



COMPTROLLER GENERAL OF THE UNITED STATES  
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HEADS OF CIVIL DEPARTMENTS AND AGENCIES:

SUBJECT: Possible Savings in Procurement  
of Goods and Services

The purpose of this letter is to bring to your attention our report to the Congress dealing with the Federal Supply Service procurement programs. A copy of the report entitled "Management of the Federal Supply Service Procurement Programs Can Be Improved" is enclosed.

Our nationwide statistical survey showed that in fiscal year 1973 civil agencies procured \$4.5 billion worth of goods and services directly from commercial sources. Of these purchases, \$1.4 billion was for items identical or similar to those which could have been purchased from (GSA) General Services Administration's supply system at reduced cost to Government agencies. We estimated that agencies could have saved \$300 million had they obtained these goods and services through GSA rather than from commercial sources.

Because of volume buying, GSA's prices for goods and services are often significantly less than the prices paid by agencies when they buy directly from commercial sources. Our report shows that Government agencies can conserve their limited funds by using GSA to a greater extent. Increased cooperation between GSA and its agency customers should result in significant savings in Government procurement. ) \*

The Federal Property Management Regulations require agencies to use the Federal Supply Service as the source for many common-use supplies and services. If a particular product handled by GSA will not meet the requirements of an agency, a waiver should be obtained by the agency to procure an alternate product directly from commercial sources.

We urge each department and agency to review its present procurement practices to insure that it is using the most economical sources of supply consistent with GSA's Federal Property Management Regulations pertaining to common-use goods and services.

*James B. Steele*

Comptroller General  
of the United States

Enclosure  
FOR PLANS STAFF:

\* This appears contrary to some reports I have seen from LSD indicating savings are made by not going to a GSA source. Suggest you get with PD, SD, + LSD to see what are the areas where we can help LSD. Enclosed are two copies of the report. One copy is being sent to PDA. OL 5 1513

STAT



# *REPORT TO THE CONGRESS*

## Management Of Federal Supply Service Procurement Programs Can Be Improved

General Services Administration

*BY THE COMPTROLLER GENERAL  
OF THE UNITED STATES*

PSAD-75-32



COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

B-114807

To the President of the Senate and the  
Speaker of the House of Representatives

This is our report on how management of Federal Supply  
Service procurement programs can be improved by the General  
Services Administration.

We made our review pursuant to the Budget and Accounting  
Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act  
of 1950 (31 U.S.C. 67).

We are sending copies of this report to the Director,  
Office of Management and Budget, and the Administrator,  
General Services Administration.

Comptroller General  
of the United States

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ABBREVIATIONS

DOD	Department of Defense
GAO	General Accounting Office
GSA	General Services Administration

COMPTROLLER GENERAL'S  
REPORT TO THE CONGRESS

MANAGEMENT OF FEDERAL SUPPLY  
SERVICE PROCUREMENT PROGRAMS  
CAN BE IMPROVED  
General Services Administration

D I G E S T

WHY THE REVIEW WAS MADE

The General Services Administration (GSA) is responsible for procurement and supply of goods and services to Federal agencies. GAO made this review because a survey showed that Government agencies were procuring directly from commercial sources goods and services that GSA could provide.

GSA sales to civil executive agencies during fiscal year 1973 amounted to \$1.7 billion, or only about 27 percent of the \$6.2 billion they spent for goods and services during the year. The remaining \$4.5 billion worth of goods and non-personal services were procured directly from commercial supply sources.

Because GSA's share of the Federal civil market was relatively small, GAO examined:

- The extent that civil agencies purchased goods and services from commercial sources when identical or similar items were available from GSA.
- The reasons why GSA supply sources were not used.

- The extent of commercial purchases for goods and services not available from GSA.
- The amount of savings which might be realized if GSA supply sources were used.
- Ways for improving GSA's responsiveness to its customers.

FINDINGS AND CONCLUSIONS

Findings

The procurement estimates presented in this report are based on a GAO statistical survey of Government purchasing offices. In fiscal year 1973, civil agencies procured \$4.5 billion worth of goods and services directly from commercial sources.

- \$1.4 billion was for identical or similar goods and services available through GSA supply sources.
- The remaining \$3.1 billion was spent for goods and services not available through GSA supply sources. However, many of these goods and services fall within the

same general categories managed by GSA. It is possible that GSA could have supplied them at lower cost had it known that agencies needed and were ordering the items.

Major reasons agencies offered for not using GSA's procurement programs to a greater extent were: (1) untimely GSA delivery dates, (2) personal preferences, (3) insufficient item descriptions in GSA catalogs, and (4) inadequate research to see whether GSA stocked the same or comparable items.

GSA is a mandatory source for most commonly bought commercial goods and services. Yet, GSA has not reviewed agencies' procurements from commercial sources to assess their cost effectiveness and propriety. GSA said it lacked sufficient resources to monitor compliance with its procurement directives. The result is that GSA has little visibility over who it supplies, what its customers need, and from whom its customers are buying.

The result has been that agencies have not made the most effective use of their limited procurement funds. For example, a recent GSA study shows that agencies could have saved, on the average, 23 percent of the commercial price had they bought comparable goods from GSA. GAO has tested GSA's price comparison calculations and believes their procedures

and methods are acceptable for calculating potential savings to agencies.

On the basis of the \$1.7 billion GSA sales in fiscal year 1973, civil agencies presumably saved about \$391 million. An additional \$300 million annual saving could have been realized had the civil agencies obtained through GSA the \$1.4 billion of goods and services they procured directly from commercial sources.

These procurements were for identical or similar goods and services available through GSA supply sources. Additional savings could have been realized if agencies had been able to obtain some of the remaining \$3.1 billion of commercial items through GSA.

While it is clear that agencies could have realized significant savings through greater use of GSA as a procurement source, overall savings to the Government would have been somewhat less. In comparing prices and estimating savings, GSA did not consider total economic costs of doing business--such as administrative cost, transportation, warehousing, and other associated costs.

All of these costs would have to be considered if valid cost comparisons were to be made between GSA centralized procurement and procurement by agencies directly from commercial distribution sources.

No measure exists (either on an item basis or in total) to evaluate the overall cost effectiveness of GSA as a supplier of goods and services.

### Conclusions

GSA could do a better job of fulfilling its procurement leadership responsibilities if

- it obtained more detailed knowledge about its customers, their needs, and their buying practices, and
- it monitored agency procurement practices to insure compliance with mandatory GSA buying policies and regulations.

The enabling legislation clearly expresses the intent that GSA perform a centralized procurement function for executive agencies. GAO believes the authority for GSA to monitor agency procurement practices flows from this legislation.

Overall savings available to the Government through centralized procurement cannot be assessed until GSA develops a system which will permit economic cost comparisons between commercial and Government distribution systems. However, until more definitive data is available, Government agencies can and should conserve their appropriated funds by using GSA to a greater extent.

### RECOMMENDATIONS

GAO recommends that the Admini-

strator of General Services:

- Obtain more and better information on the needs and problems of purchasing offices. The information should permit GSA to determine the types and amounts of goods and services being bought from both GSA and commercial sources.

It also should pinpoint any problems purchasing offices are experiencing in making greater use of GSA as a supply source--such as delivery problems, pricing problems, and lack of clarity in GSA catalogs.

- Analyze the additional data systematically to identify underlying problems and establish appropriate measures to cope with them.
- While gathering and analyzing information, take interim steps to increase GSA sales to Federal agencies when it is economical to do so. Lacking economic cost data permitting appropriate cost comparisons of GSA versus direct commercial purchases by agencies, GSA will have to adopt interim guidelines for use in deciding whether to stock and/or supply a broader range and depth of items. For example, GSA might stock items where the volume of procurement and the price differential from the Government's mass-purchasing power offer large savings to the Government when compared to direct commercial procurement by agencies.



--Develop cost data or pricing systems that will permit evaluation of total economic costs to the Government of supplying items through GSA channels for comparison with direct commercial procurement by agencies. This would allow GSA to establish reasonable standards to permit agencies to buy directly from commercial sources if lower total economic costs to the Government can be achieved. Such data is essential if informed procurement decisions are to be made. This recommendation is in line with conclusions of the Commission on Government Procurement.

