



UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

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PROCUREMENT AND SYSTEMS  
ACQUISITION DIVISION

B-146828

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MARCH 20, 1979

The Honorable William Proxmire  
United States Senate

Dear Senator Proxmire:

This is in regard to your request for us to assess (1) the need for various office-improvement items purchased by the Defense Property Disposal Service and the Defense Logistics Service Center, Battle Creek, Michigan, (2) the adequacy of the procedures followed in procuring the questioned items, and (3) the propriety of certain overseas and domestic trips made by the employees of these agencies. *ABC00500*

Examples of the purchases in question were:

- \$162,500 to purchase and install carpeting in the Logistics Center,
- \$60,000 to purchase carpeting in the Property Disposal Service;
- \$13,968 to purchase and install wallcovering;
- \$5,000 to purchase and install paneling;
- \$660 to purchase 2 bulletin boards; and
- \$111 to purchase picture frames in the Logistics Center Commander's office.



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The overseas trips included a 1977 Property Disposal Service Commanders Conference held in West Germany, and a similar conference held during 1978 in Honolulu, Hawaii. The questions raised were whether (1) these conferences were officially necessary and (2) all of the attendees needed to go.

We reviewed the agencies office-improvement purchases and found that generally the items purchased were needed. The building occupied is old

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and in need of improvements. All of the items purchased were from vendors approved by the General Services Administration (GSA) and listed in a General Supply Schedule. We did find, however, poor record-keeping and poor management controls over the office-improvement purchases.

In a review of all travel performed by employees of the two activities during fiscal years 1977 and 1978, we did not identify any travel that was obviously unnecessary. However, we could not determine whether each attendee was vital to a particular conference agenda. We were informed by responsible officials that they were monitoring and controlling the number and types of people attending conferences, meetings, and performing surveys, etc.

### Background

The Logistics Center operates and manages the Federal Catalog System for cataloging and providing technical item identification data necessary for logistics operations. This data is used throughout the Federal Government and by NATO countries. The Headquarters Logistics Center's fiscal year 1979 budget is \$23,568,000 and as of January 29, 1979, there were 887 employees at the Center in Battle Creek.

The Property Disposal Service manages worldwide reporting, utilization, and disposition of excess and surplus personal property for DOD and other agencies. The Property Disposal Service Headquarter's fiscal year 1979 budget is \$7,718,000 and as of February 1, 1979, there were 322 employees of the Service in Battle Creek.

A full discussion of the purchases made for the office-improvement program and travel follows.

### Office-improvement Program Poorly Managed

Efforts to improve existing office facilities for the Logistics Center are included in an improvement program which has been designated the Office Excellence Program. The program calls for installing new carpeting and office furniture, and painting and refurbishing the offices of the Logistics Center. Agency officials stated that excess operating funds were used to finance this program. Total fiscal year 1978 expenditures for office improvements were \$131,019 and \$234,927 respectively, for Property Disposal offices and Logistics Service Center offices. (See appendices I and II for fiscal year 1973 through 1978 office improvement expenditures.) As of December 1978, the majority of these expenditures were made to purchase and install carpeting. The average \$8.91 cost per yard was reasonable and all carpeting purchased was delivered to the agencies.

The program has been poorly managed generally. For example, there are no records that show the amount of carpeting installed in each office, the cost, date of installation, or the amount installed. Instead, agency personnel are consulted to obtain this information.

These practices and lack of accountability caused the following problems:

- Possible duplicate contractor payments to install carpeting. After we called this to the attention of agency officials, they contacted the contractor and requested a detailed accounting for carpet installation. The payments questioned totaled \$3,814. As of February 9, this issue had still not been resolved. Because of poor agency recordkeeping, it may never be resolved.
- Carpeting purchased by the Property Disposal Service was installed in Logistics Center offices, and vice versa.
- Carpeting was purchased in a variety of colors. If only one color had been purchased, a greater quantity discount could have been realized.
- Accurate measuring estimates were not developed in determining how much carpeting was needed to carpet agency offices. As a result, excess or insufficient carpeting was purchased. When too much was purchased, some offices not scheduled were carpeted. When too little was purchased, offices scheduled for carpeting went uncarpeted.

Wallcovering, paneling, bulletin boards, and picture frames were purchased and installed. The bulletin boards cost \$660, and the high cost may have been attributable to GSA regulations requiring that they have locked plexiglass doors.

Picture frame purchases totaled \$111 with an average cost of about \$2 per frame. The frames are used to mount employee awards, certifications, group photos, etc., which are generally taken home by the employees.

