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# Opportunities For Savings In The Procurement Of Tab Paper

B-115369

General Services Administration

*UNITED STATES  
GENERAL ACCOUNTING OFFICE*

FEB. 7, 1974

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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

LOGISTICS AND COMMUNICATIONS  
DIVISION

B-115369

The Honorable Arthur F. Sampson  
Administrator of General Services

17

Dear Mr. Sampson:

This is our report on opportunities for savings in the procurement of tab paper used with automatic data processing equipment.

The most favorable prices for tab paper have been obtained by making volume procurements under competitive contracts; however, only part of the Government's requirements have been met in this manner. You advised us that your agency agreed in principle with our recommendations and that your agency planned to use, to the maximum extent feasible, competitive contracts to make volume procurements.

You also advised us that your agency was embarking on a joint review with the Government Printing Office (GPO) of the various procurement methods now utilized in order to identify the most efficient and economical means of contracting for tab paper.

Appendixes II through VII contain comments from other agencies which, in general, agree with our recommendations. Several agencies, however, cited problems which we believe warrant your attention.

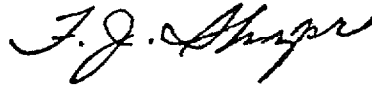
GPO advised us that for certain quantities of paper it was more economical to use GPO contracts than General Services Administration stock. We believe your joint review should consider this matter to insure that users have the opportunity to procure their tab paper at the lowest available prices.

B-115369

Other agencies told us that problems have been experienced with the quality and condition of tab paper received from General Services Administration stock. We believe that your agency should take whatever steps are needed to insure that paper provided to agencies is adequate to perform on their equipment.

Copies of this report are being sent to the House and Senate Committees on Appropriations and on Government Operations, the Joint Committee on Printing, the Office of Management and Budget, GPO, and agencies covered in the review. A copy of this report is also being sent to your Director, Office of Audits. TNT 136

Sincerely yours,



Director

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ABBREVIATIONS

ADP	automatic data processing
GAO	General Accounting Office
GPO	Government Printing Office
GSA	General Services Administration

## D I G E S T

### WHY THE REVIEW WAS MADE

The Federal Government spends an estimated \$100 million annually for marginally punched continuous forms (tab paper) used with automatic data processing machines. GAO examined the economy with which this paper was being bought.

The General Services Administration (GSA) is responsible for procuring the Government's tab paper, but it has delegated authority to the Government Printing Office (GPO) to procure most of the tab paper. Government agencies and installations (hereafter referred to as installations) obtain tab paper by

- requisitioning from GSA, which purchases and stocks six commonly used forms;
- ordering from GPO annual contracts, which are awarded to a large number of suppliers, for tab paper that is not available from GSA stock; and
- making individual procurements, either through GPO or directly with suppliers. (See pp. 5 and 6.)

### FINDINGS AND CONCLUSIONS

GAO examined fiscal year 1971 tab paper procurements of 45 installa-

tions and found that, of total acquisitions of \$6.5 million, \$2.1 million was purchased under competitive contracts. (See p. 7.)

The Government could realize greater economies in its procurement of tab paper if more of it were purchased under competitive contracts. For example, GAO found that six installations paid \$2.1 million under competitive contracts for tab paper which would have cost \$2.6 million, or 22 percent more, if ordered at the lowest prices offered by suppliers under the GPO contracts. (See p. 8.)

GSA estimated that the \$8 million cost of its annual procurements of commonly used tab paper under competitive contracts was \$1.6 million (20 percent) less than the cost of the paper at the lowest prices offered by suppliers under the GPO contracts. (See pp. 8 and 9.)

~~The GPO contracts are multiple awards at varying prices to all responsive suppliers on a nationwide basis.~~ GAO believes that under more competitive conditions there would be more incentive for suppliers to offer lower prices. GAO believes, therefore, that efforts should be made to develop a more competitive method of awarding the GPO contracts. (See pp. 6 and 12.)

GPO instructs installations to purchase tab paper from the lowest priced suppliers that can meet their requirements. GAO found instances of purchases from

other than the lowest priced suppliers. On orders against GPO contracts of \$2.2 million, GAO found that the prices exceeded those of the lowest priced suppliers by \$54,000. If this condition is representative of all reported orders against GPO contracts totaling \$11.8 million for the 12-month period ended November 1971, the costs of tab paper were \$300,000 more than if purchased from the lowest priced sources. (See pp. 9 and 10.)

GAO also found that some installations were using wide carbon paper when a lower priced narrow carbon paper might have been suitable. Installations used GPO contracts to purchase wide carbon paper costing \$600,000. If narrow carbon paper had been used in all cases, the \$600,000 cost could have been reduced by \$172,000, or 28 percent. (See pp. 10 and 11.)

GAO could not--because of varying procurement conditions--determine the possible reduction in costs of procurement of another \$1 million in wide carbon paper purchased under competitive contracts if narrow carbon paper had been purchased. However, it believes that this cost would have been reduced considerably if the installations had used narrow carbon paper. (See p. 11.)

GAO believes that installations should monitor the procurement of tab paper products being used to insure that the paper being obtained is the lowest priced paper suitable for their needs. (See p. 12.)

#### RECOMMENDATIONS OR SUGGESTIONS

To realize savings in the procurement of the Government's tab paper, GAO recommends that GSA:

--Instruct installations to determine their annual requirements for tab paper and let GSA or GPO use this information to make volume purchases under competitive contracts or authorize the installations to award such contracts directly.

--Consider, in conjunction with GPO, a more competitive method of awarding the GPO contracts, such as awarding contracts for the more commonly used types of tab paper on a geographical basis to the single supplier offering the lowest prices for each type of paper or limiting the number of multiple suppliers to be awarded contracts on a nationwide basis.

--Instruct heads of departments and agencies to establish procedures for systematic monitoring and internal reviews of recent and ongoing procurements to identify use of other than the lowest priced suppliers or the lowest priced paper suitable for installations' needs. (See p. 13.)

