has been unable to open many of its guard contracts in region 3 to competitive bidding on an annual basis because of internal and external administrative problems. For example, in region 3, 87 percent of the outstanding guard contracts were extensions of original 1-year contracts. The average extension was 24 months, effectively making these 3-year contracts without competition for the last 2 years. Our review also included regions 4 and 8 but we did not note any significant guard contract administration problems in these regions.

These sole-source contract extensions preclude the Government from realizing the cost benefits accruing under competitive bidding for new contracts. There are also higher contracts award and administration costs in 1-year contracting compared to multiyear contracts, whether contracts are readvertised for new awards annually or periodic extensions are negotiated.

WHY GSA REGION 3 EXTENDED  
ITS GUARD CONTRACTS

Our review of guard contracts in GSA's region 3 showed that GSA negotiated numerous short-term extensions with incumbent contractors rather than offering new annual guard contracts for competitive bidding. As of March 31, 1979, region 3 had 83 guard contracts in effect with an annual cost of \$19.56 million. Of these 83 contracts, 72 had been extended with incumbent contractors as follows:

<u>Number of months extended</u>	<u>Number of contracts</u>	<u>Percent</u>
1 to 12 months	15	21
13 to 24 months	31	43
25 to 36 months	6	8
37 to 48 months	18	25
In excess of 49 months	2	3
Total	<u>72</u>	<u>100</u>

We examined 22 extended contracts to determine the reasons for contract extensions rather than awarding new contracts. The major reasons were:

--The unavailability of specifications for new solicitations prior to expiration of existing contracts (21 contracts) due to

(a) changes made as a result of a bid protest and

(b) appropriate personnel not being timely notified of contract expiration dates.

--A Certificate of Competency was needed from the Small Business Administration (SBA) prior to contract award (9 contracts).

Because of these reasons, GSA proceeded with negotiated extensions of guard contracts and made limited efforts to obtain competition and to avoid recurring sole-source procurements.

#### Specifications not available to solicit bids

GSA delayed the solicitation for new annual contracts in 21 of the 22 guard contracts because specifications to procure needed services were not available in a timely manner. Specifications were delayed because (1) frequent changes were made as a result of a bid protest and (2) before October 1978, no one in GSA was responsible for notifying appropriate personnel that an existing contract would soon expire. Consequently, contracts were extended to incumbent contractors.

In October 1978 the Regional Commissioner assigned the Contract Services Branch the responsibility for notifying field personnel when a contract would expire. According to GSA officials, the Commissioner was concerned that many contracts were expiring without the knowledge of contracting personnel.

Generally, 6 months is needed to accomplish everything necessary for work to begin under the terms of a contract. However, formally advertised guard contracts may take longer because license, training, and security clearance requirements must be met. Therefore, GSA needs to advise its contracting personnel at least 6 months, and possibly longer, prior to the termination of a current contract that a new procurement is needed.

In 11 of the 22 extended contracts we examined, GSA did not try to obtain competition to guard the respective buildings due to an ongoing bid protest. The protest, filed June 7, 1976, and settled May 24, 1977, was made against defective provisions in guard specifications, which were common to all contracts. During the protest period, GSA agreed to modify the defective provisions of the specifications. Rather than using the defective specifications to solicit replacement contracts, GSA extended the 11 existing contracts for periods up to 12 months during the protest period. However, when the protest was settled and the interim contracts expired, GSA continued negotiating interim contracts totaling as long as 28 months (see app. II) even though generally only 6 months is needed to begin work under a new contract.

#### Certificates of Competency needed from SBA

Before a contract can be awarded, the contracting officer must make an affirmative determination that a prospective contractor is financially responsible. GSA's Contract Services Branch determines a prospective contractor's financial responsibility by (1) reviewing his past performances on other GSA contracts, if they exist, and (2) submitting a financial inquiry to the Credit and Finance Branch, which checks Dun and Bradstreet, creditors, and references. The Credit and Finance Branch then gives the Contract Services an opinion as to whether the firm is financially satisfactory.

If the Credit Branch decides that a small business is financially incapable of performing under the contract, GSA must submit a Letter of Notification to SBA which will issue or deny the firm a Certificate of Competency. The certificate certifies as to the bidder's capacity and credit, among other things, for meeting the requirements of the contract. GSA must withhold the award pending either SBA issuance of a certificate or the expiration of 15 working days after SBA is notified that a certificate is needed (13 CFR 124.8).

