



G A O

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**United States General Accounting Office
Washington, D.C. 20548**

General Government Division

B-284797

March 3, 2000

The Honorable James M. Inhofe
Chairman
The Honorable Charles S. Robb
Ranking Minority Member
Subcommittee on Readiness and Management Support
Committee on Armed Services
United States Senate

Subject: Information on the Cooperative Purchasing Program Under Section 1122 of the 1994 National Defense Authorization Act

Enclosed are the slides that we used on February 25, 2000, to brief your offices on the results of our review of the cooperative purchasing program established under section 1122 of the 1994 National Defense Authorization Act (Public Law 103-160). Section 1122 provides for state and local governments to purchase law enforcement equipment suitable for counter-drug activities through the Department of Defense (DOD). The enclosed slides present the results of our work relating to the four specific 1122 program issues you asked about—sales data, suitability of items sold, alternative supply sources, and administrative fees charged. In addition, the slides provide program background information, describe how the program works, and explain our methodology. As agreed with your offices, this letter and the transmittal of the slides represent the culmination of our work on this assignment.

Briefly, the slides show that for fiscal years 1998 and 1999, representatives from 18 states placed over 580 orders for one or more items, cumulatively valued at over \$5.3 million, from the Department of the Army (DA), the Defense Logistics Agency (DLA), and the General Services Administration (GSA). These figures are not complete because beginning on January 1, 1999, GSA allowed purchasers to buy some program equipment directly from participating commercial vendors—bypassing GSA and resulting in GSA's not tracking these purchases.¹ The act specifies that equipment suitable for counter-drug activities may not include equipment that DOD does not purchase for its own purposes. According to agency officials, only equipment approved by DA has been sold to state and local governments under the program. Our review of purchase orders showed that all of the equipment purchased through GSA from the program's inception through the first quarter of fiscal year 1999 was approved and included such items as vehicles, mobile command centers, and radios. There is a variety

¹ Vehicles and mobile command centers accounted for over 70 percent of the dollar sales for the 2 fiscal years, and purchases of these items were made directly through GSA for the entire 2-year period.

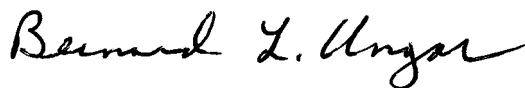
of alternative sources of equipment available to state and local governments, including the DOD Surplus Program (Section 1033 of the National Defense Authorization Act of 1997) and state and local procurement programs. Finally, GSA eliminated its additional 4-percent program administration fee in January 1999, but it continues to charge a 1-percent fee on all items purchased from its contract vendors. DA and DLA reported that they include program administrative costs in the price they charge for program equipment.

We obtained and analyzed program sales data from the federal agencies involved in the program. We discussed the program with representative of 39 of the 41 states that had appointed program representatives. We also obtained and considered comments on a draft of the information contained in the slides from representatives of the federal agencies involved in the program. We performed our work from October 1999 to February 2000 in accordance with generally accepted government auditing standards.

We are sending copies of this letter to Representative Herbert Bateman, Chairman, and Representative Solomon Ortiz, Ranking Minority Member, Subcommittee on Military Readiness, House Committee on Armed Services. We are also sending copies to the Honorable William Cohen, Secretary of Defense; the Honorable Louis Caldera, Secretary of the Army; Lieutenant General Henry Glisson, Director of DLA; the Honorable David Barram, Administrator of GSA; and the Honorable Janet Reno, Attorney General of the United States. We will make copies available to others upon request.

Major contributors to this letter included Sherrill Johnson, Dorothy Tejada, and Frederick Lyles. If you have any questions about this letter or the enclosed slides, you may contact me on (202) 512-8387.

Bernard L. Ungar

A handwritten signature in cursive script that reads "Bernard L. Ungar".

Director, Government Business
Operations Issues

States' Use of Federal Supply Sources

GAO General Government Division

State and Local Government Agencies'
Use of
Federal Procurement Sources Under
Section 1122 of the 1994 National
Defense Authorization Act

Briefing
February 25, 2000

1

GAO Assignment Objectives

Provide information on

- the volume and dollar amounts of sales made through the 1122 program for fiscal years 1998 and 1999;
- the suitability for counter-drug purposes of items purchased by state and local governments under the program;
- the availability of alternative means for state and local governments to make such purchases and state and local government officials' views on the effectiveness of such alternatives; and
- any administrative fees assessed on purchases made through the program.

GAO Background

- Section 1122 of the 1994 National Defense Authorization Act (Public Law 103-160) required the Secretary of Defense to establish procedures enabling states and local units of government to purchase counter-drug equipment through federal procurement sources.
- The Secretary designated Department of the Army (DA) as Executive Agent of the 1122 program. DA in turn formed a Steering Committee consisting of representatives from DA, the Defense Logistics Agency (DLA), General Services Administration (GSA), and Department of Justice (DOJ).
- In 1994, a Memorandum of Agreement (MOA) was signed by officials from these organizations to identify roles and responsibilities in administering the program.