#### AGENCY ACTIONS AND UNRESOLVED ISSUES

GSA agreed in principle with GAO's recommendations and planned to use competitive contracts to make volume purchases of tab paper. GSA planned to make a joint review with GPO to

--discuss ways to facilitate determining future agency requirements and their consolidation for volume procurements and

--consider competitive means of contracting, including procurement by zone or geographic area.

GSA advised GAO that action would be taken to reemphasize to installations the importance of selecting lowest priced items. (See app. I.)

GPO agreed that changes should be made in the method of procuring tab paper and has taken action to limit the term of the GPO contracts to 6 months so that bidders will not have to predict their paper costs for more than a year in advance. (See app. II.)

Although regulations require installations to obtain tab paper from GSA stock, when available, GPO advised GAO that for certain quantities of paper using GPO contracts was more economical than using GSA stock. GAO believes this matter should be given attention during the GSA-GPO review. (See p. 14.)

GPO was concerned that the methods GAO had proposed for awarding the GPO contracts might not result in more

competition and lower prices. GAO recognizes that other alternatives may be available. GAO believes, however, and GSA agrees, that efforts should be made to develop a method of awarding the GPO contracts under more competitive conditions. Experimentation may be necessary to determine the best method. (See p. 14.)

Other agencies generally agreed with GAO. Several agencies, however, cited problems experienced with the quality and condition of tab paper obtained from GSA stock. (See apps. II, V, and VI.) GAO believes that GSA should take whatever steps are needed to insure that paper provided to installations is adequate to perform on their equipment. (See p. 14.)



## CHAPTER 1

### INTRODUCTION

The Federal Government is the largest single user of automatic data processing (ADP) equipment in the world. Government agencies and installations (hereafter referred to as installations) spend an estimated \$100 million annually to procure tab paper used with the Government's 6,700 computer systems at nearly 1,700 installations. Tab paper is a continuous strip of one-part or multipart paper or forms designed to fit a particular need, such as use in W-2 forms. The tab paper is rapidly fed through an automatic machine which produces a printout of information contained in the system.

Public Law 89-306 (Brooks Bill), enacted in October 1965, gave the General Services Administration (GSA) responsibility for efficiently and economically acquiring the Government's general-purpose ADP equipment and supplies. Executive Order 11717, issued in May 1973, transferred ADP policy responsibilities to GSA, leaving the Office of Management and Budget responsible for fiscal control and general oversight. The legislative history of Public Law 89-306 shows that a primary goal was to consolidate in GSA, to the extent feasible, responsibility for managing and procuring ADP equipment and supplies.

Before October 1965 the Government Printing Office (GPO) had the responsibility for procuring tab paper used by Federal agencies. GPO questioned GSA's responsibility under Public Law 89-306 for procuring tab paper. GPO's position was that tab paper was "printing and binding" and not an item of supply within the meaning of the law. According to GPO, section 111 of title 44, United States Code, provides that "All Government printing, binding, and blank-book work \* \* \* shall be done at the Government Printing Office \* \* \*."

In a decision dated January 10, 1969, the Comptroller General advised GSA that tab paper which was for use virtually exclusively with ADP equipment came under GSA's exclusive jurisdiction but that procurement authority could be delegated to GPO if GPO was able to procure the paper on more favorable terms. Subsequently GSA delegated authority to GPO to continue contracting for most of the Government's tab paper.

A bill to return the responsibility for the procurement of tab paper to GPO passed the Senate on June 28, 1973. The bill (S. 1802) was referred to the House Committee on Government Operations on June 29, 1973, and its status had not changed as of November 30, 1973.

Federal Property Management Regulations require an agency to obtain tab paper from GSA stock, when available. GSA purchases and stocks six commonly used forms. When an agency's tab paper needs cannot be filled by GSA and are less than \$15,000 for a single form or \$25,000 for a combination of forms, the agency is required to place its orders against GPO contracts with suppliers.

GPO publishes a nationwide schedule which shows the terms and prices of contracts awarded annually to suppliers (34 in fiscal year 1971). Multiple contracts are awarded because a single supplier could not meet all of the Government's requirements for volume, varying sizes, and types. The suppliers are listed in the order of prices offered from lowest to highest. GPO directs installations to order from the suppliers offering the lowest prices for tab paper that will meet their requirements.

An installation has the option to place an order of between \$15,000 and \$25,000 for a single form and an order of between \$25,000 and \$40,000 for a combination of forms against the GPO contracts or submit its requirements to GPO for an individual procurement. However, should the value of an installation's order exceed the \$25,000 or the \$40,000 limit, the installation is required to submit its needs to GPO because the separate procurement of tab paper in larger quantities normally results in lower prices than those obtained under the GPO contracts. In cases of separate procurements, GPO awards individual contracts for delivery of tab paper to installations.

GSA and GPO can waive the ordering restrictions described above and authorize installations to purchase tab paper outside of the GPO contracts.

## CHAPTER 2

### OPPORTUNITIES FOR SAVINGS IN THE

#### PROCUREMENT OF TAB PAPER

Our review showed that the Government could realize greater economies in its procurement of tab paper if more of it were purchased under competitive contracts awarded on the basis of estimated annual volume. Most installations were ordering their paper in smaller quantities periodically throughout the year from the GPO contracts rather than determining their annual requirements and procuring in volume under competitive contracts. We found that the prices paid when purchasing in volume under competitive contracts were much more favorable than the prices available from the lowest priced suppliers under the GPO contracts.

Also many installations were not purchasing tab paper from the suppliers offering the lowest prices under the GPO contracts and were using wide carbon paper when lower priced narrow carbon paper may have been suitable for their needs. (Wide carbon paper has the carbon interleaf extending the full width of the bond paper, and narrow carbon paper has the carbon extending to within one-half inch of the left and right hand edges.)

