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UNITED STATES GENERAL ACCOUNTING OFFICE
REGIONAL OFFICE
ROOM 717, GATEWAY II BUILDING
4TH AND STATE
KANSAS CITY, KANSAS 66101

October 31, 1980

GAO 00340

B-200136



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Major General Jay T. Edwards
Commander, Oklahoma City Air *AGC00853*
Logistics Center

Dear General:

Subject: Noncompetitive Procurement of Aeronautical
Spare Parts at the Oklahoma City Air
Logistics Center

We have completed our survey of the noncompetitive procurement of aeronautical spare parts at the Oklahoma City Air Logistics Center (OCALC). The survey examined OCALC's breakout procedures for improving the competitive status of replenishment spare part buys.

Although the information gathered in this survey will be used for planning future work, we feel that the assembly of reprourement data packages warrants your attention now. We found that many noncompetitive purchases of high-dollar value replenishment spare parts can occur because data packages needed for competition are not assembled expeditiously. We are recommending that procedures be established to assure prompt assembly of complete reprourement data packages so savings associated with competition can be realized at an early stage in the procurement history of these high-dollar value items.

During fiscal year 1979, OCALC purchased about 7,000 parts which were coded for noncompetitive procurement because technical data was not available to assemble bid packages needed for competition. 1/ The annual dollar demand for the 7,000 parts totalled about \$30 million. Our stratification 2/ of these 7,000 parts shows that 845 high-dollar value parts had an annual dollar demand of about \$24 million. Thus, 12 percent of the parts represent

1/This includes those parts assigned procurement method suffix codes (PMSC) "D" (data not available) or "H" (available data not sufficient/legible).

2/The stratification was based on annual dollar demand.

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about 80 percent of the total annual dollar demand for the 7,000 parts which lacked technical data needed for competition.

DATA/BID PACKAGE ASSEMBLY PROCEDURES

OCALC's normal practice is to order unassembled engineering data from the prime equipment contractors. Assembled data packages are not ordered because OCALC believes it can research and assemble reprocurment data packages at less cost than contractors would charge. The lack of needed data for reprocurment is not identified until OCALC attempts to assemble a complete bid package for the first replenishment spare part buy.

A complete data package for each part includes the top drawing and various subsidiary levels of detail drawings. In assembling a data package, the top drawing is needed to identify the next level of subsidiary drawing referred to as first callout drawings. These drawings must then be acquired and reviewed to determine if other callout drawings are required. This process continues until the last callout drawings are obtained and a complete bid package can be assembled or until available documents indicate the part cannot be competed because of factors such as limited rights.

When missing technical data is identified during the initial replenishment buy, OCALC does not hold up the purchase to obtain the missing data. Rather it assigns an appropriate suffix Code "D" or "H" so the buy can proceed noncompetitively. OCALC, looking forward to the next purchase, then orders the missing data from the Air Force Logistics Command data repository; if not on file there, it is requested from the contractor. A complete reprocurment data package is generally not requested; only those drawings known to be missing are requested. This could be a top drawing or callout drawings specified on available drawings.

After the missing data is obtained, the same procedure is followed to identify other missing data needed to assemble a complete package, or until breakout of the item is terminated for other reasons. Any further action to obtain additional missing data is generally postponed, however, until the next purchase is initiated, because priority is given to screening items with open purchase requisitions.

MANY NONCOMPETITIVE PURCHASES OCCUR
DURING THE DATA ASSEMBLY PROCESS

Our examination of nine high-dollar value replenishment spare parts shows that OCALC's intermittent, piecemeal assembly process often extends over long periods during which a number of noncompetitive purchases occur. Data pertaining to these nine parts is shown on Enclosure I. Each was coded "D" or "H" from 15 months to 5 years, during which time they were purchased noncompetitively on 29 occasions at a total price of about \$4.3 million. For example, OCALC assigned Code "H" to Federal stock number (FSN) 6615-00-520-1187 in April 1975 to signify that the Government did not possess sufficient, accurate, or legible data to purchase the item from sources other than the manufacturer. The item has since been purchased noncompetitively on seven different occasions between September 1975 and March 1979 at prices totaling about \$1.6 million. Screening records show that reprourement data needed to compete the part was not requested from the manufacturer until May 1979.

In another case, OCALC assigned PMSC Code "H" to FSN 1650-00-469-9534 in July 1977. Through July 1979 OCALC purchased this item noncompetitively on two occasions at prices totaling about \$419,000. Screening records did not show that reprourement data needed to compete this item was ever requested from the manufacturer.

CONCLUSIONS AND RECOMMENDATIONS

(OCALC is not taking timely action to increase competition on high-dollar value replenishment spare part purchases. It uses the same intermittent process to assemble reprourement data packages regardless of the dollar value involved. This practice has significantly slowed down the assembly of complete packages for high-dollar parts, and has resulted in concentrating overall breakout efforts on low-dollar value parts. A relatively small number of high-dollar value parts represent most of the potential savings associated with breakout, and we believe that the data assembly process should be expedited and completed without interruption for such items so they can be competed and procurement savings optimized as soon as possible.)

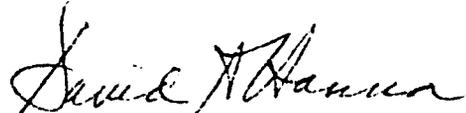
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Accordingly, we recommend that you:

- identify the high-dollar value parts lacking data needed for competition, and
- expedite the assembly of bid packages for such items by (1) instituting a continuous, uninterrupted data assembly process or (2) purchasing complete data packages from the contractor when cost/benefit studies dictate.)

We discussed this information with your staff and would appreciate being advised of your plans to implement our recommendations.

Sincerely yours,


David A. Hanna
Regional Manager

Enclosure

NONCOMPETITIVE PURCHASES OF SELECTED
HIGH-DOLLAR REPLACEMENT SPARE PARTS
ASSIGNED PMSC CODE "D" OR "H"

<u>FSN</u>	<u>Assigned PMSC</u>	<u>Date</u>	<u>Non competitive purchases under Code "D" or "H"</u>			<u>Data ordered from mfg.</u>	<u>No. of months under Code "D" or "H" (note a)</u>
			<u>No.</u>	<u>Last buy</u>	<u>Dollars</u>		
615-00-520-1187	H	4/75	7	3/79	\$1,623,000	£/5/79	60
2915-00-798-8321PL	H	3/77	6	12/79	534,000	(d)	b/34
1660-00-408-2103	H	7/78	4	11/79	125,000	(d)	21
1650-00-151-3810	D	4/78	4	1/80	121,000	(e,f)	24
1650-00-469-9534	H	7/77	2	7/79	419,000	(d)	c/29
2840-01-050-9219PJ	H	9/78	2	4/79	808,000	(d)	19
2915-00-084-3852RU	D	3/78	2	5/79	510,000	12/79	25
1430-00-113-5969CJ	H	1/79	1	6/79	69,000	(e,f)	15
1650-00-909-0022	D	8/78	1	5/79	30,000	(e,f)	20

a/Through 4/30/80, unless otherwise noted.

b/Coded "P" (data legally unavailable) in 2/80.

c/Coded "G" (data package complete, suitable for advertising) in 1/80.

d/Records do not show whether and/or when data was requested from the manufacturer or from the AFLC repository.

e/Records note that data was requested but not when.

f/No record of data receipt or OCALC follow-up.