#### AGENCY ACTIONS

During GAO's review GSA initiated positive actions on issues in this report. Major actions include:

- Implementation of an Automated Delivery Order system which requires agencies to submit their requirements from schedule contractors to GSA for processing. This system will permit GSA to identify customers of the schedule program, as well as the total demand for a given item or class of items.
- Creation of the Market Research and Marketing Division to plan, develop, and conduct customer research and to promote programs designed to advance awareness of commodities and services available to agencies.

--Award of a contract to a consulting firm to study and report on the Federal Supply Service organization and operations. The study will include an examination of the effectiveness of the supply schedule, depot, and special buying programs.

--Formulation of legislation calling for development of an industrial funding concept for GSA procurement and supply operations. This would permit applying overhead to the cost of items being procured and would be a great stride toward developing economic cost data.

#### MATTERS FOR CONSIDERATION BY THE CONGRESS

The Congress may wish to consider having the GSA Administrator periodically advise it on the progress being made and on any major obstacles encountered in carrying out GSA's monitoring and enforcement role.

GAO and the Procurement Commission favor legislation permitting GSA to adopt the industrial funding concept. Timely passage of this legislation will provide GSA with the incentive to retain centralized procurement of items that will result in savings to the Government and eliminate centralized procurement of items which agencies can procure more economically from commercial distribution systems.

CHAPTER 1

INTRODUCTION

The Federal Property and Administrative Services Act of 1949 created the General Services Administration (GSA) to give the Government an efficient and economical system for procuring and supplying personal property and nonpersonal services.

The intent of the act is to provide uniform policies and methods of procurement and supply and to eliminate duplicate procurement functions and competition among executive agencies for like articles in the same market, lack of quality purchases, and other inefficiencies.

The act authorizes the Administrator of General Services to (1) prescribe policies, regulations, and methods for procuring and supplying personal property and nonpersonal services, (2) procure and supply personal property and nonpersonal services for executive agencies, and (3) survey and obtain reports on agencies' procurement and property management practices.

Executive agencies are required to procure, use, and dispose of property in accordance with the act and appropriate regulations, particularly as far as common-use items (items of standard commercial production) are concerned. Although GSA has responsibility for supplying many classes of items to the Department of Defense (DOD), the act allows the Secretary of Defense, unless the President shall otherwise direct, to exclude DOD, from time to time, from using GSA as a supply source whenever he determines such exclusion to be in the best interest of national security.

The Federal Property Management Regulations issued by GSA interpret the act. The regulations provide, with few exceptions, that GSA shall supply common-use items to Federal executive agencies.

The regulations further provide that agencies obtain goods and services from GSA, when available, rather than from other sources, especially when the GSA item will serve the desired functional end use. If agencies determine that GSA items will not serve their functional end use, the regulations require the agencies to request waivers from GSA to purchase from non-Government sources. Personal preference and subjective evaluations are not acceptable as justification for a waiver. The regulations also authorize agencies to purchase direct from commercial sources (1) in emergency situations, (2) when the item is perishable in nature, or (3) when GSA determines that such procurement will produce the greatest economy to Government.

GSA has assigned the Federal Supply Service the mission of making quality common-use items available to Federal agencies at the lowest overall cost to the Government. The operations are carried out with the assistance of 10 regional offices. (See apps. I, II, and III, for the organization of GSA.) Each region, together with Federal Supply Service headquarters, administers a depot program, a schedule program, and a special buying program. These programs are described below:

#### DEPOT PROGRAM

Under this program about 33,000 different common-use items are purchased and stocked in 23 regional depots. The items are sold and shipped to Federal purchasing offices, cost reimbursable contractors, and other authorized user activities.

*Note!*  
In addition, GSA also operates 63 self-service stores throughout the United States. Besides handling depot items, the stores are focal points for customer orders for items not available through the depot program. For such orders, the stores enter into purchase agreements with local vendors to obtain the desired items.

#### FEDERAL SUPPLY SCHEDULE PROGRAM

Federal Supply Schedules are lists of contracts for over 6 million types of goods and services. Purchasing offices use the schedules for ordering goods and services directly from contractors and pay the contractors' established prices in accordance with terms of the contract. Federal Supply Service headquarters and regional offices are assigned schedules and contracting responsibilities for various commodities and services.

Some schedules include the same items in varying degrees of quality and price from different manufacturers. For example, typewriters and copy machines are available from a number of manufacturers. An agency would have its choice among the least costly machines which meet its needs.

#### SPECIAL BUYING PROGRAM

Under this program GSA enters into definite- and indefinite-quantity term contracts for commodities or services to be furnished directly by vendors for any agency without adequate "in-house" procurement activities and for certain items not normally available from the stores or schedule programs.

GSA SALES

In fiscal year 1973, GSA reported sales to civil agencies of about \$1 billion.

<u>Program</u>	<u>Sales to civil executive agencies</u>
Depot	\$ 157,000,000
Schedule	705,000,000
Special buying	(163,000,000)
Total	<u>\$1,025,000,000</u>

Although GSA-reported sales to civil agencies amounted to \$1 billion, GAO estimated their sales to be \$1.7 billion. The difference is attributed to incomplete reports received from schedule contractors on Government sales.

WHY THE REVIEW WAS MADE

GAO made this review because a survey showed that civil agencies were not using GSA supply sources and were procuring large amounts of goods and services from commercial sources. GAO estimated GSA's sales to civil agencies in fiscal year 1973 were \$1.7 billion, or only 27 percent of the \$6.2 billion spent by these agencies for goods and services. The remaining \$4.5 billion worth of goods and nonpersonal services were procured directly from commercial supply sources.

Since the regulations require GSA to be the principal supplier of goods and services to civil agencies, GAO wanted to determine why GSA had only 27 percent--a relatively small share of the Federal civil market.

OBJECTIVES

The objectives of our review were to examine into:

- The extent civil agencies purchased goods and services in the open market when identical or similar items were available from GSA.
- The reasons why GSA supply sources were not used.
- The extent of open market purchases of goods and services not available from GSA.
- The amount of savings which might be realized if GSA supply sources were used.

--ways for improving GSA's supply responsiveness.

#### SCOPE OF REVIEW

The procurement data presented in this report was developed from a two-phase sample. The first phase consisted of mailing questionnaires to 500 purchasing offices randomly selected from the approximately 10,000 civil purchasing offices in the continental United States. DOD activities were excluded because GSA is a mandatory source of supply on only certain classes of items. The questionnaire requested information on the source and amount of procurements and opinions on these offices' experiences with GSA. Answers to the opinion-type questions provide the subjective information in this report.

The sample of purchasing offices was stratified on the basis of the dollar volume of commercial procurement reported. The few offices (less than 5 percent) that failed to return questionnaires were put in a separate category.

For the second phase, a sample of purchasing offices was randomly selected from each of the categories for field visits. Also, one-half of the nonresponding purchasing offices were included in the second-phase sample. Field visits were made to 133 purchasing offices.

The field visits were made to

1. verify the accuracy of procurement data reported on the questionnaires or to obtain data in the case of nonrespondents,
2. obtain procurement data for fiscal year 1973,
3. review a randomly selected sample of open market procurement and determine the types of commodities and services procured commercially and the reasons they were obtained in the open market, and
4. interview officials about offices' procurement practices and experiences with GSA.

About 20,000 commercial procurements were analyzed to identify the types of goods and services involved and to determine whether identical or similar goods and services were available from GSA.

The estimates in the report were developed from the commercial procurements analyzed and the questionnaire data, using ratio estimation techniques. The sampling error for the estimates is shown in appendix IV.

In addition to the authorizing legislation and GSA policies and procedures, we reviewed the report on the Commission on Government Procurement dated December 1972. In reports 1/ dated June 19, 1973, September 19, 1973, and January 31, 1974 (B-160725), GAO reported on the executive agencies' progress in implementing the Commission's recommendations. We have included comments on the Commission's findings and conclusions that relate to our review.