Our review of procurements by 45 installations showed that they used competitive contracts, GSA stock, GPO contracts, or combinations of these methods to obtain tab paper costing \$6.5 million in fiscal year 1971, as shown below.

	(millions)
Competitive contract procurements:	
Installation administered	\$1.8
GPO administered	.3
Total	<u>\$2.1</u>
Multiple award contract procurements:	
GPO contracts	2.2
Other GPO administered	1.1
Total	<u>3.3</u>
Requisition of GSA stock	.6
Other	<u>.5</u>
Total	<u>\$6.5</u>

SAVINGS BY PURCHASING IN VOLUME  
UNDER COMPETITIVE CONTRACTS

Six of the 45 installations included in our review obtained savings by purchasing their tab paper in volume under competitive contracts. Competitive contracts for tab paper can be awarded for definite or estimated quantities. Deliveries under competitive contracts can be scheduled periodically, such as quarterly or monthly, when storage space is a problem.

The savings by the six installations varied among and within contracts depending on the quantity, the number of carbons, and the types of paper ordered. For example, McClellan Air Force Base determined its annual volume for 15 forms and procured the paper competitively. This resulted in a \$240,000, or 48 percent, reduction in cost from the lowest prices available under the GPO contracts. The six installations paid \$2.1 million for tab paper which would have cost \$2.6 million, or 22 percent more, from the lowest priced suppliers under the GPO contracts, as shown below.

<u>Installation</u>	<u>Competitive procurement price</u>	<u>Low price from GPO contracts</u>	<u>Percent GPO price was higher</u>
	(000 omitted)		
McClellan Air Force Base	\$ 501	\$ 741	48
Kelly Air Force Base	325	386	19
Defense Supply Service	446	523	17
Goddard Space Flight Center	322	363	13
Internal Revenue Service	563	624	11
Red River Army Depot	<u>24</u>	<u>26</u>	<u>9</u>
Total	<u>\$2,181</u>	<u>\$2,663</u>	<u>22</u>

GSA uses competitive contracts to purchase six of the more commonly used forms for stockage and distribution to agencies. GSA compared the prices it paid in February 1971 with the lowest prices listed for the same types of paper under the GPO contracts. The comparison showed that tab paper which cost \$2.3 million under the GSA competitive contracts would have cost \$2.8 million, or 21 percent more, under the GPO contracts. GSA estimated its annual purchases of the six forms

at \$8 million or \$1.6 million (20 percent) less than the cost of the paper at the lowest prices under the GPO contracts.

Thirty-three of the 45 installations were purchasing all or part of their requirements from the GPO contracts. An order for tab paper under the GPO contracts is limited to \$40,000 for any combination of forms because separate procurement actions for larger quantities will normally result in lower prices than those obtained under the GPO contracts. We found that annual purchases of tab paper through the GPO contracts by 14 of the 33 installations (see app. VIII, note a) exceeded \$50,000; annual purchases by 10 of the 14 installations exceeded \$75,000. For example, the Washington Navy Yard, which stored and distributed tab paper used by several ADP installations in the vicinity of Washington, D.C., purchased tab paper costing \$522,000 from the GPO contracts during 1971.

It appears to us that more installations should attempt to reduce costs by (1) annually determining their requirements and (2) procuring in volume under competitive contracts. Such purchases could be made either by the installations or by GPO for direct delivery to the installations as scheduled or required or by GSA for stockage and issue as needed by the installations.

NEED TO ORDER LOWEST PRICED  
PAPER SUITABLE FOR NEEDS

GPO instructs installations to purchase tab paper from the lowest priced suppliers that can meet their requirements. For 19 of the 33 installations purchasing tab paper under the GPO contracts, we found instances of purchases from other than the lowest priced suppliers. (See app. VIII, note b.) Installations, in general, advised us that the lowest priced suppliers had been used except when delivery dates could not have been met. However, the supporting documentation required by GPO was not available so there was no assurance that the paper was purchased at the lowest cost.

Some installations repeatedly purchased tab paper from a single supplier which, in many instances, was not the lowest priced supplier. For example, the Marine Corps paid \$80,000, or 27 percent, more than the lowest priced supplier's price of \$63,000. Andrews Air Force Base, Fort Dix, and the Office of Economic Opportunity also order tab paper from

a single supplier without regard to whether it was the lowest priced supplier, when their paper was not obtained from GSA stock.

We also found that the Naval Research Laboratory did not have a copy of the GPO schedule and was not familiar with its use. The Laboratory obtained its paper from a single supplier. As paper was needed the supplier came to the installation and prepared the orders. On orders of \$2.2 million against GPO contracts, we found that the prices exceeded those of the lowest priced suppliers by \$54,000. If these orders are representative of all reported orders of \$11.8 million against GPO contracts for the 12-month period ended November 1971, the costs of tab paper were \$300,000 more than if purchased from the lowest priced sources.

We also found that some installations were using wide carbon tab paper for applications when a lower priced narrow carbon paper might have been suitable. (See app. VIII, note c.)

The annual cost of wide carbon paper procured by installations covered in our review was \$1.6 million or one-fourth of the cost of all tab paper purchased. Of the \$1.6 million, \$600,000 was for procurements under the GPO contracts-- \$560,000 for processed wide carbon paper and \$40,000 for unprocessed wide carbon paper. Processed wide carbon paper has the carbon leaf sprocket holes punched separately and the carbon is then collated with the bond paper. Unprocessed carbon paper has the sprocket holes punched in the carbon and bond paper at the same time.

A comparison of the prices of the wide carbon and the narrow carbon paper available under the GPO contracts showed that narrow carbon paper costs 30 percent less than processed wide carbon paper and 11 percent less than unprocessed wide carbon paper. Therefore tab paper costs could be reduced considerably by using narrow carbon paper.

