



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

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INTERNATIONAL DIVISION

B-208826

MARCH 15, 1983

The Honorable Ray Barnhart
Administrator
Federal Highway Administration



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Dear Mr. Barnhart:

Subject: Foreign Source Procurement in the Federal-Aid Highway Program and Possible Violations of the Program's "Buy American" Provision
(GAO/ID-83-33)

Over the past 6 months we have examined a number of federally funded programs to determine the extent of foreign source procurement. The Federal-Aid Highway Program, as you know, was one of the programs reviewed. The need for detailed procurement information focused our effort at the State level. State transportation department officials and their counterparts in the District of Columbia and the U.S. territories proved quite helpful in identifying foreign steel purchases used in their Federalaid highway projects. We have recently aggregated this data and thought that you would find it of interest. We also want to inform you of several foreign steel purchases which may have violated the Federal-Aid Highway Program's "Buy American" restrictions.

A summary of foreign steel procurements reported by the States is attached. In brief, 29 States and 2 territories reported some foreign steel purchases on Federal-aid highway projects from January 1979 through December 1981. Nineteen of these States and the 2 territories identified approximately \$63.2 million in such purchases. Foreign structural steel procurement totaled \$28.8 million of this amount and the remaining \$34.4 million represented the cost of other foreign, nonstructural steel items, such as prestressed wire strand and reinforcing bar. These amounts are approximate because some States reported data that included labor and other costs. The other 10 States could not quantify their foreign steel purchases.

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Reported foreign steel purchases are very small when compared with the total steel used on Federal-aid highway projects during the same period. Your agency estimated that total steel used on highway construction for 1978, 1979, and 1980 represented 8.1 percent of total project cost. If this percentage is representative, then the value of steel used on construction contracts let¹ from January 1979 through December 1981 was about \$1.7 billion. Foreign steel purchases, therefore, represented about 4 percent of the total steel used.

The Federal Highway Administration's Buy American provision allows States to purchase foreign structural steel for Federal-Aid highway projects if (1) the estimated cost is less than \$450,000 or (2) the use of foreign structural steel reduces the total project cost by at least 10 percent. Further, a State may request a waiver of the Buy American provision if it is determined not to be in the public's best interest or the material required is not available domestically in sufficient quantity or quality.

During our review, we identified six Federal-aid highway projects, each exceeding \$450,000, for which contractors purchased foreign structural steel without demonstrating that each purchase reduced total project cost by at least 10 percent or obtaining a waiver. These purchases totaled almost \$1 million and were made on projects in North Dakota and Washington from February 1979 through August 1981, as shown below.

<u>State</u>	<u>Federal aid number</u>	<u>Project cost</u>	<u>Date of award</u>	<u>Foreign structural steel purchase</u>
North Dakota	BRF-4-002(17)906	\$2,304,485	11-16-79	\$465,700
North Dakota	FFG-4-002(16)133	485,741	2-15-79	244,658
North Dakota	DPF-FG-1-083(19)111	696,861	5-18-79	185,620
Washington	1-82-3(8)127	4,499,273	10-16-79	25,344
Washington	1-405-3(598)160	1,029,563	12-17-80	2,226
Washington	<u>a/2136</u>	670,847	8-24-81	<u>900</u>
Total				<u>\$924,448</u>

a/No Federal aid program number was available for this project; number shown is contract number for the project.

¹Federal-aid highways except secondary.

State transportation department officials in both North Dakota and Washington advised us that both States had procedures to identify foreign structural steel purchases on Federal-aid highway projects. Manufacturer mill test reports are required for all structural steel purchases in their States. Washington also requires contractors to provide a material source report to the State which identifies the supplier and manufacturer of all materials, including structural steel, used on a highway project.

State officials were uncertain why the foreign steel purchases in question were not identified and challenged by State employees.

Since it appears that North Dakota and Washington may have inadvertently violated the Federal Highway Administration's Buy American provision, we are referring the matter to you for appropriate action. Your Agency may wish to consider recovering the funds which have been expended improperly to purchase foreign structural steel under the Federal Claims Collections Act of 1966, 31 U.S.C. §3711, or the feasibility of waiving the Buy American restrictions in these cases, pursuant to 23 C.F.R. §635.410(d). We would appreciate being advised of any actions you may take on this matter.

