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General Services Agency Indefinite Quantity Bid Guarantees

Internal Audit Section Report No. 2023-02

April 10, 2023

The Department of Administration (DOA) Internal Audit Section (IAS) completed IAS Report No. 2023-02, General Services Agency (GSA) Indefinite Quantity Bid Guarantees.

Reason for Audit

This audit was initiated due to public concern over the handling of bid guarantees by the Government of Guam.

The audit objective was to determine whether bid guarantees of awarded vendors were in compliance with procurement laws and regulations, bid guarantees were safeguarded, and the awarded contracts were accurately monitored. As a result of our pre-assessment and to narrow our audit scope, we focused on indefinite quantity bids administered by GSA.

The period of our review encompassed January 1, 2020 through September 30, 2021.

Results of Audit

Based on the Internal Audit Section's assessment, the audit team noted the following:

- There were three instances in which interested vendors did not comply with procurement regulations. In these instances, interested vendors submitted bid guarantees under the 15% requirement.
- GSA released some bid guarantees of awarded vendors before the expiration of the contract. Of the 30 awarded vendors of selected indefinite quantity bids between January 1, 2020 and September 30, 2021, 23 awarded vendors received or may have received their bid guarantees before the expiration of their contracts.
- Through default letters, the Chief Procurement Officer required awarded vendors to cure the default within 10 days of receipt of notice. Although there was no evidence of a cure through communication to the Chief Procurement Officer by the awarded vendor or through delivery, the audit team could not find evidence of a liquidation of damages assessment performed by GSA or DOA Division of Accounts.
- There were \$120 thousand in outstanding encumbrances for indefinite quantity contracts as of January 2023, which encompassed expiration dates in both fiscal year (FY) 2020 and FY 2021. The outstanding encumbrances included purchase orders in which supplies and services were not received from the awarded vendor. Therefore, the audit team could not ascertain whether the contract was complete and the encumbrance should have been de-obligated by the department.

Conclusion and Recommendations

GSA's internal controls could be designed more effectively to ensure that standard operating procedures related to the safeguarding of bid guarantees are implemented for staff accountability, procurement laws and regulations related to the safeguarding of bid guarantees are followed, and indefinite quantity contracts are managed effectively.

As a result of this audit, the audit team made 3 recommendations to the Chief Procurement Officer to improve processes moving forward. Although an extension was granted, the audit team did not receive GSA's official management response as of audit report date.

The full report has been prepared solely for the use of GSA Management. The information in the full report is deemed confidential and not for public distribution.