



UNITED STATES GENERAL ACCOUNTING OFFICE  
 WASHINGTON, D C 20548

MAY 5 1970

CIVIL DIVISION

B-169166

Dear Mr. Oganovic:

Pursuant to a congressional inquiry, we examined into the procedures followed by the Civil Service Commission's Denver Regional Office in the procurement of copy paper for use by the Interagency Board of Civil Service Examiners (IAB) at Salt Lake City, Utah.

Our review was directed primarily toward ascertaining whether copy paper used by the IAB had been purchased at the lowest price available under the Federal Supply Schedule, as required by section 101-26.408-2 of title 41, Code of Federal Regulations. We did not examine into the efficiency and effectiveness of the copying machine operations.

COPY PAPER PROCURED AT A PRICE GREATER  
 THAN THE LOWEST PRICE AVAILABLE

In December 1969 the Denver Regional Office issued a blanket purchase order for 25,000 sheets of copy paper from the SCM Corporation covering the estimated requirements of the Salt Lake City IAB through June 30, 1970. The Federal Supply Schedule price lists showed that the appropriate type of Nashua copy paper was available at a net price, after cash discounts, that was slightly lower than the listed net price for the SCM copy paper ordered for use by the Salt Lake City IAB.

Following is a comparison of the net prices of these two brands of copy paper in December 1969.

	<u>Nashua</u> <u>COPY PAPER</u>	<u>SCM</u> <u>COPY PAPER</u>
Gross price per 1,000 sheets	\$18.39	\$18.30
Cash discount available on payments made within 20 days:		
Nashua copy paper - 2 percent	.37	
SCM copy paper - 1 percent	_____	.18
Net price per 1,000 sheets	<u>\$18.02</u>	<u>\$18.12</u>

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As indicated above, the Denver Regional Office might have saved \$0.10 per thousand sheets if it had ordered Nashua copy paper rather than SCM copy paper, or a total savings of \$2.50 for the 25,000 sheets ordered in December 1969 for the Salt Lake City IAB.

JUSTIFICATION FOR PROCUREMENT

Officials of the Commission's Denver Regional Office and of the Salt Lake City IAB informed us that in about June 1967 the Denver Regional Office had purchased from a Federal Supply Schedule contractor a brand of copy paper (other than Nashua), which was less expensive than SCM copy paper, for use by the Salt Lake City IAB and three other IABs in the Denver regional area on their then newly acquired SCM copying machines. In August 1967 three of these IABs, including the Salt Lake City IAB, had reported that this copy paper tended to stick together, resulting in several sheets coming out of the machine for each copy.

The Commission officials attributed the copying problems to defects in the copy paper and said that these problems had resulted in substantial amounts of machine downtime and in additional costs for cleaning and maintaining the copying machines. They said also that the Denver Regional Office had concluded that it would be less costly overall to use the somewhat higher-priced SCM copy paper than to incur the additional costs for cleaning and maintaining the copying machines. They said further that the use of the SCM copy paper had eliminated the problems with the copying machines at the IABs.

The Salt Lake City IAB's Executive Officer informed us that the local dealer for Nashua copy paper had provided about 250 sheets of the paper for testing purposes and that no difficulties had been revealed in the test of this paper. The Executive Officer stated, however, that he believed this test had been inadequate because the prior malfunctions of the IAB's copier had not occurred until after more than 1,000 copies had been made.

The Administrative Officer of the Denver Regional Office cited section 101-26.408-3(b)(6)(iii) of title 41, Code of Federal Regulations, as authority for continuing to use the SCM copy paper. This section provides that an item from a multiple-award Federal Supply Schedule may be purchased at a price higher than the lowest available price if "greater maintenance availability, lower overall maintenance costs, or the elimination of problems anticipated with respect to machines or systems \* \* \* will produce longrun savings greater than the difference in purchase prices."

The Administrative Officer stated that, in view of the proven performance of the SCM copy paper, the price differential between the Nashua copy paper and the SCM copy paper was too small to cause the Denver Regional Office to consider using another brand of copy paper. He stated also that,

if the price differential between the Nashua and SCM copy paper had been large enough, the Denver Regional Office probably would have purchased a quantity of the Nashua paper for testing at one of the IABs in the regional area before deciding to award a blanket purchase order.

LOWER PRICED COPY PAPER SUCCESSFULLY  
USED BY OTHER AGENCIES

We ascertained that the Salt Lake City offices of two Federal agencies had been successfully using Nashua copy paper on their SCM copiers since 1968. Each of these offices generally procured copy paper in lots of 5,000 sheets—about a 90 day supply.

At one of these offices, we were informed that (1) the use of SCM copy paper had been discontinued because of the lower price of Nashua paper, (2) there seemed to be little difference in the quality of the two brands of paper, and (3) the Nashua dealer had agreed to carry on servicing the copier—a service previously provided by the SCM dealer.

CONCLUSION AND RECOMMENDATION

Since the total saving on the \$453 order involved would have been only \$2.50, the action of the Commission's Denver Regional Office does not appear unreasonable. However, we believe the Commission should determine the experience users other than the two agencies cited above have had with Nashua copy paper and, if such experience demonstrates the suitability of the paper, it should be purchased in the future, unless the purchase of higher-priced copy paper can be properly justified.

Although our review was limited to transactions of the Commission's Denver Regional Office, other offices of the Commission may possibly be purchasing without adequate justification copy paper at prices higher than the lowest delivered price available under the Federal Supply Schedule. Therefore, we recommend that the Commission provide for its auditors to examine into procurements of copy paper, as part of their regularly scheduled reviews of administrative operations.

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We would appreciate receiving your advice as to any actions taken or planned with respect to the matter presented herein. Should you wish to

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discuss this matter further, we would be pleased to meet with you or members of your staff at your convenience.

Sincerely yours,

Walter B. Hunter

Walter B. Hunter  
Assistant Director

Mr. Nicholas J. Oganovic, Executive Director  
United States Civil Service Commission

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