



OFFICE OF THE PUBLIC AUDITOR

## EXECUTIVE SUMMARY

Competitive Sealed Bidding, Sole Source, and Emergency Procurement Functions  
Government of Guam, General Services Agency  
Report No. 04-14, December 2004

The General Services Agency (GSA) was created to support governmental departments by providing effective and efficient procurement, increasing public confidence, fostering broad-based competition, and providing safeguards for the total quality, integrity, and maintenance of a procurement system. A Chief Procurement Officer (CPO) oversees the purchases of goods and services of over 40 line agencies and reports directly to the Director of Administration (DOA).

During our audit, we found that GSA did not comply with Guam procurement rules and regulations for purchases of goods and services in excess of \$15,000. Specifically, GSA:

- Cited “existing territorial contracts” for 45 purchase orders (POs), totaling \$2.5 million, for goods and/or services in excess of \$15,000 that did not undergo the competitive sealed bidding process.
- Authorized payments of \$5.1 million on two expired “existing territorial contracts” to a local vendor for the government-wide lease/purchase of copier machines and continued to award POs to this vendor despite the fact that the contracts had expired in September 1999.
- Did not independently verify the justification of 6 sole source purchases, totaling \$699,825, which we determined not to be sole sourced.
- Lost a savings of \$53,700 for the purchase of 20 police vehicles procured as sole source because they did not conduct an independent verification of the price and specifications of the vehicles.
- Ratified \$4.1 million, or 331 POs, for unauthorized purchases as high as \$694,591 after the fact. Government agencies received goods and services prior to issuing purchase orders, thereby violating proper procurement procedures.
- Did not consistently document three required price quotations for emergency purchases totaling \$129,125.
- Paid \$14,575 more than necessary for heavy equipment rental when the purchase was not awarded to the lower bid.
- Did not maintain adequate procurement records, automate procurement activities, and perform periodic assessments of their procurement performance.

These conditions occurred because GSA did not properly plan or monitor the effectiveness of the procurement methods and make the appropriate adjustments to the Guam procurement rules and

regulations. We determined GSA is not meeting its overall mission to provide effective and efficient procurement services, and is unable to assure that purchases worth \$15.3 million fostered broad-based competition and were made in the government's best interest.

To correct these deficiencies, we made several recommendations:

- Immediately discontinue leasing and/or purchasing equipments under the two expired copier bids and the lease of motor vehicles, and issue invitations for bid (IFB) to solicit for these types of procurement.
- Discontinue the practice of utilizing "existing territorial contracts" and begin to plan and execute invitation for bids for all procurement.
- Independently verify the rationale for sole source purchases, solicit certification letters from vendors to warrant that they are the sole provider of specific goods and/or services, and eliminate the use of GSA's standardized sole source determination form.
- Immediately notify agencies that unauthorized procurements will no longer be ratified unless it is determined in writing by the CPO to be in the government's best interest, and develop and implement enforcement procedures for handling unauthorized procurements.
- Document the required number of quotations, award emergency purchases to the best offeror, and establish a qualified bidder's list to expedite emergency procurement.
- Regularly review the procurement process, make recommendations to modify statutes, and apply best practices to enhance the efficiency and effectiveness of GSA's overall procurement process.
- Ensure that a complete history of each procurement is documented in the respective procurement files.
- Amend 2 G.A.R. § 3109(d) to specify a minimum 15-day advertisement and bidding time requirement, and remove 2 G.A.R. § 3109(f)(2), which only requires a 7-day advertisement, since it conflicts with 2 G.A.R. § 3109(d).
- Initiate the automation of the procurement process to include developing a purchase order numbering system that appropriately classifies the procurement methods used (i.e. small purchases, BPA, sole source, and competitive sealed bidding) and develop the current website to post invitations for bid and/or requests for quotes.
- Pursue the debarment and/or suspension of vendors and perform periodic customer surveys.

The General Services Agency CPO generally concurred with the audit findings and recommendations.



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