In wide carbon paper the carbon leaves are wide enough to be engaged by the sprocket wheels of a machine to prevent slippage. Some users complained that narrow carbon paper was subject to having the carbon leaves slip while going through a machine because the way carbons were attached to the paper caused breakdowns and delays. However, according

to GSA, the industry has improved narrow carbon paper to eliminate this problem. The \$600,000 costs for purchases of wide carbon paper under the GPO contracts could have been reduced by as much as \$172,000, or 28 percent, if the installations had used narrow carbon paper.

We could not determine the possible reduction in costs by procuring narrow rather than wide carbon paper for the \$1 million in paper purchased under competitive contracts because of the unique factors relevant to each procurement, such as varying quantities, types of paper, and market condition at the time of the procurement. We believe, however, that costs would have been reduced considerably if narrow carbon paper had been used.

## CHAPTER 3

### CONCLUSIONS, RECOMMENDATIONS, AND AGENCY

#### COMMENTS AND OUR EVALUATION

#### CONCLUSIONS

The most favorable prices for tab paper are obtained through volume procurements under competitive contracts; however, only part of the Government's requirements have been met in this manner. We believe that many installations could reduce their tab paper costs if the installations determined their annual paper requirements and let GSA or GPO use this information to make volume procurements under competitive contracts or if the installations were authorized to award such contracts directly. We believe that the GPO contracts should be used only when installations' annual needs are not of sufficient volume to warrant use of competitive contracts or the tab paper is not available from GSA stock.

Multiple GPO contracts are awarded at varying prices to all responsive suppliers on a nationwide basis. We believe that under more competitive conditions there would be more incentive for suppliers to offer lower prices. We believe that efforts should be made to develop a more competitive method of awarding the GPO contracts, such as making awards of the more commonly used types of tab paper on a geographical basis to the single supplier offering the lowest prices for each type of paper or by limiting the number of multiple suppliers to be awarded contracts on a nationwide basis. Experimentation may be necessary to determine the best method for awarding the GPO contracts.

Installations should be purchasing the types of paper which will satisfactorily fulfill their requirements at the least cost. We believe, therefore, that installations should monitor the procurement of tab paper to insure that the paper being obtained is the lowest priced paper suitable for their needs.

#### RECOMMENDATIONS

We recommend that, to realize savings in the procurement of the Government's tab paper, GSA:



- Instruct installations to determine their annual requirements for tab paper and let GSA or GPO use this information to make volume purchases under competitive contracts or authorize the installations to award such contracts directly.
- Consider, in conjunction with GPO, a more competitive method of awarding the GPO contracts, such as awarding contracts for the more commonly used types of tab paper on a geographical basis to the single supplier offering the lowest prices for each type of paper or limiting the number of multiple suppliers to be awarded contracts on a nationwide basis.
- Instruct heads of departments and agencies to establish procedures for systematic monitoring and internal review of recent and ongoing procurements to identify use of other than the lowest-priced suppliers or the lowest priced paper suitable for installations' needs.

#### AGENCY COMMENTS AND OUR EVALUATION

In a letter dated August 30, 1973, the Administrator of General Services advised us that GSA agreed in principle with our recommendations and that GSA planned to use, to the maximum extent feasible, competitive contracts to make volume purchases of tab paper. He informed us that GSA planned to make a joint review with GPO of the various procurement methods being used in order to identify the most efficient and economical means of contracting for tab paper.

The Administrator informed us that, during the joint review, GSA would (1) discuss ways to facilitate determining future agency requirements and their consolidation for volume procurements, including method of supply, method of procurement, and granting of waivers, and (2) consider competitive means of contracting, including procurement by zone or geographic areas. He also informed us that action would be taken to reemphasize to installations the importance of selecting lowest priced items.

The Administrator advised us that a very significant factor which might have some bearing on any proposed immediate action was the very tight paper market. He also advised us that GSA or GPO would have difficulty in procuring paper in the immediate future.

GPO, in a letter dated August 8, 1973, agreed that some changes should be made in the Government's method of procuring tab paper and said it has taken action to limit the term of the GPO contracts to 6 months so that bidders will not have to predict their paper costs for more than a year in advance.

Although regulations require installations to obtain tab paper from GSA stock, when available, GPO advised us that for certain quantities of paper it was more economical to use GPO contracts than GSA stock. We believe the GSA-GPO review should consider this matter to insure that installations have the opportunity to procure their tab paper at the lowest available prices.

GPO was concerned that the methods we suggested for awarding the GPO contracts might not result in more competition and lower prices. These were suggestions of possible methods which might be used; we recognize that other alternatives may be available. We believe, and GSA agrees, that efforts should be made to develop a method of awarding the GPO contracts under more competitive conditions. Experimentation may be necessary to determine the best method for awarding the contracts.

Other agencies submitting comments generally agreed with our recommendations. Several agencies, however, advised us of problems experienced with the quality and condition of tab paper obtained from GSA stock. We believe that GSA should take whatever steps are needed to insure that paper provided to installations is adequate to perform on their equipment.

## CHAPTER 4

### SCOPE OF REVIEW

Our review was directed toward identifying specific problems related to the procurement of tab paper used in the Government's ADP operations. We reviewed the legislative history of Public Law 89-306, GSA regulations and procedures, and selected agencies' and installations' procedures pertaining to the procurement of tab paper.

We interviewed officials of GSA, GPO, and the agencies shown in appendix VIII. We held discussions with suppliers of tab paper. We also reviewed records at GSA, GPO, and the selected agencies. The review was made at the GSA central office in Washington, D.C.; GSA's Office Supplies and Paper Products Branch in New York; GPO's central office in Washington, D.C.; and various Washington headquarters offices and field installations of the selected agencies.

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



AUG 30 1973

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

Dear Mr. Staats:

Thank you for the letter of June 28, 1973, from Mr. Donald L. Eirich, Assistant Director in Charge, Communications and Data Management Group, providing a copy of the draft audit report "Opportunities for Savings in the Procurement of Tab Paper," for our review and comment.