GSA advertised 8 new contracts to replace 9 of the 22 extended contracts but was unable to make awards because it determined that the successful bidder could not meet the financial requirements of the contracts. GSA notified SBA that the successful bidders were not financially qualified. As a result, SBA:

- Issued a certificate for one contract.
- Denied certificates for five contracts. (Certificates were requested for the first and second low bidders on two contracts.)
- Made no determination for two contracts.

In the 10 instances that GSA notified SBA that the successful bidders were not financially qualified, an average of 14.8 working days elapsed before GSA sent the Letter of Notification to SBA. An average of 14.7 working days elapsed from the date of GSA's letter to SBA to the date SBA acted on the request or had not acted on the request as of the last date of our audit. (See app. II.) In two instances, SBA requested and GSA granted the SBA a 15-day extension to obtain the certificate.

SBA's response to GSA, for the most part, has been made within the 15-day period prescribed by the Code of Federal Regulations or within the extension period granted by GSA. However, GSA has taken an average of 14.8 working days to submit the Letter of Notification to SBA, which we believe is an unreasonable amount of time.

#### COMPETITIVE MULTIYEAR CONTRACTING WILL ELIMINATE DELAYS AND SOLE-SOURCE PROCUREMENT

In our previous report (PSAD-78-54, Jan. 10, 1978), we addressed the issue of multiyear procurements and found it to be an advantageous method of procurement. Through discussions with agency officials, contractors, and representatives of contractor organizations, we identified the following benefits of multiyear procurement:

- Contract prices may be reduced for agency service and supply needs.
- Federal agencies' administrative costs for service and supply requirements could be reduced.
- The quality of performance and service from contractors could be increased.
- Competition for Government contracts could be increased for the initial award.



We identified some potential pitfalls in the use of multiyear contracting. However, we concluded that the advantages far outweigh the disadvantages.

GSA is limited to a 1-year contracting authority because funds available for these contracts are currently appropriated on a yearly basis. In a February 1980 letter to the U.S. Senate, GSA sought legislative authority to award service contracts for periods up to 3 years. This letter also refers to our January 1978 report, as well as potential Government savings of \$5.2 million annually if the proposed legislation is enacted. As a result of this letter, a bill (S. 2328) was introduced in the Congress which would provide for multiyear contracting authority for protection and other services.

A GSA official said that a 1-year, advertised contract does not allow sufficient time to develop and pursue a "termination for default" case against a nonperforming contractor. In addition, 1-year contracts have created problems because changing contractors every year increases contract costs to the Government for guard training, obtaining security clearances, and administrative functions associated with advertising and awarding a new contract.

Multiyear contracts have several advantages. First, these contracts would provide contractors with the security and other benefits of long-term contracts, thus, providing the contractors the incentive to perform at an increased quality level. Second, these contracts would reduce GSA's costs and provide GSA with continuity of guard services.

According to GSA officials, region 5 has included an annual renewal option clause in its guard contract specifications. The clause permits renewal of 1-year contracts annually, not to exceed 3 years in total. The clause, believed by GSA to conform to the Office of Management and Budget Circular A-76, is undergoing review by GSA's general counsel to determine if it conflicts with existing statutes and regulations. GSA would like to see the renewal clause incorporated in all GSA guard specifications.

#### GSA's OFFICE OF AUDITS REVIEWS CONTRACTING PROCEDURES

During our review, GSA's Office of Audits reviewed guard contracting policies and procedures for awarding and administering guard contracts. We coordinated our review with GSA's auditors.

The Office of Audits' July 5, 1979, draft report recommended (1) awarding contracts under protest where protest is without merit, (2) ensuring guard contracts are awarded on an annual basis, (3) staggering of guard contracts to provide sufficient leadtime to permit obtaining competitive bids, and (4) preparing a definitive finding and determination statement for negotiated contracts.

In concurrence with the Office of Audits' recommendations, region 3 has set April 30, 1980, as the target date to have 100 percent of the guard requirements under annual contracts. The region also asserts that maximum competition is being obtained in soliciting and awarding the guard contracts.