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1/ Executive Branch response to recommendations of the Commission on Government Procurement, June 19, 1973, Progress of Executive Branch Action on Recommendations of the Commission on Government Procurement, September 1973, and Recommendations of the Commission on Government Procurement: Executive Branch Progress and Status, January 31, 1974.

CHAPTER 2

PROCUREMENT PRACTICES OF CIVIL EXECUTIVE

PURCHASING OFFICES

The procurement estimates presented in this report are based on a GAO statistical survey of Government purchasing offices. Our survey revealed that civil executive purchasing offices procured \$6.2 billion of goods and services in fiscal year 1973. Of this amount, GSA could potentially supply \$4.5 billion of these goods and nonpersonal services over and above its current sales of \$1.7 billion. Further details on agency procurement by source is shown in appendix V.

SIMILAR GOODS AND SERVICES  
AVAILABLE FROM GSA

We estimate that, of the \$4.5 billion commercial procurement, \$1.4 billion was for goods and nonpersonal services for which an identical or similar item was available from GSA's supply system--\$1 billion from the schedule program and about \$400 million from the depot program. (See apps. VI and VII.)

With the assistance of GSA procurement specialists, we compared the purchase order descriptions for goods and services procured commercially to goods and services available through GSA's supply system. We found that, in many instances, identical or similar items were available from GSA which would have served the required functional end use of the purchasing office. Due to numerous brands of competitive commercial products, it was necessary to use functional end use as a criterion because goods purchased commercially and GSA goods and services generally are not identical. For example, if the purchasing office bought general-purpose pens and wastebaskets from commercial sources we considered that the pens and wastebaskets available from GSA sources could have adequately met the needs of the purchasing office. If GSA items varied in quality, we tried to match the quality of the item procured from commercial sources.

In many instances, we found identical items. These items were purchased commercially and had the same Federal stock number as those managed by GSA. We matched these items with identical ones in GSA's supply system. Examples follow:

<u>Federal stock number</u>	<u>Description of item</u>	<u>Commercial price</u>	<u>GSA price</u>
7530-170-8208	Tracing paper	\$10.10	\$1.95
7520-232-6817	Letter trays	3.95	1.05
7530-959-4562	Legal pads	.59	.40
7530-238-8352	Adding machine tape	.32	.13
7510-162-5655	Typewriter ribbons	1.25	.31
4210-775-0127	Fire extinguishers	10.75	9.50
7240-222-3088	Gas cans	4.55	3.65

*Handwritten note:* ?  
*one list?*

Schedule program

We estimate that \$1 billion of commercial procurement was for goods and services for which a similar item was available in the GSA schedule contract program. A major portion of the procurement was in the following commodity categories:

<u>Commodity category</u>	<u>Estimated value of commercial procurement</u>
	(000 omitted)
Electrical components	\$226,000
Laboratory equipment, chemicals, drugs	195,000
Heavy equipment and parts	183,000
Motor vehicle parts	70,000

(See app. VII for further details.)

Some specific examples characterizing the type of similar goods procured in the above commodity categories are:

<u>Electrical components</u>	<u>Motor vehicle supplies</u>
Fuses	Tires
Circuit breaker	Oil
Battery	Airfilter
Intercom	Bearings
Light bulbs	Bumper
	Gaskets
	Gas caps

Depot program

We estimate that \$400 million of commercially procured goods were similar to items available in the GSA depot. The major portion of the commercial procurement was in the following commodity categories:



<u>Commodity category</u>	<u>Estimated value of commercial procurement</u>
	(000 omitted)
Office supplies and paper products	\$78,000
Safety equipment and textiles	60,000
Furniture and appliances	42,000
Laboratory equipment, chemicals, and drugs	25,000
Cleaning supplies and equipment	22,000
Motor vehicle parts	11,000

Some specific examples of goods in the above commodity categories are:

<p><u>Office supplies</u></p> <p>Walnut desk set Rubber stamps Typing paper Typewriter ribbons Drawing board Pencils</p>	<p><u>Safety equipment and textiles</u></p> <p>Refill for fire extinguishers Safety glasses Fire extinguishers Gloves Construction helmet</p>
<p><u>Furniture and appliances</u></p> <p>Utility cabinet Brass lamps Toasters Office chairs File cabinets</p>	<p><u>Laboratory equipment</u></p> <p>Wind meters Portable scales Graduated cylinders First aid kit</p>
<p><u>Cleaning supplies</u></p> <p>Detergents Buckets Cleaning fluids Miscellaneous janitorial supplies</p>	<p><u>Motor vehicle parts</u></p> <p>Oil filters Car jacks Tires</p>

REASONS FOR COMMERCIAL PURCHASES

All purchasing offices which responded to our questionnaire cited either quality and/or delivery timeliness as major factors in the decision to purchase from commercial sources. Field visits confirmed that delivery timeliness was a problem, especially for the smaller purchasing offices; but quality problems, although numerous, appeared to be isolated among a few types of goods and services, such as paint, typewriter ribbons, and office equipment repair.

Although purchasing officials frequently justified commercial purchases on the basis that similar goods and services were not available in GSA's supply system, this was not always the case.

At a selected number of locations, we made further inquiry into the validity of these justifications. We found that decisions to procure commercially were based on little or no research of item availability in GSA's supply system but on personal preferences.

At one location, officials commercially procured goods and services considered unique to their mission on the assumption that such items were not available from GSA supply sources. They conceded, however, that they could not be certain the items were not available from GSA because of a limited search of GSA supply sources.

In another instance, coat racks were procured commercially to match existing office furniture. Procurement personnel stated that purchasing officials were not satisfied with "similar--but not identical" coat racks available through GSA.

#### Lack of adequate catalog descriptions

Several respondents to our questionnaire indicated that descriptions of GSA catalog items could be improved. Many items listed in the GSA stock catalog are shown only by Federal stock number and one- or two-word nomenclature. According to GSA officials, these items are primarily for the Department of Defense and complete descriptions are contained in military publications. However, GSA does not know the extent that these and other items are required or used by civil agencies. For example, if a civil purchasing office needs office supplies not shown in the descriptive portion of the catalog, the customer would not know if any of the following items could meet its needs.

<u>Federal stock number</u>	<u>Description</u>	<u>Cost</u>
7520-116-1471	Basket, wastepaper	\$15.00
7520-733-5457	Basket, wastepaper	2.10
7520-753-4544	Basket, wastepaper	5.50

The lack of descriptive data appears to be a factor related to the officials' opinions on item availability from GSA's supply system and may preclude the purchasing offices from ordering what they need from GSA.

Minimum order limitations

Most schedule contracts contain minimum order limitations that allow the contractor to reject orders for less than the stated minimum. Several questionnaire respondents indicated that the minimum order provisions were too high and prevented them from using the schedules. Although we do not know the magnitude of this problem, we believe it could be a factor which encourages commercial procurement--especially for offices with small requirements.

GSA efforts to extend the Automated Delivery Order system to competitively awarded schedules should correct this problem because GSA under the new procedures will place orders directly with commercial contractors regardless of the size of an agency's order. For further description of Automated Delivery Order system see page 19.

FACTORS INFLUENCING COMMERCIAL PROCUREMENT

As part of our review, we examined the buying characteristics of the purchasing offices to determine the extent decisions to purchase from commercial sources were influenced by geographical location of the purchasing office and its size as evidenced by total procurement volume.

Geographical locations

To determine what relationships exist between commercial procurement of purchasing offices and their geographical location, the United States was divided into three geographical areas--western, middle, and eastern. (See app. VIII.) Procurement data and availability of GSA distribution facilities by geographical area is shown in the following table.

<u>Geograph- ical area</u>	<u>Total procure- ment</u>	<u>Commercial procurement of goods and services</u>	<u>Number of GSA dis- tribution facilities</u>	<u>Percent of commercial procurement</u>
(000 omitted)				
Western	\$1,732,093	\$ 743,007	8	40
Middle	2,798,261	1,886,023	5	70
Eastern	<u>5,177,367</u>	<u>1,812,134</u>	<u>10</u>	<u>34</u>
Total	<u>\$9,707,721</u>	<u>\$4,441,164</u>	<u>23</u>	<u>45</u>

(See apps. IX and X for further details.)