We agree in principle with the recommendations as set forth on page 16 of the draft report which emphasize the use of competitive contracts to make volume purchases of the Government's tab paper. In fact, we have plans to implement this concept to the maximum feasible extent.

We are embarked on a joint review with GPO of the various procurement methods now utilized in order to identify the most efficient and economic means of contracting for these items.

As a general comment, we would like to point out one very significant factor which may have some bearing on any proposed immediate action. A very tight paper market now exists resulting in reluctance by the paper industry to supply Government requirements. Due to this situation, some of the details cited in the draft report may not be feasible today. For example, the report indicates that in its definite quantity procurements for stores stock, GSA effects a 20% saving in comparison

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## APPENDIX I

to the cost of the same items offered under GPO contracts. Normally, this is true; but at this point in time, the GPO schedule prices which were established almost a year ago, are lower than the competitive bid prices we currently are obtaining. This situation becomes academic, however, as we have learned that the suppliers under the GPO schedule are not making their paper available at the listed contract prices, or they are offering it on such long delivery terms as to be unacceptable to the agencies. We feel that this rather confusing situation must be mentioned because it indicates that for the immediate future, either agency (GSA or GPO) will have a difficult time in effecting paper procurements.

Our comments on your specific recommendations are as follows:

RECOMMENDATION: Instruct installations to determine their annual tab paper needs and make volume purchases under competitive contracts by GSA or GPO, or by the installations with a waiver from GSA or GPO.

COMMENT: We agree that volume purchases under competitive contracts are desirable and tentatively conclude them to be practical for selected standard (manufacturers' stock) items. During our joint review with GPO, we plan to discuss ways to facilitate determination of future agency requirements and their consolidation for volume procurement. Decisions concerning method of supply, method of procurement, granting of waivers, etc., are a normal adjunct to the procurement process and our review, therefore, will include development of information and recommendations in this area.

RECOMMENDATION: Consider, in conjunction with GPO, a more competitive method of awarding the GPO contracts, such as making awards of the more commonly used types of tab paper on a geographical basis to the single supplier offering the lowest prices or by limiting the number of multiple suppliers to be awarded contracts on a nationwide basis.

COMMENT: During our review of GPO contracting methods, we plan to consider competitive means of contracting for all items. Of course, competition implies that there must be a way to make a comparative analysis of products offered. As no specifications have ever been developed for many types of special purpose forms which are available

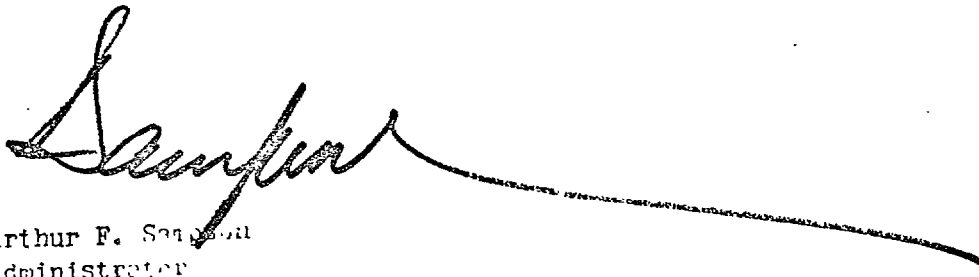
commercially and are required by Federal agencies for use in specialized areas, it will be necessary for us to identify those forms with potential for standardization and subsequently to develop appropriate purchase descriptions or specifications on which to base our procurements. Our review will begin with high volume common use forms and then will continue to the less popular configurations.

It is likely that specification development may not be possible for many items and, therefore, some form of multiple award schedule contracting may have to be retained. Other possible contracting methods such as the draft report's recommendation for procurement by zone or geographic area will also be explored during our study.

RECOMMENDATION: Instruct heads of departments and agencies to establish procedures for systematic monitoring and internal reviews of recent and ongoing procurements to identify use of other than the lowest-priced supplier and the lowest-priced paper suitable for installations' needs.

COMMENT: Federal agencies already are required by existing regulations to purchase items which will meet their needs at the lowest delivered price attainable. In this respect, we will consult to the extent possible with using agencies to determine what steps can be taken to reemphasize the importance of selecting lowest priced items. However, we feel that it is beyond the scope of our authority to endeavor to bring about compliance with individual agency policies on use of GSA contracts and selection of most economical items.

Sincerely,

A handwritten signature in cursive script, appearing to read "Sargent", with a long horizontal flourish extending to the right.

Arthur F. Sargent  
Administrator

OFFICE OF THE  
PUBLIC PRINTERUNITED STATES GOVERNMENT PRINTING OFFICE  
WASHINGTON, D.C. 20401

August 8, 1973

Mr. Donald L. Eirich  
 Assistant Director in Charge  
 Communication and Data Management Group  
 United States General Accounting Office  
 Washington, D.C. 20548

Dear Mr. Eirich:

The draft report to the Administrator of General Services on opportunities for savings in the procurement of the Government's tab paper has been reviewed by this Office and the following comments are submitted.

[7]

On page 2 of the draft, the report states that "The most favorable prices were obtained by the installations through competitive awards of volume procurements." This is a fact that the Government Printing Office is aware of and is the reason that the mandatory usage requirement on the marginally punched forms contract was set at a maximum of \$15,000 for a single form and \$25,000 for a combination of forms so that larger requirements could be procured on an individual bid basis.

[12]

On page 3, the report states "that the GPO contracts should be used only in those instances where annual needs are not of sufficient volume to warrant use of competitive contracts or are not available from GSA stock." As stated above, we concur that the GPO contract should only be used where agency needs are not sufficient to warrant the use of individually bid contracts and limitations have been placed in the contract to minimize such misuse of the contract. However our analysis indicates that the 1026 contract is more economical than the Federal Supply Catalog prices for orders exceeding 1,000,000 equivalent single parts.

