Audit Report

OFFICE OF THE INSPECTOR GENERAL

PROCUREMENT OF MULTIMETERS

Report No. 94-053 March 15, 1994

Department of Defense

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Acronyms

DESC	Defense Electronics Supply Center
NSN	National Stock Number

INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-2884

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MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR ACQUISITION AND TECHNOLOGY
DEPUTY UNDER SECRETARY OF DEFENSE FOR LOGISTICS
DIRECTOR, DEFENSE LOGISTICS AGENCY

SUBJECT: Audit Report on the Procurement of Multimeters (Project No. 4LE-5001)

Introduction

We are providing this final report for your information and use. The audit was made in response to a request from Congresswoman Marcy Kaptur. Congresswoman Kaptur expressed concern that the Defense Electronics Supply Center (DESC) canceled the solicitation for a multimeter (national stock number [NSN] 6625-01-243-6683) that was available from multiple sources, and subsequently awarded an urgent procurement for a new and apparently sole-source multimeter (NSN 6625-01-375-6795). The Congresswoman requested that we determine whether NSN 6625-01-375-6795 was for a multimeter having a different form, fit, or function than NSN 6625-01-243-6683; that is, whether the multimeters were similar enough that NSN 6625-01-243-6683 could be issued to satisfy customer requirements for NSN 6625-01-375-6795.

Audit Results

DESC inappropriately restricted competition for the purchase of NSN 6625-01-375-6795. As a result, DESC may have paid as much as $54.00 per unit more for the multimeter than necessary on the sole-source contract for the purchase of 1,000 units. In justifying other than full and open competition, DESC erroneously classified the purchase as an urgent purchase. Additionally, the DESC item reduction study that established NSN 6625-01-375-6795 was not a complete analysis. The study did not evaluate whether four other manufacturers' parts that satisfied the procurement item description for NSN 6625-01-243-6683 also satisfied the procurement item description for NSN 6625-01-375-6795. Three of the four other manufacturers' parts for NSN 6625-01-243-6683 did satisfy the procurement item description for NSN 6625-01-375-6795 and should be considered in satisfying future requirements of NSN 6625-01-375-6795.

Objectives

The objectives of the audit were to determine whether DESC inappropriately restricted competition during the purchase of a multimeter (NSN 6625-01-375-6795) and to evaluate the interchangeability of the multimeters in question.

Scope

We reviewed the DESC files related to three contracts for the multimeters that were awarded in FY 1993, DLA900-93-M-AN28, DLA900-93-C-0576, and DLA900-93-C-0207. The contracts were valued at $195,120. We were not able to review the contract file for the canceled solicitation (DLA900-93-R-A830) because DESC did not retain the file after the solicitation was canceled. We interviewed inventory managers, technical specialists, and procurement officials at DESC. We also interviewed personnel from two firms that responded to the solicitation that was canceled.

This economy and efficiency audit was made from November 1993 through January 1994 in accordance with auditing standards issued by the Comptroller General of the United States as implemented by the Inspector General, DoD. The audit did not rely on computer-processed data. The organizations visited or contacted are in Enclosure 1.

Internal Controls

Because of the nature and limited scope of our audit, we did not evaluate internal controls.

Prior Audits and Other Reviews

No audits have been made on the management or procurement of multimeters at DESC in the last 5 years.

Background

The multimeters that are the subject of this audit are test instruments used to measure electrical properties, such as current, resistance, and voltage. They are used in the maintenance of, but are not installed in, weapon systems. We compared the two multimeters (NSNs 6625-01-243-6683 and 6625-01-375-6795) and concluded that the two multimeters generally perform the same function and that most customer requirements for this type of multimeter could be satisfied by either NSN. The principal difference is that NSN 6625-01-375-6795 has additional features and improved performance. The procurement item description for NSN 6625-01-375-6795 describes it as having an auto touch-hold feature that captures a reading and displays it from memory even after the probe has been removed from the circuit. The procurement item description also describes NSN 6625-01-375-6795 as having more precise measurement capability and different test leads than were required on NSN 6625-01-243-6683.

