

Further, the basis for the Army's justification for the sole-source procurement was not urgency but inadequate procurement data for use in soliciting competitive bids.

"2. The recommended disciplinary action was not believed to be warranted. The decisions with respect to the award in question were made in accordance with what was then accepted policy. The facts as presented, when considered in the light of the prevailing policy, were considered proper justification for the decisions.

"Officials in the Office of the Assistant Secretary of the Army (Installations and Logistics), in response to our request for clarification of the above comment, stated that, at the time of this procurement, there was an absence of guidance and control over the procurement of new equipment generally but that the Army's policy was that development and production of an item could be effectively accomplished simultaneously. Procuring officials in this instance, however, had been aware of the user and engineer objections prior to awarding this contract but had requested approval from higher authority for the award without disclosing this information.

"Conclusions

"We believe that, generally, production contracts for new equipment should not be awarded when the results of service tests performed by the user on developmental or preproduction models had disclosed deficiencies that rendered the item unsuitable for field use. We believe also that efficiency and economy are obtained for the Government by the maximum practical use of competition in procurement programs.

"As disclosed in this report, deficiencies had been identified in the developmental and preproduction models of the partially transistorized radar sets that rendered them unsuitable for Army use. Notwithstanding the serious deficiencies found by USCONARC, a decision was made by the Materiel Agency to procure an additional quantity of 502 radar sets on a sole-source basis. Further, the Materiel Agency's stated reason for procuring radar sets on a sole-source basis was that it lacked the procurement data necessary to solicit competitive bids. If the Materiel Agency had waited until an acceptable radar set was designed and procurement data suitable for solicitation of competitive bids became available, as provided for under the initial contract, the Agency could have procured the 502 radar sets at a savings of 55.5 percent, or about \$1.86 million. Also, the Army could have avoided costs of \$356,220 paid for the work stoppage under the contract modification for the 502 sets while the deficiencies identified in the developmental and preproduction models under previous awards were being corrected.

"The Army advised use of the corrective actions taken to preclude recurrence of situations such as this, and we will evaluate them in future reviews. In view of the fact that responsible officials (1) were aware of the deficiencies in the equipment and objections of the using forces to buying this equipment prior to the correction of these deficiencies and (2) requested approval for the award without disclosing the user and engineer objections, however, we believe that these actions should be noted in their personnel records, for consideration in future promotions, reassignments, and other personnel actions.

"The management weaknesses disclosed in this report have occurred in the past and have been identified in other General Accounting Office reports. We reported on the Department of the Army's procurement of defective radiation-measuring instruments (B-146834, dated December 17, 1963). Under five contracts for this equipment the Army spent \$3.8 million even though it knew prior to each contract that the equipment was defective. We recently reported also on the noncompetitive procurement of military $\frac{3}{4}$ -ton trucks (B-146921, dated August 12, 1964). By procuring these vehicles without competition, the Army incurred unnecessary costs estimated at \$12.1 million even though it could have obtained the information sufficient for the competitive procurement purposes. As stated in this report and in previous reports, action has been taken by the Department of the Army to promulgate policies and regulations controlling the procurement of new equipment and to intensify its efforts to promptly obtain technical data for competitive procurement purposes. We will evaluate the effectiveness of these actions in future reviews.