



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

APR 27 1972

RESOURCES AND ECONOMIC
DEVELOPMENT DIVISION

Dear Mr. Frick:

This is in further reference to our examination of the accounts of the Commodity Credit Corporation (CCC) for the fiscal year 1971 made pursuant to the Government Corporation Control Act (31 U.S.C. 841).

On the basis of some supplementary work which we performed during our examination, we believe that CCC could benefit by taking advantage of cash discounts for prompt payment of competitive-bid purchases.

In purchasing wheat flour and certain other processed commodities through the Minneapolis Commodity Office, CCC specifies in its procurement announcements that discounts for prompt payment will not be considered as a factor in evaluating offers. This policy is in contrast to that of the Agricultural Marketing Service (AMS) whose purchases are paid for by the Minneapolis office. AMS specifies that discounts will be considered, and we noted that AMS has been benefiting from such offers.

CCC, in an internal memorandum dated July 28, 1967, decided that it was not practical to consider discounts for prompt payment in purchasing commodities on a competitive-bid basis. The reasons cited for this decision now appear to be outdated. For example, one of the reasons was that contracting officers, at the time of evaluating offers, were not in a position to know the conditions that would prevail at the paying office at the time the vendor submitted his invoice and, therefore, could not determine if CCC would be able to avail itself of an offered discount.

We noted, however, that payment procedures at the Minneapolis office have been substantially automated since 1967. An official at that office informed us that payments are made promptly without difficulty.

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In view of the potential benefit from considering discounts for prompt payment, it appears that CCC should reevaluate its discount policy. We would appreciate your views on this matter.

Sincerely yours,

~~Richard J. Woods~~
Richard J. Woods
Assistant Director

Mr. Kenneth E. Frick
Executive Vice President
Commodity Credit Corporation
Department of Agriculture