#### CONCLUSIONS

GSA practices have resulted in widespread use of sole-source contract extensions for guard services. GSA justified these contract extensions, usually for 3-month periods, by determining that (1) it was impractical to secure competition and (2) only the incumbent contractor could provide the services. However, GSA made limited efforts to obtain competition and to avoid recurring sole-source procurements, resulting in contract extensions for as long as 4 years. The present market environment suggests that competition is available to provide guard services.

In view of GSA's improper restraints in obtaining competition and in continuing sole-source procurements, GSA needs to change its procurement procedures and practices to avoid contract extensions with incumbent contractors. To do this, GSA should implement procedures and practices that will foster competition to the maximum extent possible.

#### RECOMMENDATIONS

We recommend that the Administrator of General Services:

--Obtain competition when awarding guard contracts for periods exceeding 3 months by:

- (a) Offering invitations for bids, using competitive procurement procedures and practices, for new guard contracts to replace currently extended guard contracts.

(b) Testing the market for availability of competition for each procurement, regardless of whether formal advertising or negotiation is used.

(c) Maintaining a data bank containing names of contractors and their qualifications concerning guard contracts.

--Implement a notification system to advise contracting personnel within 6 months of a guard contract ending date that new procurement action should begin.

--Submit Letters of Notification to SBA in a more timely manner.

--Continue pursuing legislation permitting multiyear contracting. Such legislation would remove the statutory funding constraints on multiyear contracts to achieve the economic and administrative benefits identified in our earlier audit report.

NUMBER OF GSA INSPECTORS  
NEEDED COMPARED TO NUMBER  
AUTHORIZED AND ONBOARD

Field offices visited	Gross square footage under contract	Number of contract inspectors		
		Per GSA guidelines	Authorized	Onboard
Veterans	1,406,439	3	4	1
GAO	2,120,902	4	4	4
Hyattsville	470,980	1	1	1
Chesapeake	960,133	2	2	1
E. Philadelphia	570,585	1	1	-
Columbia Pike	<u>1,251,655</u>	<u>3</u>	<u>3</u>	<u>2</u>
Total region III	<u>6,780,694</u>	<u>14</u>	<u>15</u>	<u>9</u>
Atlanta	3,528,129	8	3	3
Memphis	819,413	2	1	1
Covington	321,058	a/-	-	-
Mobile	118,030	a/-	-	-
Savannah	687,597	1	-	-
Raleigh	<u>367,937</u>	a/-	-	-
Total region IV	<u>5,842,164</u>	<u>11</u>	<u>4</u>	<u>4</u>
Denver Federal Center	1,843,015	4	4	3
Denver	1,021,465	2	2	2
Colorado Springs	<u>273,985</u>	<u>a/-</u>	<u>1</u>	<u>1</u>
Total region VIII	<u>3,138,465</u>	<u>6</u>	<u>7</u>	<u>6</u>
Total	<u>15,761,323</u>	<u>31</u>	<u>26</u>	<u>19</u>

a/A custodial supervisor can be used for inspections.

REASONS FOR AND LENGTH OF GUARDCONTRACT EXTENSIONS BY GSA

<u>Contract</u>	<u>Total</u>	<u>Number of months contract extended</u>		
		<u>During protest</u>	<u>Due to COC (note a)</u>	<u>Due to other reasons (note b)</u>
50795	38	12	1.6	24.4
50851	21	-	-	21.0
50870	20	-	2.4	17.6
61043	35	7	1.6	26.4
61077	6	5	-	1
61078	6	5	-	1
61079	3	3	-	-
61132	25	1	.8	23.2
61279	26	-	1.2	24.8
61286	24	-	2	22
61389	23	3	1.7	18.3
61443	24	4	1.6	18.4
70742	27	2	-	25
70777	29	3	-	26
70778	29	3	-	26
70782	17	-	-	17
70821	13	-	3.3	9.7
70865	24	-	-	24
70866	27	-	-	27
70867	28	-	-	28
70870	21	-	-	21
90281	1	-	-	1

a/Certificates of Competency needed for new contract.

b/Delayed because specifications were not ready when (1) bid protest had been settled and (2) appropriate personnel were not timely notified of contract expiration.

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