
Office of Inspector General
Audit Report

*Cancellation of FHWA's
Truck and Bus Safety Summit
and Rest Area Forum*

Report Number: TR-1999-061

Date Issued: March 24, 1999





**U.S. Department of
Transportation**

Office of the Secretary
Of Transportation

Office of Inspector General

Memorandum

Subject: INFORMATION: Cancellation of FHWA's
Truck and Bus Safety Summit and Rest Area Forum
Report No. TR-1999-061

Date:

From: Lawrence H. Weintrob
Assistant Inspector General
for Auditing

Reply to
Attn of: JA-30

To: Assistant Secretary for Budget
and Programs

This memorandum summarizes our inquiry into the cancellation of Federal Highway Administration's (FHWA) Truck and Bus Safety Summit. The inquiry was requested by the Assistant Secretary for Budget and Programs. The objectives of the inquiry were to determine (1) whether FHWA's Office of Motor Carriers (OMC) sponsored the summit, (2) the extent of costs incurred and lost, (3) if proper contracting procedures were followed, and (4) the extent to which OMC may be liable for additional cost or damages for canceling the summit.

OMC's Office of Planning and Customer Liaison was planning a Truck and Bus Safety Summit which was to be held in Atlanta, Georgia, on December 6 through 8, 1998 and a Rest Area Forum to be held on December 9 and 10. The summit was to focus on truck and bus safety issues, and the forum was to focus on the critical shortage of rest area parking space for trucks traveling our nation's highways. OMC had widely advertised the summit and aggressively solicited support. On November 23, 1998, FHWA withdrew from the summit. It was apparent that senior FHWA and Departmental officials responsible for withdrawing from the summit were not aware that FHWA sponsored the summit and had incurred significant costs.

We performed our inquiry at OMC Headquarters and the Office of Acquisition Management. We reviewed contract records, interviewed FHWA sponsor officials and the Ritz Carlton National Sales Manager, and held discussions with the legal staffs for FHWA and the Office of Inspector General.

Results-In-Brief

- FHWA's OMC was the sponsor of the Truck and Bus Safety Summit and Rest Area Forum.
- As of January 31, 1999, FHWA had incurred cost of \$96,170 for summit planning and registration, public relations, promotional materials, and meeting rooms.
- Proper contracting procedures were not followed. In one instance, the individual negotiating and apparently verbally committing the Government to a contract for hotel guestrooms did not have contracting authority or authority to obligate or commit the government.
- OMC could have been liable for damages claimed by the Ritz Carlton Hotel for committed unused rooms and expected meals.

OMC Was Sponsor

OMC was the sponsor of the Truck and Bus Safety Summit and Rest Area Forum. Although 15 individuals from corporations, state governments and other Federal agencies participated in establishing the agenda for issues to be addressed at the summit, OMC provided the leadership, momentum, and funds for the summit and forum. On November 23, 1998, the Office of Public Affairs, FHWA, announced that FHWA was withdrawing its participation in the summit. Since FHWA was the "real" sponsor, the summit and forum were then cancelled 13 days before the scheduled start date (see exhibit A). According to the Director of FHWA's Office of Public Affairs, the Deputy Administrator advised her to issue an announcement that FHWA was withdrawing its support for the summit. FHWA's reason for withdrawing their support was that summit organizers were unable to obtain broad-based representation from various groups in the transportation industry. The Rest Area Forum was also cancelled.

Proper Contracting Procedures Were Not Followed

OMC awarded five contracts in planning the summit. Our work indicates that the contracts were properly awarded. In addition, one employee made a verbal commitment for room nights at the Ritz Carlton Hotel. However, the individual who made the commitment for the rooms did not have contract authority or authority to otherwise obligate the Government. Although no contract was signed, the Ritz Carlton was seeking damages in the amount of \$129,632 because they were of the opinion that they had a binding contract before the Government cancelled the summit.

In organizing the summit and forum, OMC awarded four of the five contracts to three companies for services costing \$71,170 (see exhibit B). These services included summit planning and registration, public relations, and promotional materials. Two of the contracts, with one company, were awarded on a sole source basis. OMC justified the sole source award by stating that the contractor had extensive conference management experience and knowledge of OMC programs, activities, and goals. The contracting officer approved the written sole source justification. The other two contracts were awarded competitively to the lowest bidders.

OMC also awarded a third sole source contract to the Ritz Carlton Hotel for conference and meeting rooms. The cost of the contract was \$25,000. According to the contracting officer, the Ritz Carlton Hotel was selected because no other hotel in the area could provide the necessary accommodations on the dates the summit was to be held. However, we found no evidence of a competitive search for other facilities.

In addition to the five contracts discussed above, during our inquiry, we learned that an employee in OMC's Office of Planning and Customer Liaison, without contracting authority, made a telephone commitment to the Ritz Carlton Hotel for 891 room nights. The employee indicated that she was "ordered" by the office director to plan and make arrangements for the summit. This employee advised us that at the time she made the "commitment" for the rooms, she was unaware that she was making a "commitment" for the Government because participants attending the summit and forum were to pay for their own rooms. According to the employee, she was following past practices of reserving rooms for conferences. Once the "commitment" was made, the hotel sent a contract to OMC for signature. However, the summit and forum were cancelled before the contract was signed.