As the foregoing table shows, purchasing offices in the middle of the United States have the greatest percentage of

commercial procurement of goods and services and the least number of GSA distribution facilities. Accordingly, we believe there may be a relationship between agency procurement practices and the proximity of GSA distribution facilities.

Size of purchasing office

There appears to be no particular relationship between the size of the purchasing office and the proportion of goods and nonpersonal services procured from commercial sources. This is illustrated in appendixes XI and XII.

GOODS AND SERVICES NOT AVAILABLE FROM GSA DEPOTS AND SCHEDULES

We estimate that civil executive agencies procured from commercial sources \$3.1 billion worth of goods and services not available from GSA. These procurements represent potential sales for GSA. Many of these goods and services purchased commercially by agencies are within the same basic commodity classifications managed by GSA. For example, GSA handles 26,000 items in its furniture classification yet agencies spent an estimated \$76 million in the commercial market for various types of furniture and related items not available through GSA. If GSA had more information on these procurements, it might be in a better position to supply many of these items at a lower overall cost to the Government.

Additional examples of commodity categories purchased commercially for which GSA might have the potential to provide follow:

<u>Category</u>	Estimated dollar value of commercial <u>procurement</u>
	(000 omitted)
Commodities:	
Laboratory equipment, chemicals, drugs	\$816,000
Plumbing tools	155,000
Books and magazines	78,000
Motor vehicle parts	71,000
Office machine and photographic equipment	45,000
Miscellaneous hardware	34,000
Office supplies and equipment	20,000
Services:	
Motor vehicle repair	114,426
Office equipment repair	60,000

(See app. VI for further details.)

CHAPTER 3

GSA'S MONITORING OF PROCUREMENT PRACTICES  
OF PURCHASING OFFICES

The 1949 act made the GSA Administrator responsible for issuing Federal Procurement Regulations and for making surveys of, and obtaining reports on, agencies' procurement practices. Although GSA has issued procurement regulations, it does not have an adequate review mechanism to determine whether executive departments and agencies have complied with the policies of the act and the regulations.

Further, GSA does not have an effective information system for determining the needs of purchasing offices. For example, GSA's information system does not identify purchasing offices which procure from contractors under the schedule program. This program is GSA's largest; yet GSA has little visibility of its customers, their needs, and buying practices.

In monitoring the procurement practices of agencies, GSA's customer service program and waiver system provide feedback on customers' needs and procurement practices. In our opinion, however, both programs could be more effective in accomplishing the objectives for which they were established.

CUSTOMER SERVICE PROGRAM

The customer service program is intended to provide an interchange of information between the Federal Supply Service, GSA, and the agencies. For many field purchasing offices, this program provides the only personal contact with GSA. The objectives of this program are to;

- identify requirements of purchasing offices,
- evaluate effectiveness of supply procedures,
- coordinate significant supply support actions, and
- provide for interchange of information on customer programs, projects, requirements, and major developments.

Our review showed that, of the 476 purchasing offices which responded to our questionnaire, 374 offices had not been visited by GSA representatives during the past 2 years. Eighty-seven offices received visits but only for specific reasons, such as problem solving or to receive instructions

on the use of GSA's procurement programs. Fifteen offices did not respond to the specific question. We believe that the absence of visits to many offices and the nature of the visits made to others indicates the need for a more aggressive program to identify customer requirements and problems.

#### WAIVER SYSTEM

GSA regulations require agencies to request waivers to procure goods and services from commercial sources when similar ones are available from GSA. The waiver system was designed to discourage such procurement and to provide GSA with a means of monitoring procurement practices of the purchasing offices. In fiscal year 1973, purchasing offices submitted 1,667 requests for waivers to GSA. During this same period, purchasing offices processed about 11 million purchase orders for commercially procured goods and services. Most agencies that responded to our questionnaire indicated that requests for waivers are not submitted prior to procurement of goods and services from these sources. Some purchasing offices were not even aware of the waiver system. Thus, the waiver system does not appear to be as effective as it could be in monitoring the procurement practices and identifying needs of purchasing offices.

We believe GSA needs to develop an effective information system to identify and monitor customer needs and buying characteristics to insure that agencies comply with the policies of the act and the regulations.

CHAPTER 4

COST EFFECTIVENESS OF GSA IN

PROVIDING SUPPLY SUPPORT TO

CIVIL EXECUTIVE AGENCIES

GSA's price economy studies show that its procurement activities in fiscal year 1973 resulted in an overall average saving of 23 percent below the commercial price for comparable goods and services. The average saving for the depot program was 39 percent and for the schedule program 16 percent.

On the basis of these percentages civil agencies saved about \$391 million in fiscal year 1973 by purchasing \$1.7 billion of goods and services through GSA. We estimate that an additional \$300 million annual saving could have been realized by civil agencies had they obtained through GSA the \$1.4 billion of goods and services they procured directly from commercial sources. These procurements were for identical or similar goods and services available through GSA supply sources. We believe additional savings could have been realized if agencies had been able to obtain some of the remaining \$3.1 billion of commercial items through GSA.

GSA's reported savings are based on prices obtainable through volume procurement versus commercial prices. However, these savings do not recognize and consider the costs of doing business (economic costs), such as purchasing, warehousing, management, and obsolescence. Because these costs are funded through direct appropriations, they are not included in GSA prices; consequently, the cost of GSA goods and services is not known.

ECONOMIC COSTS

The concept of total economic cost considers the acquisition cost of the product or service, support cost of providing the item, and costs relating to using the product. Ideally, all costs incurred by the Government--for both supplier and user--should be considered before making a procurement decision.

Historically, the Government has focused on the price paid to suppliers rather than on the total costs of satisfying requirements. As a result, the data and techniques needed to measure the total costs of fulfilling a Government need have not been fully considered and developed. This has precluded adequate consideration of the cost of alternative procurement and distribution systems.

The Commission on Government Procurement has identified three types of costs related to the acquisition and use of commercial products.

- Support costs --the cost of the support systems the Government uses to acquire and provide commercial products to the ultimate user, such as delivery, inventory management, and installation.
- Landed costs --the total cost to provide an item to its user, including the price paid for the item and its allocated share of the cost of the support system, or systems, used to acquire and deliver it.
- Total economic cost --the landed cost of an item, plus costs incident to its use, and disposal on consumption, including testing, training, operating labor, operating materials, preventive maintenance, corrective maintenance, dismantling, residual value, and depreciation.

The Commission noted that, to compare prices between the use of commercial and Government sources, the landed cost of the two alternatives must be considered. The Commission further found that prices to the Government vary above and below those available to commercial users. Generally, when products are procured for stock in large volume, the Government is able to buy at a lower price. In addition, landed costs using commercial channels of distribution appear competitive to using Government sources and, in many cases, offer other advantages to user activities. The Commission concluded that:

- Although price savings accrue from large volume purchases, this should not be the sole consideration for using interagency support systems.
- The costs of the acquisition process are often well over 50 percent of the purchase price of the product procured.
- Landed cost characteristics vary widely; valid decisions require tailoring to specific user needs.
- The landed cost characteristics of commercial channels of distribution appear to be a viable alternative that



should receive consideration if support decisions are to be cost effective.

#### INDUSTRIAL FUNDING

Currently, GSA has proposed legislation to convert to industrial funding. Under industrial funding, the prices at which GSA furnishes goods and services would reflect all costs, both direct and indirect, of operating the supply system. These costs would include the direct and indirect costs of procurement, standardization, cataloging, quality control, receipt, storage, care and handling, transportation, repair, rehabilitation, conversion, issue, sales, lease, rent, and other necessary related and supportive functions.

Industrial funding would require GSA to recover all costs and would allow GSA to identify items or classes of items which can be economically provided through a central purchasing and distribution system. It would also permit GSA to establish reasonable standards to determine when GSA should be the mandatory supply source and when lower economic costs can be achieved by enabling purchasing offices to buy directly from the open market. We have been informed by GSA officials that they are developing economic guidelines to be used in deciding when agency use of GSA or commercial sources will result in the lowest expense to the Government, all costs considered.

We believe that industrial funding would be an important step toward permitting GSA to obtain the information necessary to make cost effective decisions on the methods of supply and distribution. In addition, we believe that the success of the industrial funding effort depends upon the cooperation and compliance of purchasing offices.