Moreover, the so called "stock forms" available from GSA are tailored to the individual requirements of GSA. Stock forms available on the 1026 contract can be ordered with 22 optional features (tailored to a particular agency's needs). In addition, there are a total of 101 stock forms available on the 1026 contract compared to 6 from GSA.

GAO note: Numbers in brackets refer to page numbers in this final report.



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Contractors producing forms on the 1026 contract must guarantee that the forms are suitable for the intended use and that they will operate properly on the computer or other ADP equipment specified. Agencies claim that they have been forced to utilize forms ordered from GSA even though they would not operate properly on their equipment.

Another key factor to be considered is the problem of storage. Contractors advise that unless forms are stored under ideal conditions, they should be used within one year or less from date of manufacture. Therefore the economics to be considered in the volume purchase and the savings realized therefrom must be tempered with potential losses from disposal of unusable stock that has outlived the established shelf-life.

[See GAO note, p. 23.]

In placing work under the contract, the ordering agency is required to communicate with the contractor that submitted the lowest bid for a particular size and quantity category. The only acceptable reason for rejection of an offering is the contractor's inability to meet the shipping schedule. If the low contractor cannot accept the order for shipment within the time required, the offering must be made to the subsequent low contractors, in sequence, until the order is accepted. It has been our experience that under normal conditions, an order was usually placed with one of the low five bidders.

[2]

On page 4, the report mentions "that some installations are using wide-carbon paper for applications where a lower-priced, narrow carbon paper might have been suitable." There are some applications that definitely require the use of wide-carbons. However, during the course of instruction in the effective administration of the 1026 contract held at the GPO each year, we stress that wide-carbons should not be specified unless it is absolutely necessary.

[2]

On page 3, the report states that consideration be given to making award to a "single supplier" or by limiting the number of multiple suppliers to be awarded contracts on a nationwide basis. I would estimate that approximately 60 million dollars worth of forms would fall into this category.



## APPENDIX II

There are only two or three suppliers in the country capable of producing this volume of work. We do not believe they would consider tying up their expensive equipment exclusively for the production of Government work at a marginal rate of profit. Since the mills are presently allocating paper to the forms producers based on their previous years purchases, the probability of a single supplier being able to obtain the required paper is highly unlikely.

Limiting the number of multiple suppliers to be awarded contracts could result in higher prices to the Government since the bidders would know that they have very little competition. We are very definitely in a "sellers market" and indications are that we will be faced with this situation for at least five years.

[See GAO note, p. 23.]

GPO has established numerous individual contracts for the larger requirements of various agencies. Program 370-M is an example of a yearly contract developed specifically for the tab paper requirements of the Defense Supply Agency.

We have also awarded single contracts for quantities in excess of 100 million forms for NASA and other agencies with 1/12th of the quantity ordered to be delivered each month. These contracts have naturally resulted in prices much lower than the 1026 contract because of the large quantities involved and also because the contractors are bidding on a specific requirement with a definite delivery schedule.

In conclusion, we concur that some changes should be made in the method that tab paper is procured by the Government. The following changes are being considered for our 1026 contract program:

1. Limit the term of the contract to six months so that the bidders will not have to predict their paper costs for more than a year in advance during this unstable situation.
2. Prepare the composition for the contract by use of the GPO Linotron which in addition to the reduced preparation cost will result in shortening the lead time required between bid opening and effective date of the contract.
3. Conversion of our bid forms to OCR, again resulting in reduced preparation cost and lead time.

We have started to effect these and other minor changes in the program. However, until the GPO receives permanent delegation from the General Services Administration to operate this contract or the Federal Property and Administrative Service Act of 1949 is amended in accordance with S.1802, which has been referred to the House Committee on Government Operations, we are constrained as to just how far we can proceed.

Sincerely yours,

  
T. F. McCORMICK  
Public Printer

GAO note: Deleted comments relate to matters which were discussed in the draft report but omitted from this final report.

APPENDIX III

UNITED STATES DEPARTMENT OF AGRICULTURE  
OFFICE OF THE SECRETARY  
WASHINGTON, D. C. 20250

OFFICE OF PLANT AND OPERATIONS

AUG 1 - 1973

Mr. Richard J. Woods, Assistant Director  
Resources and Economic Development Division  
United States General Accounting Office  
Washington, D.C. 20548

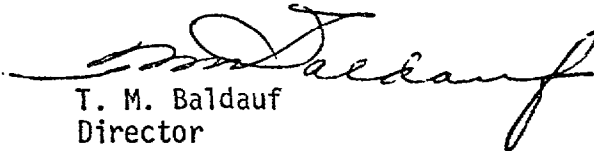
Dear Mr. Woods:

This is in response to your letter of June 28, 1973, requesting our review and comments on your draft report to the Administrator of General Services entitled "Opportunities for Savings in the Procurement of Tab Paper."

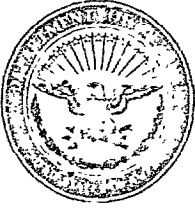
We have reviewed the draft report and concur in your conclusions and recommendations on pages 15 and 16. [12 and 13]

We appreciate the opportunity to comment.

Sincerely,

  
T. M. Baldauf  
Director

GAO note: Numbers in brackets refer to page numbers in this final report.



**ASSISTANT SECRETARY OF DEFENSE**  
**WASHINGTON, D.C. 20301**

14 AUG 1973

**INSTALLATIONS AND LOGISTICS**

Mr. Donald L. Eirich  
Assistant Director in Charge  
Communications and Data Management  
Group  
Logistics and Communications Division  
U.S. General Accounting Office  
Washington, D. C. 20548

Dear Mr. Eirich:

This is in response to your letter dated June 28, 1973 transmitting a copy of your draft report dated June 28, 1973 to the Administrator of General Services on opportunities for savings in the procurement of tab paper (OSD Case #3662).

