



UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D C 20548

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LOGISTICS AND COMMUNICATIONS
DIVISION

APR 19 1978

The Honorable John P. White
Assistant Secretary (Manpower, Reserve
Affairs and Logistics)

Dear Mr. White.

We have completed a study of the Department of Defense's (DOD) use of commercial documentation and procedures to purchase and pay for common carrier domestic freight transportation. Since 1969 the Comptroller General, and now the Administrator of General Services, has authorized agencies and departments to procure and pay for small-shipment transportation services using the same forms that carriers use in their commercial business. Authorization for such procedures was given because it had been determined that the use of Government forms for small shipments was cumbersome and unnecessarily costly.

DOD has entered into agreement with a number of carriers to accept commercial forms in lieu of Government bills of lading (GBL). As yet, however, many local transportation officers are not taking advantage of the benefits of these agreements. In some instances transportation officers are preparing both commercial and Government forms where commercial forms alone would do.

We believe DOD should reemphasize the use of commercial documentation procedures for small shipments--particularly those via the direct air carriers, air freight forwarders, and bus express carriers. DOD presently has authority to use commercial documentation and procedures for all such domestic shipments provided the freight charges do not exceed \$100. DOD can save on the administrative costs of preparing and processing documentation by making greater use of these procedures. Furthermore, in the interest of uniformity, and because few of its shipments via these carriers cost more than \$100, we believe DOD should request permission from GSA to use commercial forms and procedures for all domestic shipments via these three modes.

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AUTHORIZATION TO USE COMMERCIAL
FORMS AND PROCEDURES

On February 14, 1969, the Comptroller General granted discretionary authority to agency heads to determine whether it was more efficient and economical to procure transportation for particular types of small shipments using commercial forms and procedures. The authority was initially limited to domestic shipments costing not more than \$25 but in August 1975, the limitation was raised to \$100.

Through experience, various Government agencies and departments have found that standardized Government documentation is both cumbersome and costly for small shipments. Carriers have also found that Government documentation is costly and often incompatible with their handling and billing procedures and in some instances have refused to handle Government shipments.

Two Government studies have pointed out the opportunities for eliminating the high cost and administrative burden of using Government forms for transportation and public utility procurement. The Joint Agency Transportation Study--"Report on Procuring, Paying, Auditing, and Settling Civil Agency Freight and Passenger Transportation Services," conducted under sponsorship of the Joint Financial Management Improvement Program in 1970 suggested

"That to simplify documentation requirements and also eliminate the need for such transactions to be sent to the General Accounting Office [since October 12, 1975, the General Services Administration] for audit, Government agencies review their domestic small surface shipments, including parcel post, to determine areas where it is more efficient and economical to use commercial forms and procedures."

The "Report of the Commission on Government Procurement" in 1972 made a recommendation to.

"Encourage procuring activities, when it is deemed in the best interests of the Government, to purchase supplies or services from public utilities by accepting the commercial forms and provisions that are used in the utilities' sales to industry and the general public, provided the service contract provisions are not in violation of public law "

With the passage of the General Accounting Office Act of 1974 (Public Law 93-604, 88 Stat. 1959) the authority to prescribe Government transportation procurement forms was transferred from the

Comptroller General to the Administrator of General Services The Administrator's Federal Property Management Regulation Part 101-41 304-2 now gives the head of an agency or his designee the option to use commercial forms subject to the following limitations

- (1) the agency establish and file with the General Services Administration (GSA) the administrative regulations and procedures defining the particular shipping circumstances and conditions for such use
- (2) a letter of agreement be executed and filed with the agency by each participating carrier or forwarder signifying acceptance of the arrangements and indicating that the terms and conditions of the GBL (except as to billing carrier and prepayment), and any other applicable contract or agreement of the carrier for transportation of shipments for the Government on GBLs, apply as well to shipments made on commercial forms
- (3) charges for such shipments ordinarily do not exceed \$100 or a nominal amount over \$100
- (4) commercial forms and procedures not be used for household goods van shipments

DOD'S IMPLEMENTATION OF AUTHORITY
TO USE COMMERCIAL FORMS

The Military Traffic Management Command, acting for DOD, has entered into agreement with a number of carriers and carrier associations to use commercial forms. These include the Air Traffic Conference of America, on behalf of the nation's direct air carriers, the National Bus Traffic Association, AMTRAK, the major air freight forwarders, United Parcel Service and Federal Express--the two major privately-owned, small package carriers, and a dozen or so of the several thousands of the nation's motor carriers and surface freight forwarders.

DOD's regulations for the use of these carriers are somewhat more restrictive than the regulations prescribed by GSA. For example, DOD does not permit use of commercial forms for shipments of (1) cargo for export, (2) class "A" or "B" explosives, (3) household goods, (4) unaccompanied baggage destined for its owner, (5) classified or protective-measure cargo, or (6) cargo of unusual value.

