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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D C 20548

LOGISTICS AND COMMUNICATIONS
DIVISION

AUG 31 1977

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Mr. Robert Graham, Commissioner
Federal Supply Service
General Services Administration
Washington, D.C 20405

Dear Mr Graham

We recently completed a study (GAO assignment code 943441) of problems experienced by GSA in its efforts to consolidate and establish interagency motor pools and purchase vehicles needed to meet increased agency requirements. Our draft report on this matter was forwarded to Mr Solomon for comment on July 18, 1977.

In addition to the matters discussed in our draft report, we have two other observations that we want to bring to your attention. Specifically, we believe that GSA needs to improve the accuracy of its consolidation studies and should give more consideration to multi-shift maintenance operation as a means of reducing vehicle requirements. Details of our observations follow.

Consolidation Studies

Studies prepared by GSA supporting proposed consolidation of motor pool systems include costs which have no real bearing on comparative cost operations and tend to overstate potential savings.

In arriving at estimated savings, GSA studies include the differences in depreciation charges on its motor pool vehicles with vehicles operating in agency fleets. We found that the comparisons were meaningless because depreciation rates used by GSA and other agencies were not uniform and the age of vehicles included in the comparisons varied considerably. In any event, since depreciation expenses have no real bearing on savings that the Government will realize by consolidating motor pools, we do not believe that they should be included in GSA cost analysis studies. On this issue the Office of Management and Budget policy states: "that even if there existed uniformity between agencies in accounting for depreciation, there would still be no justification for using different rates for cost comparison purposes. In dealing with the same vehicles, depreciation should be based on the same factors. One agency should not logically have a cost advantage over another agency."

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The following example shows how GSA studies have overstated savings by including vehicle depreciation in its cost comparisons.

At the request of the Air Force, GSA made a study of four Air Force bases in San Antonio, Texas (Brooks, Kelly, Lackland, and Randolph) The purpose of the study was to determine the feasibility of expanding the existing San Antonio interagency motor pool to serve these Air Force bases The GSA study recommended consolidation and estimated savings of \$745,000 annually Differences in depreciation represented \$331,000 of the \$745,000 savings stated in the GSA report.

In addition to depreciation, other costs have received questionable treatment in GSA's studies For example, one study conducted by GSA involved some 698 agency vehicles, some dispersed in rural areas and scattered over a 200-mile radius The savings projected by the study were based on comparing the maintenance costs associated with motor pool vehicles operating in a metropolitan area with the maintenance costs of agency vehicles operating in rural areas on unimproved roads Furthermore, GSA personnel arbitrarily adjusted the cost figures submitted by the agencies to coincide with GSA experienced costs For example, if the agency showed accumulated mileage of 60,000 miles for a vehicle and indicated that it had required only two sets of new tires, GSA arbitrarily added the cost of a third set of tires before making its cost comparisons.

We believe that the credibility of GSA studies is reduced when potential savings are overstated and that this may foster agency opposition to proposed consolidation.

Multi-shift Maintenance

In a May 1976 letter to the Administrator of GSA, we reported that during 1975 a daily average of about 62 dispatch vehicles, or 15 percent, were deadlined for repair, service, or inspections in Region 5

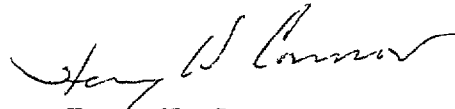
During our current review, we noted that all of the GSA interagency motor pools we visited performed vehicle maintenance only during daylight hours from 8 a.m. to 5 p.m We believe GSA should consider performing preventive maintenance and repairs on a second or third shift so that fewer vehicles would be deadlined for service or repair during the regular workday.

Maintenance of vehicles during other than normal duty hours would also provide better service to GSA customers since the pools would be open longer hours thus allowing customers more flexibility in picking up and returning vehicles Also, by having fewer vehicles down for maintenance during "prime time", the number of vehicles to meet total motor pools requirement would be reduced.

Although we do not plan to formally report on these areas, we would appreciate it if you would give us your thoughts on these matters and advise us of any corrective measures taken or contemplated

We will be happy to discuss these matters with you or members of your staff. If you have any questions, please contact Paul Spitz of my staff on 275-5877

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Henry W. Connor".

Henry W. Connor
Associate Director