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS

GSA is responsible for providing procurement leadership to Federal executive agencies. In fulfilling its leadership responsibilities, GSA could be more effective in providing the management necessary to carry out its responsibility for operating an effective and economical supply system. To accomplish this, GSA must increase its ability to (1) identify its customers, (2) determine their needs and requirements, as well as problems, and (3) monitor the buying habits of its customers.

In our opinion, the act, and implementing regulations issued thereunder, clearly manifest an intent that GSA perform a centralized procurement function for the executive agencies. In addition, the President, in commenting on the transfer of certain procurement and contracting functions from the Office of Management and Budget to GSA pursuant to Executive Order 11717, dated May 9, 1973, stated that "GSA now has overall leadership responsibility for developing Government-wide policy in these areas and for seeing that such policy is carried out within the department and agencies." *... (see page 17)*

GSA's position is that it lacked resources to monitor the purchasing activities of agencies. We believe there is basis and need for GSA to monitor agency procurement practices to determine whether executive agencies are complying with the policies of the act and the regulations.

Further, unless GSA monitors the procurement practices of agencies, it cannot be viewed as a central agency charged with the overall leadership responsibility for developing and implementing Government-wide policy in the procurement area.

The overall savings which may be available to the Government through central procurement cannot be assessed until GSA develops a system which will permit economic cost comparisons with commercial distribution systems. However, until more definitive data are available, Government agencies can and should conserve their appropriated funds by using GSA to a greater extent.

RECOMMENDATIONS

GAO recommends that the Administrator of General Services:

--Obtain more and better information on the needs and problems of purchasing offices. The information should

permit GSA to determine the types and amounts of goods and services being bought from both GSA and commercial sources. It also should pinpoint any problems purchasing offices are experiencing in making greater use of GSA as a supply source--such as delivery problems, pricing problems, and lack of clarity in GSA catalogs.

--Analyze the additional data systematically to identify underlying problems and establish appropriate measures to cope with them.

--While gathering and analyzing information, take interim steps to increase GSA sales to Federal agencies. Lacking economic cost data which would permit appropriate cost comparisons of GSA versus direct commercial purchases by agencies, GSA will have to adopt guidelines for use in deciding whether to stock and/or supply a broader range and depth of items.

For example, GSA might stock items where the volume of procurement and the price differential from the Government's mass-purchasing power offer large savings to the Government.

--Develop cost data or pricing systems that will permit evaluation of total economic costs to the Government of supplying items through GSA channels for comparison with direct commercial procurement by agencies. Such data is essential if informed procurement decisions are to be made. This recommendation is in consonance with the findings and conclusions expressed by the Procurement Commission.

## CHAPTER 6

### AGENCY ACTIONS

GSA has initiated positive action to address the issues raised in this report. The major steps taken by GSA are discussed below.

#### AUTOMATED DELIVERY ORDER SYSTEM

Under this system, agencies will submit their requirements from schedule contractors to GSA. The primary advantages of such a system are simplified agency requisitioning, economy of automatic purchase order preparation, and automatic compilation of procurement data for each agency. This system should permit GSA to identify what agencies are purchasing from schedule contractors and the quantities purchased. Hence, GSA will acquire visibility over its schedule customers as well as the volume of procurement for items or class of items.

#### CREATION OF MARKETING RESEARCH AND MARKETING DIVISION

This division was created in January 1974. Some of the major missions of the division are to:

- Plan, develop, and conduct customer market research.
- Analyze procurement data on a line-item basis to determine source of supply and reasons for use of open market sources and to identify items which should be considered for Government-wide support.
- Plan, develop, and promote programs to advance awareness of GSA commodities and services available to agencies.
- Identify items warranting special marketing consideration, such as new or excess items.
- Recommend courses and presentations for the purpose of educating and training Federal procurement personnel.

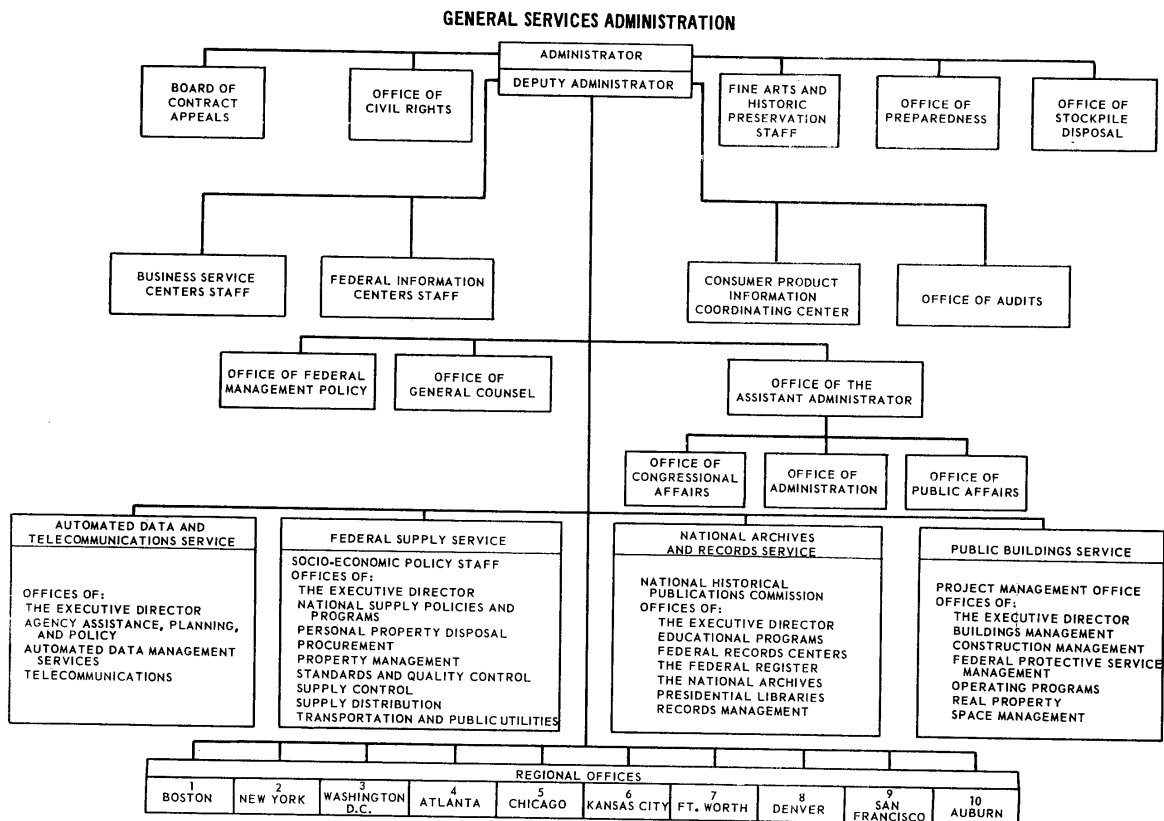
#### CONSULTANT STUDY

A contract has been awarded to a consulting firm to review the organization and operation of the Federal Supply Service, including:

- Organizational arrangements and functions at both the national and regional level and an examination

into the need to consolidate various procurement functions.

