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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D C 20548

LOGISTICS AND COMMUNICATIONS
DIVISION

090194

JUN 20 1978

Mr Robert P Graham, Commissioner
Federal Supply Service
General Services Administration

Dear Mr. Graham

We recently sent the Department of Defense (DOD) our report on the use of commercial forms to procure domestic freight transportation services. The message conveyed in the report was that DOD was not making opportune use of commercial forms and suggested it reemphasize the authority to use commercial forms and billing procedures for selected types of shipments. We also suggested that it consider requesting permission from GSA to use commercial forms for all shipments via the three prominatly small package carriers--the direct air carriers, air freight forwarders, and the bus express carriers--on the basis that relatively few shipments via those carriers exceeded \$100 in shipping costs.

During our review we noted also that DOD was making greater use of prepaid commercial bills of lading for FOB origin shipments from contractor plants. This practice is authorized by the Armed Services Procurement Regulations which allow contractors to prepay freight charges and obtain reimbursement on the invoice covering payment for the materials delivered.

Our work revealed a potential problem area which we believe warrants your attention. We found that DOD officials were confused as to who was charged with the responsibility of auditing the freight charges paid on commercial bills under the above types of transportation authorizations. Our study did not indicate that this confusion has created a major problem at present, however, we believe this issue should be resolved before a problem of significance develops.

The Federal Property Management Regulations (FPMR) prescribe the documentation to be used to procure transportation services and provide that commercial bill of lading payments shall be retained on site for audit, but the FPMR does not state who shall perform the audit. ASPR requires contractors to retain freight bills subject to requests for audit, but again no mention is made of who is to audit the bills.

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We believe GSA should review the responsibilities and capabilities to audit freight charges on payments made in connection with commercial bill of lading shipments and revise the FPMR to define the audit responsibilities for the resulting bills

The only parties who have tariff files and personnel with technical expertise required to audit these bills are the Military Traffic Management Command and GSA. At present neither agency has assumed responsibility for auditing these payments.

We have discussed this problem with officials in your Office of Transportation and Public Utilities. They agreed that the area should be reviewed and audit responsibility clearly defined. We would appreciate your views on this subject and would like to be informed of any action you propose to take to define and designate audit responsibilities. In the meantime should you or your staff have any questions or desire additional information on the matters discussed in the letter please contact Mr. Charles R. Comfort or Kenneth Brubaker of my staff on 275-3637.

Sincerely yours,



Henry W. Connor
Associate Director