Liable for Damages

OMC could have been liable for other costs related to the cancelled summit. Specifically, the Ritz Carlton Hotel was seeking \$129,632 in damages for room nights and estimated meals (see exhibit C).

FHWA's Office of Acquisition Management requested that the Ritz Carlton Hotel submit an invoice with written certification of the number of rooms they were able to rent from December 6 through 10. FHWA is currently awaiting the hotel's response. We discussed this matter with the legal staffs from FHWA and the Office of Inspector General. Both agreed that FHWA may be liable for damages claimed by the Ritz Carlton Hotel. However, they stated that all damages in question should be negotiated because some rooms may have been rented and not all food sales may have been lost.

On March 23, 1999, the National Sales Director for the Ritz Carlton Hotel, downtown Atlanta, Georgia, advised the OIG that, for various reasons, the hotel had decided not to pursue this claim.

If I can answer any questions or be of further assistance, please feel free to contact me at x61992.

Attachments

cc: Inspector General

Exhibit B

LISTING OF CONTRACTORS

Contract Number	Contractor	Cost	Services	Justification	Amount Paid
DTF61-99-P-0053	Infinity Conference Group, Inc.	\$11,501	Rest Area Forum	Sole Source	0
DTH61-98-P-00425	Infinity Conference Group, Inc.	\$24,992	Safety Summit	Sole Source	\$9,997
DTF61-98-F10200	H R Communication	\$21,795	Provide promotional and marketing items	Lowest Bidder	\$21,795
DTF61-98-P-00523	AD Agency	\$12,883	Public Relation Services	Lowest Bidder	0
TOTAL	Four Contracts	\$71,170			
DTF61-98-P-00356	Ritz Carlton	\$25,000	Meeting rooms for Safety Summit	Sole Source	0
TOTAL		\$96,171			\$31,792

Remaining Balance \$64,379



U.S. Department of
Transportation

News: Exhibit A

Office of the Assistant Secretary for Public Affairs
Washington, D.C. 20590
<http://www.dot.gov/briefing.htm>

FOR IMMEDIATE RELEASE

Monday, November 23, 1998

FHWA 56-98

Contact: Gail Shibley

Telephone: 202-366-0660

Federal Highway Administration Withdraws from Participation In Truck and Bus Summit

The Federal Highway Administration (FHWA) today issued the following statement as it announced its withdrawal from participation in the National Truck & Bus Safety Summit slated for Dec. 7-8 in Atlanta:

"Truck and bus safety is a top priority of the FHWA and, as an agency, we want our actions to reflect our commitment to inclusive participation by all stakeholders. We work closely with those who share our passion for improving safety on our nation's highways. We believe we can and should do even more, however, to ensure our national agenda is as fully inclusive as possible of all perspectives on this critical issue.

FHWA applauds the excellent work of our Summit partners. We have tremendous appreciation and respect for their enduring commitment to safety. But, as FHWA efforts have not yet resulted in the broad representation to which we are committed, we have decided to withdraw our participation in the Summit. We have shared our decision with other DOT agencies."

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Exhibit C

December 9, 1998

Jodi Condes,
Chief Program Liason Division
Federal Highway Administration
Office of Acquisition Management
400 7th Street, SW, Room 4410
Washington, DC 20590
VIA FACSIMILE: 202-366-3292

Dear Jodi:

Attached please find an invoice for the liquidated damages incurred from the cancellation of the Safety Summit Issue Leaders meeting, which was scheduled to be held at The Ritz-Carlton, Atlanta over the dates of December 6 - 11, 1998. We are pursuing damages in the amount of \$129,632. This amount is based on the following:

- Room revenue: At the time of cancellation on November 24, 1998, we had received reservations for a total of 1,026 room nights at an average rate of \$102.00. Based on this information, we expected \$104,632 in room revenue. However, based on my conversations with Paula Robinson of the Department of Transportation, we had only booked 891 room nights, so we are only pursuing \$90,882 in room revenue.
- Food, beverage and room rental revenue: Based on the agenda provided by the Department of Transportation, we anticipated \$38,750 in food, beverage and room rental revenue.

I understand that \$25,000 had been allocated for this program through Purchase Order #DTFH61-98-P-00356.

The guestrooms and banquet space outlined above was initially put on hold for the Department of Transportation on January 5, 1998. Upon receipt of the Purchase Order and based on the commitment given to us by Paula Robinson, this program was confirmed as definite on July 20, 1998. We have turned away many other groups since then. Based on the fact that this program was cancelled eight business days before it was scheduled to begin, there was no way for the hotel to recover any of the anticipated revenue in attempting to mitigate our damages.

Jodi, please call me if you have any questions. Otherwise, we look forward to receiving payment for the charges outlined above within the next thirty (30) days.

With regards,


Jennifer J. Russell
National Sales Manager