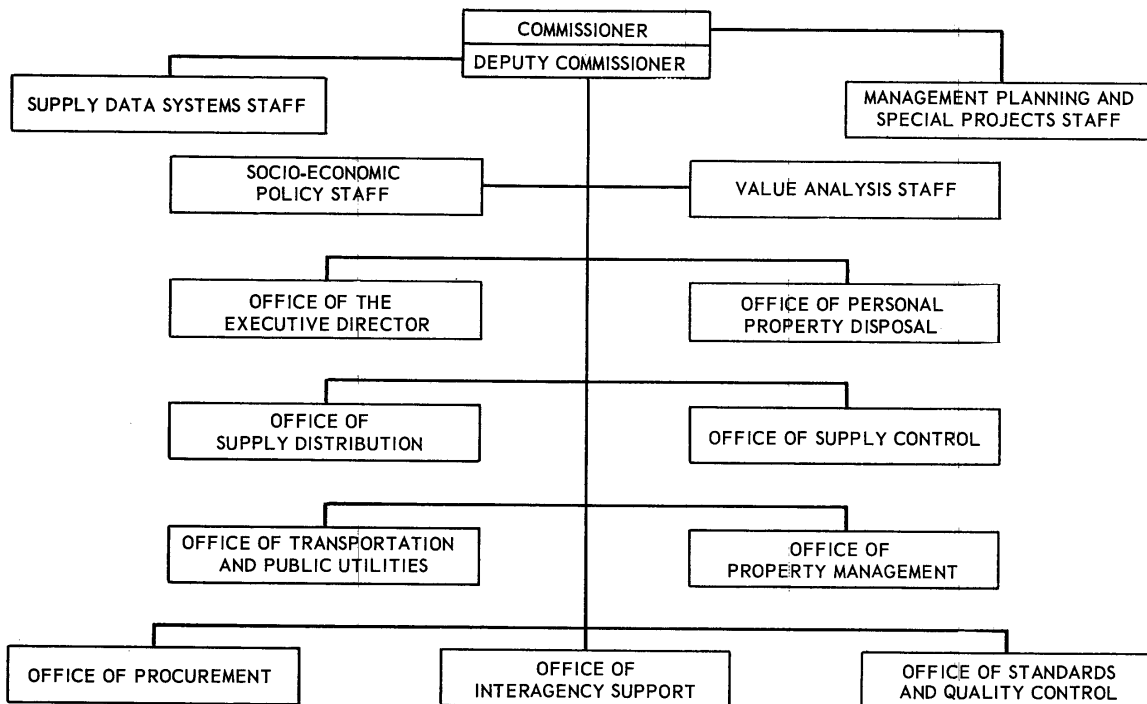
- An examination and redefinition of the total concept of "National Supply System."
- The effectiveness and economy of the current supply depot system from the standpoint of locations, shipping patterns, inventory investment, and ordering processing and controls.
- The current use of alternative methods of supply to determine the effectiveness of the Federal supply schedule, stores, and special buying programs.
- Alternate methods of financing activities engaged in interagency support.



21

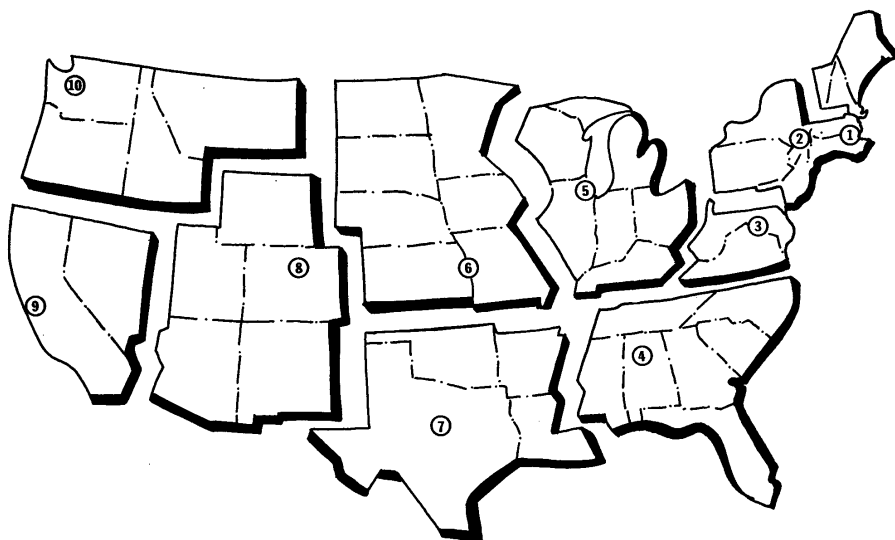
APPENDIX I

### ORGANIZATION – FEDERAL SUPPLY SERVICE



APPENDIX II

GSA REGIONS





## APPENDIX IV

SAMPLING ERRORS FOR MAJOR  
PROCUREMENT ESTIMATES

<u>Source</u>	1973	1972	1973	1972
	Amount	Sampling error (note a)	Amount	Sampling error (note a)
	(000 omitted)			
Government:				
GSA	\$1,709,102	\$123,724	\$1,757,189	\$105,083
Defense Supply Agency	97,687	24,841	103,322	24,371
Other Government	<u>1,174,904</u>	177,121	<u>1,129,973</u>	274,012
Total	<u>\$2,981,693</u>	172,936	<u>\$2,990,484</u>	232,441
Non-Government (Commercial):				
Equipment and supplies	\$3,563,980	138,886	\$2,745,873	92,909
Services:				
Nonpersonal	877,184	215,582	<u>b/3,339,111</u>	<u>b/177,620</u>
Professional	<u>2,284,864</u>	126,853	<u>                    </u>	<u>                    </u>
Total	<u>\$6,726,028</u>	172,936	<u>\$6,084,984</u>	232,441

a/ Sampling errors are stated at the 95-percent confidence level. Thus there is only 1 chance in 20 that the estimates derived from the sample would differ from the results of an audit of all purchasing offices by more than the amounts shown.

b/ Not broken out between nonpersonal and professional services.

## APPENDIX V

ESTIMATED CIVIL AGENCY PROCUREMENT  
DATA FOR FISCAL YEARS 1973 and 1972

<u>Source</u>	<u>1973</u>		<u>1972</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
	(billions)		(billions)	
Government:				
GSA	a/\$1.7	17	\$1.8	20
Defense Supply Agency	b/.1	1	.1	1
Other Government	<u>1.2</u>	<u>13</u>	<u>1.1</u>	<u>12</u>
Total	<u>3.0</u>	<u>31</u>	<u>3.0</u>	<u>33</u>
Non-Government (Commercial):				
Equipment and Supplies	3.6	37	2.7	30
Services:				
Nonpersonal	.9	9	c/3.3	37
Professional	<u>2.2</u>	<u>23</u>	—	—
Total	<u>6.7</u>	<u>69</u>	<u>6.0</u>	<u>67</u>
Total	<u>\$9.7</u>	<u>100</u>	<u>\$9.0</u>	<u>100</u>

a/ GSA reported sales of \$1 billion to civil agencies. The difference is attributed to incomplete reports received from schedule contractors on Government sales.

b/ This amount includes procurement from Federal Prison Industries, Blind-made Products, Postal Service, Interagency training programs, etc.

c/ No breakout made between nonpersonal and professional services.