GAO Background

- Major Roles and Responsibilities of DA, DLA, GSA and DOJ include:
 - DA: Serve as Executive Agent for program; provide chairman for Steering Committee; establish and maintain reporting procedures; evaluate/certify all equipment to be authorized for a catalog of items available under the program; manage billing and payment process for Army transactions; and establish procedures for purchasing law enforcement equipment.
 - DLA: Provide a representative to Steering Committee; provide annual update to the catalog of items available under the program; and manage billing and payment process for DLA transactions.

GAO Background

- GSA: Provide a representative to the Steering Committee; prepare, distribute, and maintain a customer guide and catalog for law enforcement equipment available under the program; and provide training in use of catalog and ordering procedures for state agencies.
- DOJ: Provide a representative to the Steering Committee; review proposed items of equipment available for purchase; and encourage participation in the program.

GAO Background

- In 1995, DOJ's Bureau of Justice Assistance (BJA) provided \$30,000 each to California, North Carolina, and West Virginia from DOJ's Local Law Enforcement Block Grant (LLEBG) Program to pilot the 1122 program. These three states tested the ordering system in 1995 and 1996 and made recommendations regarding national implementation of the program.
- In July 1997, BJA provided grants from the LLEBG Program to five additional states to establish 1122 program equipment procurement coordination offices. Colorado, Idaho, Ohio, Virginia, and Washington each received grants of up to \$200,000. At the same time, California, North Carolina, and West Virginia received over \$600,000 total additional money for the 1122 program.

GAO Background

- BJA goals for the grants included (1) establishing state program offices to determine the best purchase option available, (2) providing significant cost savings on equipment ordered, and (3) promoting the program to law enforcement and government officials.
- According to a DOJ official, no additional grant funds are planned for the program once the funds allocated in 1995 and 1997 are expended (expected by July 2000).
- Grant funds allocated to the states for the 1122 program totaled \$1,705,608. This money was used to staff offices and provide personnel training on the 1122 Program.

GAO Background

- To participate in the 1122 program, state governors must appoint a State Point of Contact (SPOC) to coordinate purchases through the program in their respective states. As of January 1, 2000, governors of 41 states had appointed a SPOC.
- State and local governments making a purchase through the program must place the order with their SPOC, who is to validate the counter-drug mission of the equipment ordered, verify that the item is available under the 1122 program, and place the order through the appropriate source.
 - For items stocked by DA or DLA, the SPOC is to forward the order to the appropriate Army or DLA supply center.
 - For commercial items, until January 1, 1999, the SPOC placed the order through GSA.

GAO Background

- Beginning on January 1, 1999, a SPOC is no longer required to place orders for commercial items through GSA, but is allowed to order equipment on specific GSA schedules directly from the participating vendors.
 - This change also allowed participating vendors to refuse 1122 program orders from the states.
 - This change did not affect the purchase of vehicles, which still must be ordered through GSA. Orders for command centers may be placed through GSA or directly with the vendor.

GAO Assignment Approach

- Interviewed officials from the Department of Defense (DOD), GSA, DLA, DOJ, and DA to discuss administration of the program.
- Obtained and analyzed GSA, DLA, and DA program sales data for fiscal years 1998 and 1999 pertaining to sales of equipment under the program. We verified GSA data by reviewing all 1122 program purchase orders submitted by SPOCs to GSA through the first quarter of fiscal year 1999. We did not verify data obtained from DLA and DA.

GAO Assignment Approach

- Contacted 39 of 41 SPOCs and officials from 9 state and local governments selected from GSA order forms based on the need to clarify the type of equipment ordered from GSA, such as radio components identified only by a manufacturer's code. We discussed state and local governments' participation in the program, procurement alternatives, and administrative fees charged. We also discussed selected items the officials had ordered and their views on the purchased equipment's suitability for counter-drug activity. We did not verify information received from SPOCs or from local and state government officials.

GAO Assignment Approach

- Discussed the program with an individual who represented the National Emergency Equipment Dealers' Association, National Police Equipment Distributors Association, National Emergency Medical Supply Distributors Association, and the Public Safety Coalition.
- Obtained and reviewed the law and related agency documentation, such as grant requests, catalogs, sales information, and the MOA.
- Obtained comments on information provided in this briefing from GSA, DLA, DA and BJA officials.
- We performed our work from October 1999 to February 2000 in accordance with generally accepted government auditing standards.

GAO Results: Objective 1

Volume and dollar amounts of sales
made through the program for fiscal
years 1998 and 1999

GAO Volume of Sales

<u>Agency</u>	<u>FY 1998</u>	<u>FY 1999</u>
GSA	106	90
DLA	68	198
DA	13	107
Total Orders	187	395

Note: FY 1999 GSA data include 46 commercial orders from the first quarter and 35 vehicle and 9 command center orders from the entire fiscal year.