Sincerely yours,



Frank C. Conahan
Director

Attachment

State and Territory Responses on
Foreign Steel Procurement

<u>State</u>	<u>Steel materials</u>	<u>Primary Sources</u>	<u>Approximate Value</u> (note a)
Alabama	Prestress wire strand	Japan	Unknown
Alaska	Structural steel Prestress wire strand	Great Britain Japan	\$ 434,145 283,608
Arkansas	Structural steel Prestress wire strand	Japan Japan/Mexico	17,685,844 50,400
California	Structural steel Prestress wire strand Miscellaneous steel items	Japan Japan Japan	b/ 1,473,800 5,748,800 11,044,400
Colorado	Prestress wire strand	Japan/Brazil	184,065
Connecticut	Prestress wire strand Reinforcing bars Reflective sheeting	S. Africa/Japan Germany Japan/France/ Luxemburg/S. Africa Japan	Unknown Unknown Unknown
Florida	Prestress wire strand	Japan/Spain	Unknown
Georgia	Structural steel Prestress wire strand	Unknown Japan	Unknown Unknown
Guam	Miscellaneous steel items	Unknown	50,000
Illinois	Structural steel Prestress wire strand Miscellaneous steel items	Japan/Germany/ Great Britain/ France Japan Japan/Canada/ Korea/Yugoslavia	Unknown Unknown Unknown
Indiana	Miscellaneous steel items	Germany	50,000
Iowa	Steel extrusions and miscellaneous steel items	Germany/Great Britain	10,000

a/Represents either costs of materials or in-place costs.

b/Value applies to both Federal-aid highway projects and projects receiving 100 percent California Dept. of Transportation funding.

<u>State</u>	<u>Steel materials</u>	<u>Primary Sources</u>	<u>Approximate Value</u> (note a)
Kansas	Structural steel	Japan/Great Britain	406,055
Louisiana	Prestress wire strand	Japan	Unknown
Maine	Prestress wire strand Reinforcing bars	Unknown Unknown	Unknown Unknown
Missouri	Structural steel	Brazil	\$ 17,160
Montana	Prestress wire strand Pipe pile	Japan Japan	36,078 30,500
Nebraska	Prestress wire strand	Japan	30,000
New York	Prestress wire strand	Japan/Brazil S. Africa/ Great Britain	Unknown
North Carolina	Structural steel Prestress wire strand Prestress wire strand Reflective sheeting	S. Africa Japan Brazil Japan	68,400 521,333 260,667 32,592
North Dakota	Structural steel Reinforcing bars Miscellaneous steel items	Canada Canada Canada	895,978 427,978 32,691
Northern Mariana Islands	Miscellaneous steel items	Unknown	1,170
Oklahoma	Miscellaneous steel items Prestress wire strand	Unknown Unknown	284,200 Unknown
Oregon	Prestress wire strand	Japan	13,300,000
South Carolina	Prestress wire strand Wire fencing Reflective sheeting	Japan Japan Japan	Unknown Unknown Unknown
South Dakota	Structural steel	Canada	1,298
Utah	Prestress wire strand Reinforcing bars Signposts	Japan Japan Japan	Unknown Unknown Unknown

<u>State</u>	<u>Steel materials</u>	<u>Primary Sources</u>	<u>Approximate Value</u> (note a)
Washington	Structural steel	Japan/Great Britain	1,684,150
	Miscellaneous steel items	Korea/Japan/England	566,250 Unknown
	Prestress wire strand	Japan	Unknown
West Virginia	Prestress wire strand	Japan	\$ 1,400,000
	Miscellaneous steel items	Germany	40,000
Wisconsin	Structural steel	Japan	5,957,936
Wyoming	Structural steel	Canada	200,000
	Miscellaneous steel items	Unknown	<u>Unknown</u>
Total			<u>\$63,210,808</u>