## APPENDIX VI

ESTIMATED AMOUNT OF COMMERCIAL PROCUREMENT  
BY COMMODITY AND SERVICE CATEGORY

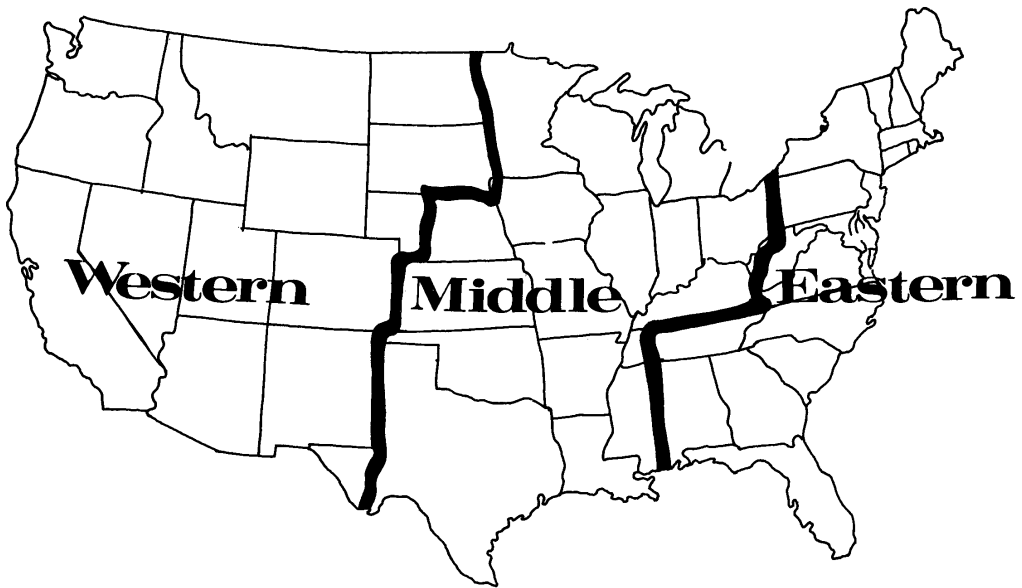
<u>Categories</u>	<u>Commercial value of goods and services</u>		
	<u>In GSA</u>	<u>Not available</u>	<u>Total</u>
	(000 omitted)		
Commodities:			
Motor vehicle parts	\$ 80,126	\$ 71,285	\$ 151,411
Office supplies and paper products	106,000	19,881	125,881
Books and magazines	29,148	77,684	106,832
Office machines and photographic equipment	61,650	44,571	106,221
Laboratory equipment, chemicals, and drugs	214,018	816,111	1,030,129
Petroleum products	10,722	87,441	98,163
Electronics components	231,001	281,410	512,411
Miscellaneous hardware (screws, bolts, hinges, hasps)	13,949	33,905	47,854
Construction supplies (wood)	14,988	25,252	40,240
Construction supplies (nonwood)	10,668	70,353	81,021
Safety equipment and textiles	70,279	79,489	149,768
Furniture (all types) and appliances	60,553	75,692	136,245
Hand tools (power and nonpower)	32,563	29,335	61,898
Plumbing tools (pipes, valves, sanitary equipment, etc.)	5,836	154,626	160,462
Subsistence items (food)	4,436	115,922	120,358
Agricultural supplies and garden equipment	14,709	16,547	31,256
Heavy equipment parts	185,734	191,358	377,092
Other commodities	26,456	155,060	181,516
Paint and paint supplies	13,849	3,797	17,646
Cleaning equipment and supplies	23,662	3,914	27,576
<b>Total</b>	<b>1,210,347</b>	<b>2,353,633</b>	<b>3,563,980</b>
Services:			
Professional services	-	2,284,864	2,284,864
Nonpersonal services:			
Motor vehicle and heavy equipment repair	24,610	114,426	139,036
Office equipment repair	3,800	60,359	64,159
Custodial services	2,342	7,631	9,973
Other services	114,604	521,333	635,937
Utilities	42	28,037	28,079
<b>Total</b>	<b>145,398</b>	<b>3,016,650</b>	<b>3,162,048</b>
<b>Total</b>	<b>\$1,355,745</b>	<b>\$5,370,283</b>	<b>\$6,726,028</b>

ESTIMATED AMOUNT OF COMMERCIAL PROCUREMENT  
BY COMMODITY CATEGORY FOR GOODS AND SERVICES  
AVAILABLE IN GSA'S SCHEDULE AND DEPOT PROGRAMS

<u>Commodity classification</u>	<u>Commercial value of goods and services by GSA buying program</u>		
	<u>Schedule</u>	<u>Stores</u>	<u>Total</u>
	(000 omitted)		
Commodities:			
Motor vehicle parts	\$ 69,600	\$ 10,526	\$ 80,126
Office supplies and paper products	28,253	77,747	106,000
Books and magazines	27,777	1,371	29,148
Office machines and photographic equipment	36,172	25,478	61,650
Laboratory equipment, chemicals, and drugs	195,358	18,660	214,018
Petroleum products	5,044	5,678	10,722
Electronics components	226,359	4,642	231,001
Miscellaneous hardware (screws, bolts hinges, hasps)	2,329	11,620	13,949
Construction supplies (wood)	563	14,425	14,988
Construction supplies (nonwood)	4,586	6,082	10,668
Safety equipment and textiles	10,645	59,634	70,279
Furniture (all types) and appliances	18,847	41,706	60,553
Hand tools (power and nonpower)	17,310	15,253	32,563
Plumbing tools (pipes, valves, sanitary equipment, etc.)	2,617	3,219	5,836
Subsistence items (food)	4,130	306	4,436
Agricultural supplies and garden equipment	4,714	9,995	14,709
Heavy equipment parts	182,985	2,749	185,734
Other commodities	17,931	8,525	26,456
Paint and paint supplies	2,430	11,419	13,849
Cleaning equipment and supplies	2,102	21,560	23,662
<b>Total</b>	<b>859,752</b>	<b>350,595</b>	<b>1,210,347</b>
Services:			
Professional services	-	-	-
Nonpersonal services:			
Motor vehicle and heavy equipment repair	24,610	-	24,610
Office equipment repair	3,800	-	3,800
Custodial	2,342	-	2,342
Other	114,604	-	114,604
Utilities	42	-	42
<b>Total</b>	<b>145,398</b>	<b>-</b>	<b>145,398</b>
<b>Total</b>	<b>\$1,005,150</b>	<b>\$350,595</b>	<b>\$1,355,745</b>

MAJOR GEOGRAPHICAL AREAS USED  
TO ANALYZE BUYING HABITS OF  
PURCHASING OFFICES

APPENDIX VIII



## APPENDIX IX

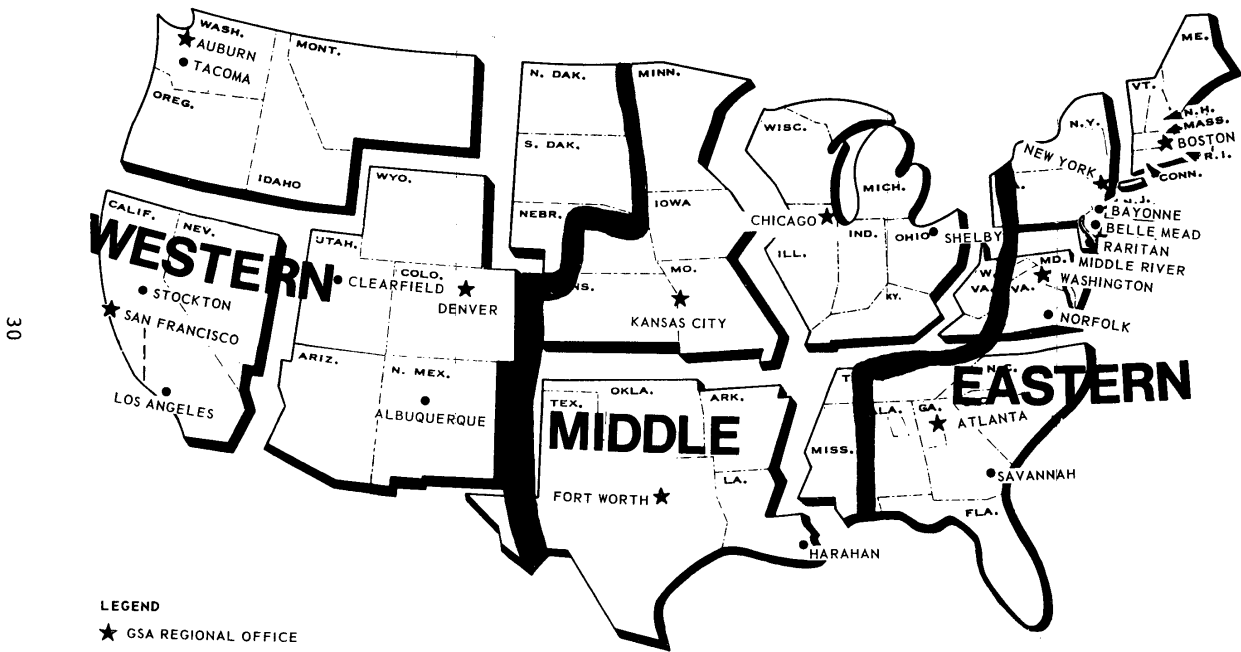
## PROCUREMENT DATA BY GEOGRAPHICAL AREA

Geographical area of <u>United States</u>	Total procure- ment	<u>Commercial procurement</u>			
		<u>Total</u>	<u>Goods</u>	<u>Nonpersonal services</u>	<u>Professional- type services</u>
		(000 omitted)			
Western	\$1,732,093	\$1,033,774	\$ 540,282	\$202,726	\$ 290,766
Middle	2,798,262	1,895,489	1,727,228	158,795	9,466
Eastern	5,177,367	3,796,765	1,296,471	515,663	1,984,631
Total	<u>\$9,707,722</u>	<u>\$6,726,028</u>	<u>\$3,563,981</u>	<u>\$877,184</u>	<u>a/\$2,284,863</u>

a/ Commercial procurement for professional services increased as the purchasing office's total procurement increased. Most of the professional service expenditures were made by purchasing offices located in the Washington, D.C., area. Forty-one percent of the commercial expenditures by the large purchasing offices with over \$10 million in annual expenditures was for professional services.