On October 30, 1992, DESC awarded contract DLA900-93-M-AN28 to Hughes-Peters, Inc. for 196 multimeters (NSN 6625-01-243-6683), at a unit price of $110.33. Hughes-Peters, Inc., offered DESC a multimeter made by John Fluke Manufacturing, part number 75-2, stating that the 75 series 2 was an

updated version of part number 75. Although the only acceptable part identified for NSN 6625-01-243-6683 was the John Fluke Manufacturing part number 75, DESC accepted the Hughes-Peters offer. Part number 75-2 was not added to the list of acceptable parts for NSN 6625-01-243-6683.

On March 13, 1993, DESC awarded contract DLA900-93-C-0576 to Soltec Corporation for 1,745 multimeters (NSN 6625-01-243-6683), at a unit price of $42.92. As part of the contract solicitation, DESC solicited offers of alternate items that might satisfy the procurement item description for NSN 6625-01-243-6683. Upon evaluating the offers, DESC identified four additional manufacturers' parts that satisfied the procurement item description. Although five bidders offered the John Fluke Manufacturing part number 75-2 under the solicitation, DESC did not evaluate those offers as alternate offers. Additionally, DESC did not add part number 75-2 to the list of acceptable parts under the NSN 6625-01-243-6683. DESC awarded the contract to Soltec Corporation for a foreign manufactured multimeter (Hung Chang part number HC-27). DESC denied a resulting protest of the award.

On May 7, 1993, DESC issued a Request for Proposal (solicitation DLA900-93-R-A830) for 819 multimeters (NSN 6625-01-243-6683). The solicitation listed five acceptable part numbers, but did not list part number 75-2.

On May 19, 1993, the Defense Logistics Service Center assigned NSN 6625-01-376-6795 to the John Fluke Manufacturing part number 75-2. The DESC Technical Operations Directorate indicated that NSN 6625-01-375-6795 was established as a result of an item reduction study, and that part number 75-2 was an improved version of NSN 6625-01-243-6683.

On May 20, 1993, the DESC Technical Operations Directorate directed that appropriate management records be adjusted, that demand data be revised (shifted from NSN 6625-01-243-6683 to NSN 6625-01-375-6795), and that the purchase request for NSN 6625-01-243-6683 be canceled and replaced by the purchase of NSN 6625-01-375-6795. On June 8, 1993, DESC canceled solicitation DLA900-93-R-A830 for NSN 6625-01-243-6683.

On July 29, 1993, DESC issued solicitation DLA900-93-R-B299 as an urgent purchase of 1,000 multimeters. The solicitation cited NSN 6625-01-243-6683 and the John Fluke Manufacturing part number 75-2. DESC indicated that NSN 6625-01-243-6683 was cited in the solicitation because the automated system could not generate the solicitation document citing NSN 6625-01-375-6795. This occurred because NSN 6625-01-375-6795 was erroneously classified in the automated system as nonstocked, centrally procured.

On July 30, 1993, DESC awarded contract DLA900-93-C-0207 for 1,000 multimeters. The sole-source purchase was from John Fluke Manufacturing, at a unit price of $98.60. DESC denied a protest of the award. DESC indicated that the purchase was for an urgent requirement of a new national stock number for which John Fluke Manufacturing was the only approved source; and that under urgent acquisition procedures full and open competition could not be provided for.

Discussion

DESC inappropriately restricted competition for the procurement of 1,000 multimeters. Based on a comparison of the unit prices offered for a comparable quantity under contracts DLA900-93-C-207 and DLA900-93-C-0576 and the contractors' offers under the canceled solicitation, we believe that DESC may have overpaid as much as $54.00 per unit on the sole-source contract.

DESC justified the sole-source contract, DLA900-93-C-0207, on the basis of urgency of need. We reviewed DESC's urgent purchase justification and evaluated the requirements for the multimeters, as of July 14, 1993. The urgent purchase justification indicated that DESC had backordered the requisitions for 274 multimeters, including at least 3 high priority requisitions for a total of 12 multimeters. By July 14, 1993, the backorder quantity had increased to 467 multimeters. DESC maintained that the urgent purchase was warranted to satisfy the high priority requisitions. However, the DESC urgent purchase justification was not adjusted to consider that 1,135 multimeters (NSN 6625-01-243-6683) were being delivered under contract DLA900-93-C-0576. The requisitions that were backordered, including the high priority requisitions, were satisfied from the multimeters delivered under contract DLA900-93-C-0576. Accordingly, the urgent purchase was not justified. The purchase should have been processed using routine purchase procedures, to include full and open competition.