We do not believe the expenditures for office improvements can be considered wasteful. The building in which these two agencies are situated is an old structure, reconverted to suit the agencies. The improved facilities provide better working conditions and should help employee morale. The manner in which officials are deciding to make these improvements is subject to question, however.

Items not Related to  
Office-improvement

We reviewed all office-type purchases by the two agencies for fiscal years 1973 through 1978. We concluded that the majority of purchases were reasonable and properly justified. The need appears questionable, however, for the following items:

<u>Number of items</u>	<u>Item</u>	<u>Total cost</u>
1	weather instrument	\$ 19.95
1	police scanner	89.95
1	citizens band converter	25.95
1	chandelier	189.95
1	micro-wave oven	350.00
2	freezers	579.90
5	refrigerators	1,398.80
1	electric range	435.00
1	athletic equipment	109.72
	Total	<u>\$3,199.22</u>

The above items are in the custody of the agencies except for the athletic equipment which was declared excess.

The purchases in question were made without sufficient written justification from the officials ordering the items. However, management has recently installed control mechanisms to scrutinize any similar requests. For example, a procurement control committee was established in October 1978 to review all purchase requests. Further, the Logistics Service Commander stated that in November 1978 he began to review all of the purchase requests for justification, need, and validity.

We believe these internal changes should help prevent future unnecessary or inappropriate purchases.

Review of Agency Travel Requirements

Allegations were made that travel by agency employees was not officially necessary. Examples cited were a 1977 Commanders Conference in West Germany and one during 1978 in Honolulu, Hawaii.

We reviewed (1) all overseas travel for agency employees during fiscal years 1977 and 1978 and (2) all domestic travel to and from conferences for 1977 and 1978. (See appendices III through VI.)

Overseas travel included Commanders Conferences, NATO conferences, manpower surveys, etc. We believe that the annual Commanders Conferences are probably necessary because the Property Disposal Service operations

are worldwide. Also, operational problems may differ between Europe and the Pacific and the conferences provide a forum for discussing and developing solutions. Although we could not verify whether each employee was needed at these conferences, responsible Property Disposal Service officials assured us that each attendee was needed and made a meaningful contribution.

We found the following deficiencies:

- Employees were not utilizing lower cost excursion or group rates for overseas or domestic travel. Employees are well aware of conference dates months before the conferences are held and could obtain the lower travel rates.
- Employees also have not utilized joint fare discounts for overseas or domestic travel. Joint fares involve arrangements between two different airlines to offer discounts on connecting flights. A cost savings would be realized if these rates were utilized.

If agency employees would take advantage of such fares when circumstances permit, the Government could realize a cost savings of about 10 percent.

Although the majority of employees' travel expenses were proper, we found that one employee had improperly used a foreign air carrier. This was in violation of section 5, P.L. 93-623 of the International Air Transportation Fair Competitive Practices Act of 1974--more commonly known as the Fly America Act. We also questioned charges of the same employee for excess baggage and renting a car. Details follow:

- A Property Disposal Service employee used a foreign air carrier at a time a domestic carrier was available. This case was submitted to our General Counsel for a decision and on January 30, 1979, the Comptroller General issued his decision that the employee did violate the Fly America Act and is personally liable for such costs. Total cost involved is about \$600. The agency is using the Comptroller's decision as precedence to collect an additional \$600 from this employee for a similar 1976 overseas trip.
- The employee utilized a rental car during the November 1976 Commanders Conference in West Germany at a cost of \$455. We found no evidence that an attempt was made to use a GSA car or utilize military transportation, however, there were not sufficient grounds for us to take exception to this expenditure.

--The employee was reimbursed \$218 in excess baggage charges for his trip to the Conference. The charge was paid without proper supporting evidence (i.e., receipt, cancelled check, etc.). On January 12, 1979, GAO issued an exception against the disbursing officer who authorized reimbursement to the employee for the unsupported excess baggage charge. In lieu of proper evidence that he incurred this charge, the employee will be required to pay back the \$218.

In our review of domestic and overseas travel during fiscal years 1977 and 1978 by Logistic Service employees, we found no similar problems.

### Conclusions

There was insufficient documentation of the amount of money spent to install carpeting, or the date, place, or amount of material installed. As a result relatively small amounts of duplicate payments may have occurred for carpet installation and carpeting was installed in some offices erroneously. Also, available quantity carpeting purchase discounts were not obtained. The vast majority of travel expenses were valid and properly documented but available excursion, group, and joint fares were not obtained.