### LOCATION OF GSA DISTRIBUTION FACILITIES

APPENDIX X



- LEGEND
- ★ GSA REGIONAL OFFICE
  - GSA SUPPLY DISTRIBUTION FACILITIES AT LOCATIONS OTHER THAN REGIONAL OFFICES

PERCENT OF COMMERCIAL PROCUREMENT TO  
 TOTAL PROCUREMENT BY SIZE OF PURCHASING OFFICE

<u>Size of procurement</u>	<u>Estimated total procurement</u>	<u>Commercial procurement</u>	<u>Commer- cial as percent of total</u>
(000 omitted)			
Less than \$ 1,000	\$ 862	\$ 537	62%
1,000 to 9,999	13,917	7,971	57
10,000 to 99,999	384,928	136,685	36
100,000 to 999,999	1,179,949	727,658	62
1,000,000 to 9,999,999	2,837,506	1,666,232	59
\$10,000,000 to or more	<u>5,290,560</u>	<u>4,186,945</u>	79
Total	<u>\$9,707,722</u>	<u>\$6,726,028</u>	69



TYPE OF COMMERCIAL PROCUREMENT  
 BY SIZE OF PURCHASING OFFICE

<u>Size of procurement</u>	<u>Goods</u>	<u>Non- professional services</u>	<u>Professional- type services</u>	<u>Total</u>
		(000 omitted)		
Less than \$ 1,000	\$ 375	\$ 160	\$ 2	\$ 537
1,000 to 9,999	2,785	4,826	360	7,971
10,000 to 99,999	86,493	45,207	4,985	136,685
100,000 to 999,999	344,904	361,894	20,860	727,658
1,000,000 to 9,999,999	1,269,891	286,041	110,300	1,666,232
\$10,000,000 to or more	1,859,532	179,056	2,148,357	4,186,945
Total	<u>\$3,563,980</u>	<u>\$877,184</u>	<u>\$2,284,864</u>	<u>\$6,726,028</u>

COMPUTATION OF POTENTIAL SAVINGS AVAILABLE  
TO AGENCIES HAD GSA SUPPLY SOURCES BEEN USED

<u>GSA supply program from which similar item was available</u>	<u>GSA savings percentage F.Y. 1973</u>	<u>Commercial value of similar items</u>	<u>Total computed potential savings</u>
		(000 omitted)	
Stores (depot)	38.7	\$ 350,000	\$136,000
Schedule	15.7	<u>1,000,000</u>	<u>157,000</u>
Total		<u>\$1,350,000</u>	<u>\$293,000</u>

APPENDIX XIV

UNITED STATES OF AMERICA  
GENERAL SERVICES ADMINISTRATION  
WASHINGTON, D.C. 20405



SEP 24 1974

Honorable Elmer B. Staats  
Comptroller General of the United States  
General Accounting Office  
Washington, DC 20548

Dear Mr. Staats:

Thank you for the opportunity to comment on your draft report entitled "Opportunities to Improve Management of Federal Supply Service Procurement Programs" which was forwarded by letter of August 20, 1974, from Mr. R. W. Gutmann, Director, Procurement and Systems Acquisition Division.

Recently GAO representatives met with the Commissioner, Federal Supply Service, and members of his staff to discuss the issues and overall implications concerning this study on civilian agency procurement practices.

We have now completed our review of this report which concluded that civilian executive agencies are procuring significant volumes of supplies and services from open market sources. Of the \$6.7 billion procured in this manner during FY 1973, about \$4.5 billion was considered to be common use, commercially available in nature and thus appropriate for GSA support as mandated in the Federal Property and Administrative Services Act of 1949.

The thrust of the report recommendations in which we concur is that GSA pursue and expand on current initiatives for assuming this support potential thereby achieving the inherent economies and related advantages ascribed to our centralized supply system.

We have two additional observations on the study which we feel would be of benefit in finalizing this excellent and timely study. One comment deals with the industrial funding item for consideration by Congress as set out in the report.

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APPENDIX XV

PRINCIPAL OFFICIALS OF THE  
 GENERAL SERVICES ADMINISTRATION  
 RESPONSIBLE FOR THE ADMINISTRATION  
 OF ACTIVITIES DISCUSSED IN THIS REPORT

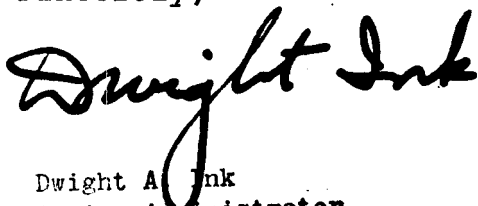
	<u>Tenure of office</u>	
	<u>From</u>	<u>To</u>
ADMINISTRATOR, GENERAL SERVICES ADMINISTRATION:		
Arthur F. Sampson	June 1972	Present
Robert L. Kunzig	March 1969	June 1972
COMMISSIONER, FEDERAL SUPPLY SERVICE:		
Michael J. Timbers	June 1973	Present
Milton S. Meeker	Jan. 1972	June 1972
Lewis E. Spangler (acting)	May 1971	Jan. 1972
H. A. Abersfeller	March 1970	May 1971
ASSISTANT COMMISSIONER FOR PROCUREMENT:		
Frederick B. Bunke	June 1973	Present
Michael J. Timbers	Feb. 1973	June 1973
William W. Thybony	May 1971	Feb. 1973

We recommend that this statement be expanded to indicate that GSA is developing economic source guidelines to be used in reaching decisions on whether agency use of GSA or commercial sources will result in the lowest expense to the Government, all costs considered.

The other matter pertains to statements on page 3 of the report digest as well as on page 26 of the detailed findings which indicate that GSA's position is that it lacks sufficient stature and authority to enforce agency compliance with its procurement directives. It is true that GSA has not undertaken an extensive number of actions in this area but this has been due to limited resources, not an agency position that statutory authority is lacking to ensure agencies utilize GSA as a supply source. Accordingly, we recommend that the referenced statements be revised to substitute the word "resources" for "stature and authority."

We appreciate the opportunity to review the draft report as well as the assistance furnished by your staff throughout the study effort. We look forward to continuing participation with your representatives in analyzing details of the study. The results of this joint effort will form the basis for actions on our part to enhance capability for providing the most economical and effective level of supply support.

Sincerely,

A handwritten signature in cursive script that reads "Dwight Ink". The signature is written in black ink and is positioned above the typed name and title.

Dwight A. Ink  
Acting Administrator

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5	DDI				
6	DDM&SA	✓		3/28	D
7	DDO				
8	D/DCI/IC				
9	D/DCI/NIO				
10	OGC				
11	OLC				
12	IG				
13	Compt				
14	D/Pers				
15	D/S				
16	DTR				
17	Asst/DCI				
18	AO/DCI				
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	SUSPENSE	_____			
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STAT

Remarks:  
*Had As you considered appropriate.  
 Normally I would have sent this  
 directly to D/OA.*

*JBC*  
 Executive Secretary



TRANSMITTAL SLIP		DATE
TO:		
ROOM NO.	BUILDING	
REMARKS:		
<p>AEO/OL <u>nd</u> 31 APR 1975</p> <p>STAT <input type="checkbox"/> <u>WATT 4/1</u></p> <p>EO/OL <u>P</u> 1 APR 1975</p> <p>D/L <u>by</u> 2 APR 1975</p> <p><u>PLANS STAFF:</u></p> <p><u>ACTION - see note.</u></p>		
FROM:		
ROOM NO.	BUILDING	EXTENSION

FORM NO. 241  
1 FEB 55

REPLACES FORM 36-8  
WHICH MAY BE USED.

(47)