Note: A single order may include numerous line items.

Source: GAO summary of GSA, DLA, and DA data.

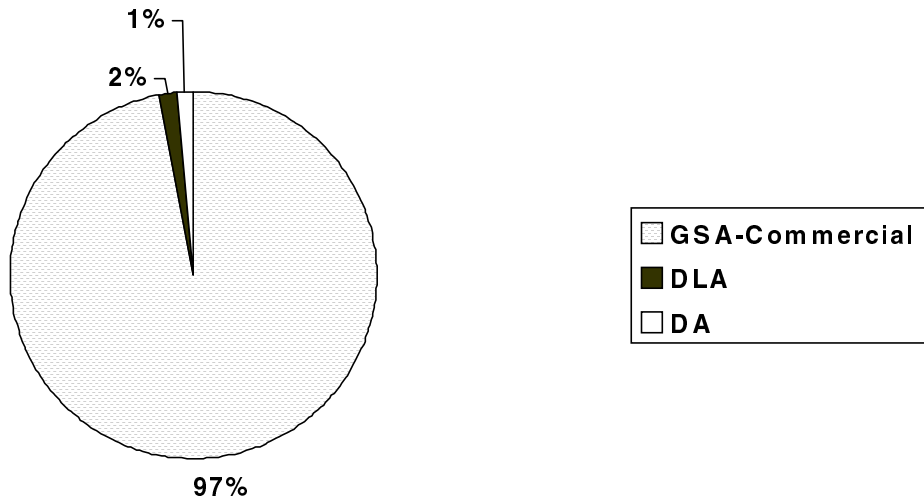
GAO Dollar Amount of Sales

<u>Agency</u>	<u>FY 1998</u>	<u>FY 1999</u>
GSA	\$765,080	\$4,259,901
DLA	15,042	113,606
DA	10,135	174,035
Total	\$790,257	\$4,547,542

Note: FY 1999 GSA total includes only first quarter commercial sales (\$325,826) plus \$2,086,494 (vehicles) and \$1,847,581 (command centers) for the entire year. GSA does not maintain commercial sales data for sales after January 1, 1999.

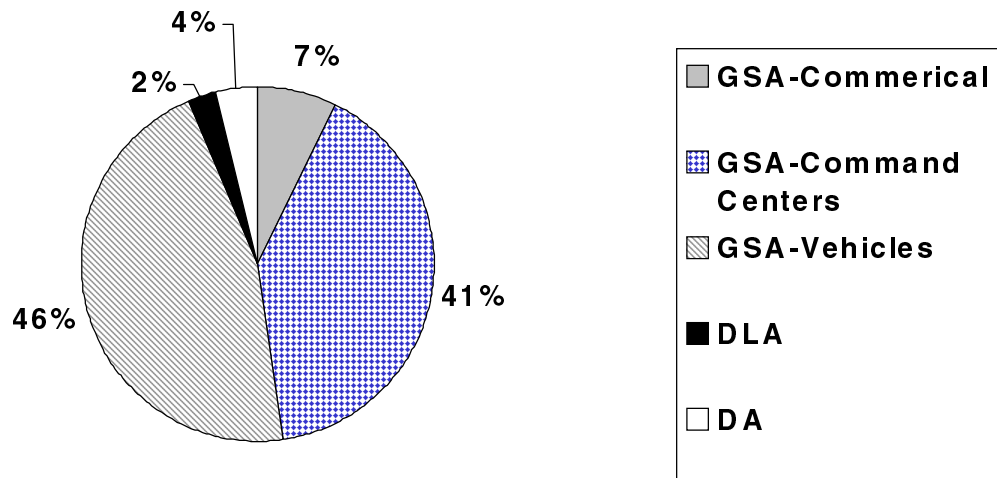
Source: GAO summary of GSA, DLA, and DA data.

GAO Total 1122 Program Sales for FY 1998,
by Agency



- Source: GAO summary of GSA, DLA, and DA data.

GAO Total 1122 Program Sales for FY 1999,
by Agency



- Source: GAO summary of GSA, DLA, and DA data.

GAO 1122 Program Purchases for FY 1998
and FY 1999, by State

<u>State</u>	<u>Dollars spent</u>
California	\$2,856,342
Virginia	524,579
New Mexico	389,101
Illinois	286,741
New York	279,771
Texas	232,193
Colorado	232,120
Minnesota	193,385
Washington	172,697

- Purchases by Arizona, Delaware, Georgia, Idaho, Iowa, New Jersey, North Carolina, West Virginia, and Wyoming comprised the remaining \$170,870 of sales.
- Source: GAO summary of GSA, DLA, and DA data.