This office concurs in the findings and recommendations contained in your report.

Sincerely,

A handwritten signature in dark ink, appearing to read "Arthur I. Mendolia".

**ARTHUR I. MENDOLIA**  
Assistant Secretary of Defense  
(Installations & Logistics)



OFFICE OF THE SECRETARY OF TRANSPORTATION  
WASHINGTON, D.C. 20590

ASSISTANT SECRETARY  
FOR ADMINISTRATION

August 9, 1973

Mr. Richard W. Kelley  
Associate Director  
U. S. General Accounting Office  
Resources & Economic Development Division  
Washington, D. C. 20548

Dear Mr. Kelley:

We have reviewed the draft report to the Administrator, GSA, concerning Opportunities for Savings in the Procurement of Tab Paper, and appreciate the opportunity to provide comments.

Some problems have been experienced by components of the DOT with previous GSA supplied paper. Some deliveries have been of such poor quality that the paper would jam on high-speed printers, requiring one or several re-runs of the job being printed. The narrow carbon also frequently caused jams in past years, although this seems to have improved within the last two years to the point that the bulk of our orders for multiple-ply paper now specify narrow carbon. Generation of dust by GSA paper has also been sufficiently severe on past occasions to cause problems with tape drives and disk files. All of these problems relate to inadequate quality of the paper supplied when used on high-speed printers.

Obtaining timely delivery of paper has also occasionally been a problem. Users are sometimes forced to use higher priced GPO-- or even commercial--sources to obtain reasonable delivery schedules. This situation appears to be worsening; some shortage of tab paper (of good quality) has developed.

The Department of Transportation concurs that centralized, competitive, volume procurement of tab paper offers opportunity for savings, if the quality of the paper provided is adequate for use on modern high-speed printers and that adequate quantities are available for use when needed.

Sincerely,

A handwritten signature in cursive script, reading 'William S. Heffelfinger'.

William S. Heffelfinger



## THE DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

August 14, 1973

Mr. Donald L. Eirich  
 Assistant Director in Charge  
 General Accounting Office  
 Room 1540  
 441 G. St., N.W.  
 Washington, D.C. 20548

Dear Mr. Eirich:

In response to Mr. Charles P. McAuley's letter dated June 27, 1973 to Secretary George P. Shultz transmitting a copy of the draft report on tab paper to the Administrator of GSA, we have circulated copies of the draft to appropriate personnel within Treasury who would have need to know about the proposed changes and procedures for procuring yearly supplies for marginally punched continuous forms, and we would like to collectively share our views on the proposal.

The Department of Treasury operates its various procurement operations on a decentralized basis delegating contracting authority to qualified personnel within each individual bureau. As stated on page [1] 2 of the draft report under the paragraph titled "Purchasing in Volume under Competitive Procurements," we in Treasury order our stock and custom forms on a yearly supply basis from the Government Printing Office's contract for marginally punched continuous forms when within the prescribed maximum order limitations. Most of Treasury's bureau orders are relatively small orders, excluding Internal Revenue Service, which procures forms in large volume and is already procuring these forms on a competitive basis obtaining savings as stated in the draft report. However, in some cases when large quantities are ordered, warehousing is often a problem. On these types of jobs it is not feasible to order a yearly supply. In cases where form quantities are smaller, we would rarely order forms for more than a one-year period. Shelf life of forms extended beyond this period shows deterioration.

[2] Page 4 of the draft report, paragraph 3, suggests that some agencies are using wide carbon paper where a lower priced narrow carbon paper might have been suitable. We have experienced difficulties in the past with the use of narrow carbon forms. The problems which have resulted from the use of the lower priced carbon forms have caused more computer down-time than the savings is worth. For example: Computer cost is approximately 25 times greater than the initial forms cost. For this reason it would not be economical to use the lowest grade of paper that may serve the purpose. We have found that wide carbon will run on a greater variety of our high speed printers, thus allowing a [1]

GAO note: Numbers in brackets refer to page numbers in this final report.

## APPENDIX VI

common forms construction source for our different types of computers. If narrow carbon is used on our computers, then the forms must be ordered as custom forms tailored to each specific type of high speed printer. This requires stocking specialized forms of the same nature but designed for specific types of printers. In the case with IRS, it would be necessary to stock four types of each form because of the variety of computers.

We have had informal conversations with GSA on FSS stock forms and are told that most all of the stock forms are designed as narrow carbon forms. GSA seems to be operating under the premise that if the forms are crimped correctly there is no need for wide carbon usage. One of our larger bureaus recently ran short on forms and tried to substitute with GSA's stock forms. Results were questionable whether continued usage of these forms would be practicable.

We have found that common sizes of stock forms sold by GSA do not meet the same specification standards as required by our users. Therefore our forms are being customized to our needs. An alternative would be a change in the specifications of the forms stocked by GSA.

[2]

Page 5 of the draft report, the last paragraph suggests that departments and agencies establish procedures for systematic monitoring of ongoing procurements to identify use of other than the lowest priced suppliers of forms and paper.

Treasury bureau personnel have been instructed to always procure tab paper at the lowest price suitable to our needs. If any closer monitoring would be necessary, it would require additional staffing.

In the past, the Government Printing Office has offered training courses for agencies with personnel that are responsible for ordering from the existing marginally punched continuous forms contract. We have always encouraged our bureaus to send personnel to these classes so that they may be qualified to place orders in the most efficient manner possible.

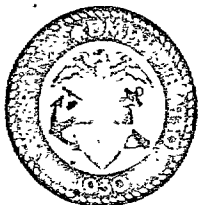
Jobs have been offered to the lowest bidder on the existing marginally punched continuous forms contract, and because of the present paper crisis, the contractor has declined acceptance; an agency must then go down the list until the job is accepted. The direct cause for contractors declining acceptance is a lack of an escalation clause to allow for the rapidly rising paper cost. In many cases, if one of the lower contractors on the contract accepted a job and was paid according to his bid price, the contractor would lose money on the job because of the inflated cost in material. We believe that this problem will be overcome, as we are told that the next GPO marginally punched continuous forms contract will be awarded for a six-month term rather than the normal twelve-month period.