### Recommendations

To improve management of the office-improvement program and to more effectively monitor the procurement of office equipment and travel arrangements, we recommended to the Commanding Officers of the Defense Property Disposal Service and the Defense Logistics Service Center:

- Suspend purchases of office improvement items (i.e., carpeting, drapery, paneling, etc.) until a system is designed to adequately control and document such procurement.
- Determine, as soon as possible, the total extent of any duplicate payments for installing carpeting.
- Utilize to a greater extent quantity discounts in future carpet buys and obtain professional measuring estimates prior to ordering carpets.
- Evaluate, on a continuing basis, the number and types of employees authorized to attend Commander's Conferences.
- Utilize excursion, group, and joint fare discounts whenever possible.
- Ensure that a GSA or military vehicle is not available before authorizing the use of a commercial rental car.

Officials in the Logistics Service and Property Disposal Service agreed with our recommendations. In fact, based on our informal comments in early December, they have already taken steps to improve their operations.

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Although we did not obtain written comments, we did discuss our findings with agency officials. Because of the corrective measures taken or planned by agency officials to improve their procurement and travel practices, we do not plan to do further work in these areas at this time.

As agreed with your staff, this report will be released to the public 48 hours after you receive it.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "J. H. Stolarow".

J. H. Stolarow  
Director

Enclosures - 6

Defense Logistics Service Center  
Battle Creek, Michigan  
Expenditure for Office Improvement

<u>FISCAL YEAR</u>	<u>AMOUNT</u>
1973	\$ 54,529.25
1974	13,277.42
1975	8,344.66
1976	7,233.44
1977	1,317.73
1977	130,255.07
1978	<u>234,927.09</u>
TOTAL EXPENDITURES	<u>\$449,884.66</u>

Defense Property Disposal Service  
Battle Creek, Michigan  
Expenditures for Office Improvement

<u>FISCAL YEAR</u>	<u>AMOUNT</u>
1973	\$ 635.00
1974	11,810.75
1975	2,052.75
1976	1,315.02
1977	2,197.25
1977	15,708.07
1978	<u>131,018.51</u>
TOTAL EXPENDITURES	<u><u>\$164,737.35</u></u>

Defense Property Disposal Service  
Battle Creek, Michigan  
Fiscal Year 1977 Travel Expenses

<u>Conference</u>	<u>Total expense</u>	<u>No. of attendees</u>	<u>Conference dates</u>
European Commanders Conference	\$ 9,330	7	September 17-21, 1977
European Commanders Conference	7,823	6	November 8-12, 1976
Pacific Commanders Conference	3,766	5	November 7-12, 1976
Memphis Conference	1,449	3	October 4-8, 1976
Atlanta Conference	950	2	April 1-6, 1977
San Francisco Conference	1,181	2	September 26-30, 1976
Overseas manpower surveys	14,871	9	various
Miscellaneous overseas travel	19,213	12	various
Overseas security inspection	<u>1,723</u>	2	various
Total	<u>\$60,306</u>		

ENCLOSURE III

ENCLOSURE III

Defense Logistics Services Center  
Battle Creek, Michigan  
Fiscal Year 1977 Travel Expenses

<u>Conference</u>	<u>Total expense</u>	<u>No. of attendees</u>	<u>Conference dates</u>
NATO Conferences	<u>\$7,850</u>	2	various
Total	<u>\$7,850</u>		

Defense Property Disposal Service  
Battle Creek, Michigan  
Fiscal Year 1978 Travel Expenses

<u>Conference</u>	<u>Total expense</u>	<u>No. of attendees</u>	<u>Conference dates</u>
European Commanders Conference	\$ 5,840	5	September 18-24, 1978
Pacific Commanders Conference	10,402	10	March 26-31, 1978
Memphis Commanders Conference	3,539	9	April 10-14, 1978
Columbus Commanders Conference	690	3	May 21-25, 1978
Ogden Commanders Conference	1,277	3	May 16-18, 1978
Overseas manpower surveys	2,407	2	various
Eniwetok Disposal Mission	6,917	3	various
Overseas security inspection	1,140	1	June 11-28, 1978
Overseas assistance seminar	7,356	4	March 16-27, 1978
Miscellaneous overseas travel	<u>15,403</u>	11	various
Total	<u>\$54,971</u>		

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ENCLOSURE V

ENCLOSURE V

Defense Logistics Service Center  
Battle Creek, Michigan  
Fiscal Year 1978 Travel Expenses

<u>Conference</u>	<u>Total expense</u>	<u>No. of attendees</u>	<u>Conference dates</u>
NATO Conference	\$7,805	3	various
Burroughs Corp. meeting	<u>1,633</u>	2	April 16-23, 1978
Total	<u>\$9,438</u>		