GAO 1122 Program Purchases for FY 1998
and FY 1999

- According to SPOCs we contacted, funds for these purchases by the local law enforcement agencies came from various sources, including general funds, capital funds, and various federal and state grants.

GAO Results: Objective 2

Suitability for counter-drug purposes of
items purchased by state and local
governments under the program

GAO Definition of “Suitable for Counter-Drug Purposes”

- As Public Law 103-160 states: “The term ‘law enforcement equipment suitable for counter-drug activities’ has the meaning given such term in regulations prescribed by the Secretary of Defense. In prescribing the meaning of the term, the Secretary may not include any equipment that the Department of Defense does not procure for its own purposes.”

GAO Equipment Suitable for Counter-Drug Purposes

- The MOA signed by DA, DLA, DOJ, and GSA officials defines counter-drug equipment as that equipment identified by the parties to the MOA, in concert with representatives of state and local governments.
- Although input is received from DLA, DOJ, and GSA regarding the counter-drug equipment made available for the program, DA has the final authority. Steering Committee meetings are used to discuss these issues.
- A catalog developed by GSA lists categories of equipment approved by DA for procurement under the program.
- SPOCs ordering items maintained by DA or DLA may contact agency representatives to confirm the availability of items not listed in the catalog.

GAO Equipment Suitable for Counter-Drug Purposes

- SPOCs ordering commercial items from vendors under contract with GSA are limited to items found on ten schedules approved by DA for program use.
- No federal, state, or local officials provided us with any indications that unsuitable equipment has been purchased. However, the individual representing the dealers' associations said unsuitable equipment was purchased. No documentation was provided to support this statement.
- In our review of 236 purchase orders submitted by SPOCs to GSA for fiscal year 1995 through the first quarter of fiscal year 1999, we found all items procured were on approved GSA schedules.

GAO Examples of Equipment Purchased in
FY 1998 and FY 1999

- Electronic Equipment (radios, heat sensors, battery packs)
- Computer Equipment (hardware, software)
- Personal Gear (protective vests, night vision equipment)
- Photographic Supplies (cameras, film, video equipment)
- Miscellaneous Supplies (drug test kits, K-9/canine containers, chemical cleaners)

GAO Results: Objective 3

Availability of alternative means for state and local governments to make such purchases and state and local government officials' views of the effectiveness of such alternatives

GAO Procurement Alternatives Reported by SPOCs

- Surplus Program -1033 Program (The National Defense Authorization Act 1997- Section 1033). Excess military equipment suitable for counter-drug activities is made available to states at no charge through this program.
 - Sixteen of 39 SPOCs cited use of 1033 Program.
- State procurement programs and contracts
 - Eleven of 39 SPOCs cited use of state procurement programs and contracts.
- Local retailers and equipment dealers
 - Five of 39 SPOCs cited local retailers and equipment dealers.

GAO SPOCs' Views of 1122 Program and Alternatives

- As of January 2000, 22 of 39 SPOCs we contacted reported the 1122 Program had been initiated in their state. Of these 22 SPOCs:
 - Fourteen SPOCs cited benefits of the program, including cost savings resulting in additional equipment and/or personnel.
 - One SPOC reported savings of nearly \$380,000 over retail costs during first 6 months of 1999.
 - Four SPOCs cited new equipment preferred to surplus used equipment acquired from other sources, specifically the 1033 Program (The National Defense Authorization Act 1997-Section 1033).
 - One SPOC reported that condition of surplus equipment ranges from fair to poor, and only sporadically available.

GAO SPOCs' Views of 1122 Program and Alternatives

- Seventeen of 39 SPOCs we contacted reported the 1122 Program had not been initiated in their states. Of these 17 SPOCs:
 - Three SPOCs cited lack of resources for reason the 1122 Program had not been initiated in their states.
 - One SPOC cited state laws as precluding state agencies' participation in the program.
 - Four SPOCs cited the fact that other programs offered competitive prices when compared to 1122 Program.
 - Other comments from SPOCs cited complexity of federal procurement processes and lack of interest in the program.

GAO Results: Objective 4

Administrative fees assessed on
purchases made through the program

GAO Administrative Fees

- No additional administrative fee is charged for purchases made through 1122 program.
 - GSA dropped the 4-percent program administration fee for program purchases as of January 1, 1999.
- All sales through GSA's Multiple Award Schedule Program include an administrative cost (1 percent).
 - Price of products includes administrative fee--except for vehicle sales, where the 1-percent administrative fee is a separate line item.
 - Vendors collect fees and remit to GSA.
 - Fee is same for all federal customers.
- Officials from DLA and DA reported they recover administrative costs in the selling price of items purchased.

GAO Administrative Fees

- SPOCs reported that current fees do not affect program participation.
- State and local government officials contacted generally were not aware of any administrative fees included in the selling price.

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