If you or anyone on your staff would like to discuss any of these points, please call me on IDS code 184 extension 5291. We would be pleased to meet with you.

*William J. Boteler*

Assistant Director of Administrative Programs





VETERANS ADMINISTRATION  
OFFICE OF THE ADMINISTRATOR OF VETERANS AFFAIRS  
WASHINGTON, D.C. 20420

AUGUST 20 1973

Mr. Frank M. Mikus  
Assistant Director  
Manpower and Welfare Division  
U. S. General Accounting Office  
Room 137, Lafayette Building  
811 Vermont Avenue, N. W.  
Washington, D. C. 20420

Dear Mr. Mikus:

We have reviewed your draft report to the Administrator of General Services entitled, "Opportunities for Savings in the Procurement of Tab Paper." While there is general agreement with the three recommendations or suggestions listed on pages 5 and 16, we hope the following comments will be considered in the preparation of the final report.

We are informed that the current, severe paper shortage is forcing low bidders on the current Government Printing Office term contracts to quote delivery of up to 500 days. Some bidders are furnishing certifications that for "contractor stock" forms they will accept no orders for the balance of the contract delivery period. Since the report does not state otherwise, we assume it pertains to contractor stock rather than "custom forms."

It is acknowledged that VA does not always purchase from the lowest bidder, but when the lowest bidder is not responsive to the time factor, we do order from a higher bidder. We feel there must be provisions to allow for emergency procurement, or immediate deliveries, when needs for tab paper arise that were unforeseen at the time annual estimates were made.

GAO note: Numbers in brackets refer to page numbers in this final report.

Mr. Frank M. Mikus  
Assistant Director  
Manpower and Welfare Division  
USGAO

Thank you for the opportunity to review this draft. If you have any questions concerning our comments, my staff will be available.

Sincerely,

A handwritten signature in cursive script, appearing to read "Fred B. Rhodes".

FRED B. RHODES  
Deputy Administrator

## AGENCIES AND INSTALLATIONS COVERED IN THE REVIEW

<u>Agency or installation</u>	<u>Location</u>
DEPARTMENT OF DEFENSE:	
Army:	
Fort Dix (note b)	Wrightstown, N.J.
Fort Hamilton	Brooklyn, N.Y.
Fort Monmouth (notes a and b)	Red Bank, N.J.
Presidio (note b)	San Francisco, Calif.
Red River Army Depot	Texarkana, Tex.
Sacramento Army Depot (note a)	Sacramento, Calif.
U.S. Military Academy	West Point, N.Y.
Air Force:	
Andrews Air Force Base (note b)	Washington, D.C.
Barksdale Air Force Base	Shreveport, La.
Beale Air Force Base (note b)	Marysville, Calif.
Bergstrom Air Force Base (notes a and c)	Austin, Tex.
Griffiss Air Force Base (notes a and c)	Rome, N.Y.
Keesler Air Force Base	Biloxi, Miss.
Kelly Air Force Base (note a)	San Antonio, Tex.
McClellan Air Force Base (note c)	Sacramento, Calif.
McGuire Air Force Base	Trenton, N.J.
Travis Air Force Base	San Francisco, Calif.
Navy:	
Mare Island Naval Ship- yard (notes a and b)	Vallejo, Calif.
Naval Air Propulsion Test Center (note b)	Trenton, N.J.
Naval Oceanographic Of- fice	Suitland, Md.
Naval Research Laboratory (notes b and c)	Washington, D.C.

<u>Agency or installation</u>	<u>Location</u>
DEPARTMENT OF DEFENSE (continued):	
Navy (continued):	
Naval Supply Center (note a)	Oakland, Calif.
Navy Yard (notes a, b, and c)	Washington, D.C.
Marine Corps (notes a, b, and c)	Washington, D.C.
Other:	
Defense Supply Agency	New York, N.Y.
Defense Supply Agency (note a)	Cameron Station, Va.
Defense Supply Service (notes a, b, and c)	Washington, D.C.
CIVIL AGENCIES:	
Agricultural Stabilization and Conservation Service (notes a and b)	New Orleans, La.
Atomic Energy Commission	New York, N.Y.
Atomic Energy Commission Contractors:	
Lawrence Laboratories (note c)	Berkeley and Livermore, Calif.
Stanford Linear Accelerator	Stanford, Calif.
Bureau of Customs (note b)	Washington, D.C.
Coast Guard	Governors Island, N.Y.
Coast Guard (note c)	Washington, D.C.
Coast Guard Supply Center (note b)	Brooklyn, N.Y.
Federal Aviation Adminis- tration (note b)	Washington, D.C.
National Aviation Facili- ties Experimental Center (note b)	Atlantic City, N.J.
Internal Revenue Service (note c)	Washington, D.C.

<u>Agency or installation</u>	<u>Location</u>
CIVIL AGENCIES (continued):	
National Aeronautics and Space Administration: Goddard Space Flight Center	Greenbelt, Md.
Manned Spacecraft Center (notes a and b)	Houston, Tex.
Slidell Computer Center	New Orleans, La.
Office of Economic Opportu- nity (note b)	Washington, D.C.
Postal Data Center	San Mateo, Calif.
Treasury Disbursing Center (note c)	Austin, Tex.
Veterans Administration (notes a and b)	Washington, D.C.

<sup>a</sup>Annual procurements from GPO contracts in excess of \$50,000.  
(See p. 9.)

<sup>b</sup>Placed orders with other than lowest priced supplier under  
GPO contracts. (See p. 9.)

<sup>c</sup>Installations using wide carbon paper. (See p. 10.)