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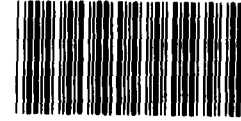
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NATIONAL SECURITY AND INTERNATIONAL AFFAIRS DIVISION

SEPTEMBER 4, 1984

B-215367

The Honorable Robert T. Matsui  
House of Representatives



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Dear Mr. Matsui:

Subject: Review of Contract for Air Force Consolidated Space Operations Center (GAO/NSIAD-84-154)

In your April 18, 1984, letter, you asked us to review a contract to construct the Consolidated Space Operations Center in Colorado for the Air Force. You also asked us to look into whether a major portion of the steel detailing, which entails preparing shop drawings based on the architect's plans and specifications, was being performed in the Republic of South Korea. You stated that the steel fabricating and detailing industry on the west coast of the United States has been adversely affected by intense and unfair competition from Korean firms. You specifically asked:

--Is the steel detailing element of the contract actually being performed in South Korea? If so, what percentage?

--Do regulations governing contracting procedures for government projects prohibit steel detailing and the supply and fabrication of steel by foreign firms?

To respond to the questions, we reviewed the contract and related documents. Also, we contacted officials of the agency that awarded the contract, the Corps of Engineers, and the main steel subcontractor, Marathon Steel Company. Finally, we evaluated pertinent contract provisions and procedures in light of applicable procurement laws and regulations. Our ability to verify whether the steel detailing was performed in Korea and the percentage thereof was restricted because we do not have a right of access to the contractor's records under the type of contract involved. We conducted our review in accordance with generally accepted government audit standards, except as requested by your office we did not request official agency comments on the report.

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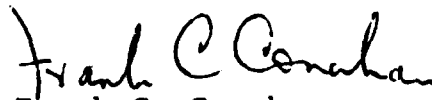
The Omaha District of the Corps of Engineers awarded a \$63,900,000 fixed-price contract to Bechtel National, Inc., in San Francisco, California, for construction of the Consolidated Space Operations Center at Falcon Air Force Station in Colorado on February 9, 1984, by means of formal advertising. Bechtel contracted with Marathon Steel Company in Phoenix, Arizona, to supply structural steel for the Center. A Marathon Steel Company official said that Marathon, in turn, awarded a contract for steel detailing to ADS Engineering in Oceanside, California, which had close to 100 percent of the detailing performed by AMKOR Engineering in Seoul, Korea.

The use of domestic construction material is required under the Buy American Act (41 U.S.C. § 10a-10d) provision of the contract that is prescribed by the Defense Acquisition Regulation, § 18-505, reprinted in 32 CFR pts. 1-39 (1983), which governs this procurement. Domestic construction material means a manufactured construction material that has been manufactured in the United States if the cost of its components, which are mined, produced, or manufactured in the United States, exceeds 50 percent of the cost of all its components. This provision does not require that the steel detailing be performed in the United States. We note that the procurement of services is not subject to the Buy American Act.

The Corps of Engineers took steps to assure that the contractor complied with the Buy American Act requirement of the contract. The Corps resident engineer stated that the steel delivered to the construction site was stamped with markings of U.S. steel mills. He also stated that all metallurgical test reports, which certify each shipment of steel complies with American Society for Testing Materials standards in accordance with the material and workmanship provision of the contract, have been prepared by domestic steel mills.

As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of the report until 5 days from the date of the report. At that time, we will send copies to interested parties and make copies available to others upon request.

Sincerely yours,

  
Frank C. Conahan  
Director