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

PROCUREMENT AND SYSTEMS
ACQUISITION DIVISION

APR 5 1974

B-180063

The Honorable Arthur F. Sampson
Administrator, General Services
Administration

Dear Mr. Sampson:

We have examined certain companies' practices in selling to the Federal Government. Typically these practices involve offers of premiums, such as small electrical appliances, as an inducement to employees to purchase the companies' products. The Wisconsin Department of Justice's investigations of premiums given by chemical companies to municipal employees have resulted in 22 convictions on 100 felony counts of bribery and extortion as of February 8, 1974. Additional investigations being conducted in several other States have established that the practice is widespread within local governments.

In reviewing the purchasing activities at 11 Federal installations and contracts for selected chemical products placed on the Federal Supply Schedules, we found 28 instances in which premiums were offered to Federal purchasing agents through brochures or catalogs. (See example enclosed.) In our test we did not find that the Federal employees accepted the premiums. Of course it is difficult to determine whether procurement personnel have accepted premiums.

Under the circumstances it would seem appropriate for your agency to advise Federal purchasing offices of the selling practices used by some suppliers and caution them as to the penalties involved in accepting such gifts. Also, you may wish to consider obtaining information on transactions with chemical suppliers at selected purchasing offices to assess whether further action is warranted.

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Please let us know what actions you consider necessary on this matter.

Sincerely yours,

A handwritten signature in black ink, appearing to read "R. W. Gutmann". The signature is written in a cursive style with a horizontal line underlining the name.

R. W. Gutmann
Director

Enclosure

ENCLOSURE

BUILDING
MAINTENANCE

MARK MANUFACTURING
CORPORATION

AUTOMOTIVE
CLEANERS

MUNICIPAL SUPPLIES

Industrial Chemicals
Dial (919) 294-1601 P. O. Box 10124
GREENSBORO, NORTH CAROLINA 27404

AEROSOLS

OKAY - YOU WIN We'll do it some more

We started this last year and it has been a huge success. In case you have forgotten, we are the company giving away Panasonic Television's and Bulova Accutron Watches. (See brochures)

We do this instead of having a salesman call on you and therefore can pass this savings on to you in the form of a gift.

The Panasonic Corporation and the Bulova Watch Company want you to have their products in your home or, if you desire, donate them to your local hospital, church, school, or childrens home.

It's very simple, with every drum you order, you get one gift of your choice. There's no limit, if you order three drums you can choose three gifts absolutely free.

As you probably know by now, our products are outstanding and competitively priced. The gifts are fantastic and are also guaranteed by the manufacturer. They will be shipped to the address you specify within thirty days from date of order - if not, your chemicals are free.

Just fill out the enclosed order form on the back of our self addressed envelope. If you have any questions, you may call, and ask for Mr. Jerry Barrett at the above number.