To sample DOD's use of commercial forms, we visited four west coast shipping activities. During the period January to June 1976, these activities issued both GBLs and commercial bills as shown in chart below

January to June 1976

<u>Installation</u>	<u>GBLs</u>	<u>Commercial Bills of Lading</u>		
		<u>United Parcel Service/ Federal Express</u>	<u>Foreign Military Sales and Collect</u>	<u>Commercial Air</u>
Sharpe Army Depot Lathrop, Calif	10,360	26,941	222	294
Defense Depot Tracy, Calif	27,895	3,875	1,254	0
McClellan AFB, Sacramento, Calif	5,308	15,858	Not obtained	0
Naval Supply Center, Oakland, Calif.	Not available	689 <u>1/</u>	636	0

1/ For May only--the first month United Parcel Service was used.

Sharpe Army Depot was the only installation using commercial forms for other than United Parcel Service, Federal Express, foreign military sales, or collect shipments. They had been using these forms since 1974. Although Defense Depot-Tracy and Naval Supply Center-Oakland were documenting their air freight shipments on GBLs, they were also preparing commercial bills to accompany the GBLs, primarily to facilitate tracing the shipments.

At these four installations it was not possible to determine how many of the GBLs were for shipments costing less than \$100. However, using data available at the Military Traffic Management Command of GBLs reviewed during the 12-month period ending September 30, 1975, we found that shipments made via direct air carriers, air freight forwarders, and bus express transportation modes generally involved shipments which cost less than \$100. Sixty-five percent were under \$25 and 95 percent were under \$100. On the other hand, the rail carrier, motor carrier, and surface freight forwarder modes involved fewer shipments under \$25 and \$100. Twenty-eight percent were under \$25 and 55 percent under \$100.

In summary it would appear that DOD has a vast universe of low cost shipments which could be moved using commercial forms and procedures.

REASONS FOR NOT USING
COMMERCIAL FORMS

DOD's shipping and management officers cited a number of reasons for not using commercial forms and procedures as authorized by the Comptroller General. These included

- lack of authorization at the shipping level to use commercial forms
- lack of standardization of commercial forms
- fear of having less control over shipments
- problems in determining whose funds would be cited on the document and the extra workload in paying the commercial documents locally
- fear of duplicate payments
- problems in auditing charges
- inability of MTMC to carry out its shipment consolidation overview
- failure to show that economy would result

We carefully analyzed each of these areas and did not find any valid reason for not using commercial forms on the type of shipments discussed in this letter. Indeed, Sharpe Army Depot is successfully using commercial documents and we see no reasons why other DOD shipping activities could not follow Sharpe's example.

We believe the use of commercial documents for shipments--both under and over \$100--via the predominately small package carriers which have not already ruled out the use of Government bills of lading--specifically the direct air carriers, air freight forwarders, and bus express carriers--should be encouraged. Shipping officials should be given more explicit instructions on the use of the commercial forms and it may be feasible to request that the General Services Administration give authority for DOD to use commercial forms on shipments costing over \$100.

BENEFITS TO BE GAINED

The major benefits to be gained by using commercial forms is that fewer Government forms would have to be printed and distributed and the administrative processing required on Government bills of lading would be lessened. This could be done without sacrificing the benefits of a standardized Government bill of lading, even though there would be some additional workload at local paying offices.

We cannot quantify precisely the savings that would result if DOD documented all direct air carrier, air freight forwarder, and bus express shipments on commercial forms in lieu of GBLs. The General Services Administration has made a study to show that the cost for the manual preparation and processing of the GBL--from

purchase of the GBL sheets to audit by GAO (now GSA)--was \$15.58 as compared with \$7.61 for a commercial bill of lading. In a year DOD issues approximately 70,000 GBLs for direct air, air freight forwarder, and bus express shipments. If the \$7.97 difference is applicable to DOD's shipments by these three modes, the cost savings by use of commercial forms would approximate more than \$500,000.

DOD officials have questioned the basis of the costs used in the GSA study. They are not sure the difference between the GBL and commercial bill are as great as GSA's study shows. DOD, however, has been unable to provide us with any cost comparison of their own. Some local transportation officers have estimated the processing costs for a GBL could be as high as \$50.

CONCLUSIONS AND SUGGESTED IMPROVEMENTS

We found that many DOD shipping officials are not using the authority granted to DOD to use commercial documentation and procedures to purchase and pay for common carrier domestic freight transportation. Instead, they are continuing to use GBLs for small shipment modes--direct air carrier, air freight forwarder, and bus express--where use of commercial forms would be less cumbersome and expensive.

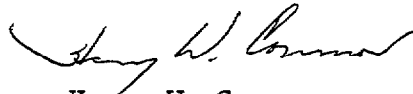
Accordingly, we suggest that you reemphasize the use of commercial procedures where appropriate, particularly for shipments via direct air carriers, air freight forwarders, and bus express.

In addition, because few of the shipments via these three modes cost more than \$100, we believe you should request permission from GSA to use commercial forms and procedures for all domestic shipments via these three modes regardless of shipping costs. This would provide a degree of uniformity of procedure for shipments via these modes.

We want to thank you for the cooperation extended to our staff during this review and would appreciate it if you would advise us of your thoughts on the matters discussed in this letter and any actions taken in response to our suggestions for improvement in the use of commercial forms and procedures.

In the meantime, should you desire, we would be happy to meet with you and your staff to furnish additional information and more fully discuss the matters contained in this letter.

Sincerely yours,



Henry W. Connor
Associate Director