



EXECUTIVE SUMMARY
Government of Guam Analysis of Top Ten Vendors
Report No. 12-06, December 2012

The Government of Guam (GovGuam) General Fund and its related funds spent \$123.8 million (M) for goods and services in fiscal year (FY) 2009, \$165.7M in FY 2010, and another \$165.2M in FY 2011, for a total of \$454.8M on goods and services. In each of the three years, over 40% of GovGuam's business went to ten vendors. Our audit found deficiencies with the procurements of these ten vendors that amounted to \$3.67M in questioned cost. Deficiencies include:

- Procurement of goods and services with escalating contract costs totaling \$1.1M over the original contract amount;
- Two million (\$2M) for an award not given to the lowest bidder as well as this bid not being advertised;
- Utilization of sole source procurement without justification totaling \$6,000 (K); and
- Missing documentation totaling \$526K.

It appears there is a lack of due diligence with locally funded procurement compared to federally funded procurement as 99% of the questioned costs were associated with local funds. These conditions occurred because there was no secondary review of locally funded procurement and no standard filing system to ensure proper filing of all procurement documents.

Top Ten Vendors Receive over 40% of GovGuam's Procurement

Between FY 2009 and FY 2011, 32 government agencies procured the services of 1,671 vendors. Of this, 30 agencies procured the following services from the top ten vendors: construction (37%), consulting (29%), transportation (9%), adult care services (8%), food services (7%), training (5%), and computer goods and services (5%). See table 1 for details.

Table 1: Summary of Top Ten Vendors from FY 2009 through FY2011

Vendor Name	Type of Good/ Service	FY 2009	FY 2010	FY 2011	Total
Vendor 1	Construction	\$ 748,876	\$ 15,740,966	\$ 19,014,297	\$ 35,504,139
Vendor 2	Consulting	\$ 12,905,655	\$ 11,417,370	\$ 8,660,758	\$ 32,983,782
Vendor 3	Consulting	\$ 17,606,472	\$ 6,862,889	\$ 1,381,260	\$ 25,850,622
Vendor 4	Construction	\$ 1,323	\$ 11,106,907	\$ 13,775,384	\$ 24,883,614
Vendor 5	Transportation	\$ 4,713,261	\$ 7,006,621	\$ 6,018,955	\$ 17,738,837
Vendor 6	Adult Care	\$ 5,538,888	\$ 5,804,687	\$ 5,029,214	\$ 16,372,788
Vendor 7	Construction	\$ 4,131,710	\$ 8,642,949	\$ 1,630,859	\$ 14,405,518
Vendor 8	Food Services	\$ 2,551,916	\$ 4,779,094	\$ 6,213,295	\$ 13,544,305
Vendor 9	Training	\$ 1,482,755	\$ 3,896,229	\$ 5,372,746	\$ 10,751,730
Vendor 10	Computer	\$ 2,226,912	\$ 2,643,514	\$ 5,678,872	\$ 10,549,298
	Subtotal Top 10 Vendors	<u>\$ 51,907,769</u>	<u>\$ 77,901,225</u>	<u>\$ 72,775,640</u>	<u>\$ 202,584,633</u>
	1,661 Other Vendors	\$ 71,403,154	\$ 88,303,267	\$ 86,457,452	\$ 246,163,873
	Unclassified	\$ 477,475	\$ (461,040)	\$ 6,024,308	\$ 6,040,743
		<u>\$ 123,788,397</u>	<u>\$ 165,743,452</u>	<u>\$ 165,257,400</u>	<u>\$ 454,789,249</u>

Deficiencies in the Procurement of Top Ten Vendors

We tested 27 procurement transactions totaling \$40.3M from the top ten vendors with funding sources coming from federal grants, capital projects, special revenues and the General Fund. Of the 27 transactions, 19 had no deficiencies. The remaining eight or 30% of the transactions totaling \$3.67M were 99% locally funded and had the following deficiencies:

- *Escalating Contract Costs* – We found amendments to a food services contract for the Department of Corrections with added costs of \$1.1M that exceeded the 10% threshold allowed in the Invitation for Bid (IFB). These amendments made changes to the price per meal as well as an extension to the contract for another five months. We could not determine if the contract was extended any further as it was outside of our scope.
- *Lowest Bidder was Not Awarded and Not Advertised* – The procurement file for an IFB issued by the Department of Public Works to procure road construction services did not contain justification for vendor selection. We found the lowest bidder was not awarded the contract. The procurement file also did not provide evidence of advertisement to the public. We questioned the award of this contract totaling \$2M.
- *Sole Source Procurement for Transportation Services* - We could not determine if the General Services Agency (GSA) did its due diligence to determine if there were other firms that could provide transportation services for a procurement completed in 2010. As a result, we questioned the total cost for this service of \$6K.
- *Missing Documentation* – Six files totaling \$532K lacked documentation that would support the rationale of the procurement method utilized and the vendor selection. This was due to poor record keeping and inconsistent filing. There is no filing system in place except for files that are reviewed by the Office of Attorney General (AG). It was evident that some agencies did not review the files to ensure compliance with Guam Procurement Law and that files are complete with correct documentation to support the vendor selection. These poor controls could lead to the loss of important documentation that validates the procurement of the goods or supplies.

Conclusion and Recommendation

With expenditures totaling \$454.8M in procurement for goods and services in the last three years, there is need for stronger oversight and secondary review of local procurement. GovGuam expenditures have been on an upward trend with over 40% of its business going to ten vendors for consulting, construction, computer, and food services each year. Our audit found deficiencies primarily in locally funded procurement of good and services from the top ten vendors. The parameters of utilizing federal funds are often more stringent and scrutinized, which can lead to a better handling of the overall procurement process and documentation. When using local funds for procurement, efforts should be made to mirror that same due diligence and control routinely applied to federally funded procurements. We recommend that GSA follow the AG checklist for all procurements and utilize the standard templates for various methods of source selection to ensure compliance with established procurement regulations.



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