DESC did not document the need for or effectively manage the item reduction study that established NSN 6625-01-375-6795. DESC advised us that an item reduction study or standardization review resulted in the replacement of NSN 6625-01-243-6683 with NSN 6625-01-375-6795. The purpose of such studies is to identify unneeded items in the supply system. By performing technical comparisons of similar or potential overlapping items, DoD can identify unneeded items. We requested information on the study; however, DESC did not retain documentation related to its review. From a review of item records and discussions with responsible technical personnel, we concluded that DESC did not effectively manage the study. DESC did not clearly establish the need for replacing or superseding the multimeter (NSN 6625-01-243-6683) that was in the supply system and did not evaluate whether the other manufacturers' parts assigned under NSN 6625-01-243-6683 satisfied the procurement item description for NSN 6625-01-375-6795. At our request, DESC performed an evaluation of the manufacturers' parts assigned under NSN 6625-01-243-6683. In November 1993, DESC reported that three of the other manufacturers' parts satisfied the procurement item description for NSN 6625-01-375-6795.

The manufacturers' parts that satisfy the procurement item description for NSN 6625-01-243-6683 and NSN 6625-01-375-6795 are identified in the table.

Table. Acceptability of Multimeters

Manufacturer	Part Number	Satisfies Item Description for NSN 6625-01-243-6683	Satisfies Item Description for NSN 6625-01-375-6795
A.W. Sperry	DM7100	Yes [1]	Yes [2]
B & K Precision	389	Yes [1]	Yes [2]
Goldstar Precision	DM-9187	Yes [1]	No
Hung Chang	HC-27	Yes [1]	Yes [2]
John Fluke Manufacturing	75	Yes	No
John Fluke Manufacturing	75-2	Yes	Yes

[1]Manufacturer's part identified during the DESC solicitation for contract DLA900-93-C-0576.

[2]Manufacturer's part identified as a result of our request for DESC to evaluate multimeters assigned to NSN 6625-01-243-6683.

On November 3, 1993, the item manager at DESC initiated a purchase request for 2,414 multimeters (NSN 6625-01-376-6795). DESC advised us that competition for the purchase would not be restricted. Based on the technical evaluation that identified additional manufacturers' parts that satisfy the procurement item description, DESC will solicit all known commercial sources that can provide the acceptable parts. As a result of those actions, we are making no recommendations.

Other Matters of Interest

The Defense Logistics Agency Manual 5015.1, "File Maintenance and Retention," June 17, 1992, specifies that files related to proposed procurement actions that are canceled after issuance of a solicitation (invitations for bids or requests for proposals) should be retained for 5 years after the cancellation. The DESC Procurement Directorate did not comply with the Defense Logistics Agency's policy. Responsible procurement personnel indicated that DESC was not aware of the Defense Logistics Agency's policy and that DESC routinely disposed of procurement files when solicitations were canceled. The DESC disposal practice evolved because approximately 20 percent of the recommended purchases were canceled before contract award. As a result of our review, DESC issued local guidance to procurement personnel to reaffirm and to clarify the Defense Logistics Agency's policy. Accordingly, we are making no recommendation on file retention and disposal as part of this audit.

Management Comments

We provided a draft of this report to the addressees on February 10, 1994. Because there were no recommendations no written comments were required of management, and none were received. Comments on the final report are not required.

The courtesies extended to the audit staff are appreciated. If you have any questions on this report, please contact Mr. James B. Helfrich, Program Director, or Mr. Joel K. Chaney, Project Manager, at (614) 337-8009. Enclosure 2 lists the distribution of this report.

David K. Steensma

David K. Steensma
Deputy Assistant Inspector General
for Auditing

Organizations Visited of Contacted

Defense Agencies

Headquarters, Defense Logistics Agency, Alexandria, VA
Defense Electronics Supply Center, Dayton, OH

Non-Government Organizations

Soltec Corporation, San Fernando, CA
RS Electronics, Maumee, OH

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Audit Team Members

Shelton R. Young	Director, Logistics Support Directorate
James B. Helfrich	Audit Program Director
Joel K. Chaney	Audit Project Manager