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

LOGISTICS AND COMMUNICATIONS DIVISION

B-196922

FEBRUARY 28, 1980

The Honorable John J. Boyle
Public Printer
United States Government
Printing Office

AGC00178

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Dear Mr. Boyle:

Subject: GPO Can Improve Traffic Management Practices (LCD-80-37)

We have completed our study of traffic management practices in the Government Printing Office (GPO). This report discusses ways that GPO can improve these practices.

Specifically, we found that GPO can

--obtain lower transportation costs on procurement contracts,

--achieve economies by using commercial forms instead of Government bills of lading on small shipments, and

--improve the accountability controls over bills of lading in the hands of contractors.

A majority of GPO's printing and binding services are performed by commercial firms. In fiscal year 1978 GPO spent \$302 million for contract printing and binding services, \$30 million for blank paper and envelopes, and \$11 million for materials, supplies, machinery, and equipment.

Transportation costs for the outside procurements often are not shown separately; however, indications are that they are sizable. For example, in analyzing a number of procurements where data was available, we found that transportation costs averaged about 7 percent of total procurement costs. On this basis, GPO transportation costs were approximately \$24 million in fiscal year 1978.

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TRANSPORTATION SAVINGS POSSIBLE

GPO could realize large savings in transportation costs by taking advantage of special Government transportation rates available. Also, we found instances where GPO relied on incorrect or outdated rate tenders in routing its traffic.

Section 10721 (formerly section 22) of the Interstate Commerce Act (49 U.S.C. 10721) permits commercial carriers to move Government property free or at special reduced rates. The General Services Administration has negotiated many section 10721 rates which could be applied to GPO material. GPO also has negotiated section 10721 rates in the past and could negotiate additional lower rates under the same section.

We selected random samples of blank paper and printed material shipments to determine whether GPO was minimizing transportation costs. In many cases, transportation records were incomplete. Where there was sufficient data to make an analysis, we found that GPO could have reduced transportation costs by 9 percent by using section 10721 freight rates.

The following examples taken from the samples illustrate the type of savings possible.

--A contractor shipped 156,000 sheets of white offset book paper from Salem, Oregon, to Fort Meade, Maryland. The paper weighed 37,307 pounds and was shipped via common carrier at a cost of $3,302. If the paper had been shipped under available section 10721 rates, the transportation cost would have been $2,604, or a savings of $698.

--A printing contractor shipped five skids of printed labels from Twinsburg, Ohio, to Pauline, Kansas. The labels weighed 3,250 pounds and were shipped via common carrier at a cost of $207. If the labels had been shipped under available section 10721 rates, the transportation cost would have been $183, or a savings of $24.

--A printing contractor shipped two skids and some loose packages of pamphlets from Lithonia, Georgia, to three separate destinations in the Washington, D.C., area. The pamphlets weighed 2,779 pounds and were shipped via common carrier at a cost of $233. If the pamphlets had been shipped under available section 10721 rates, and routed via the most cost favorable carrier, the transportation cost would have been $163, or a savings of $70.

One of the primary reasons GPO had not been obtaining the lowest transportation rates is that it was not aware of the transportation costs being paid by contractors. GPO generally uses free-on-board (FOB) destination delivery terms under which the contractor normally arranges for transportation and includes the cost in the price of the material.

A better process would be to require that bids be submitted on both FOB destination and FOB origin (GPO arranges the transportation) bases. By obtaining bids under both delivery terms, GPO would be in a position to make the transportation cost analyses needed to identify and incur the lowest overall transportation costs.

As part of the analyses GPO would have to compute the transportation costs associated with the FOB origin bid. This would include a determination of whether section 10721 rates were available or whether additional rates should be negotiated. By combining this information with the bids, GPO then could select the delivery method most advantageous to the Government.

Although GPO generally uses FOB destination delivery terms, it sometimes uses FOB origin terms when purchasing printed material. We noted instances where GPO relied on incorrect or outdated rate tenders to estimate transportation costs under FOB origin delivery terms. This condition occurred on 89 of the 386 tenders we reviewed. As a result, GPO was not always obtaining the lowest transportation rates when making its own transportation arrangements.

For example, a contractor shipped 381 cartons of computing machine paper from Hagerstown, Maryland, to the Defense Personnel Support Center, Philadelphia, Pennsylvania. The paper weighed 17,526 pounds and was shipped via common carrier using a Government bill of lading. The transportation cost was $380. If the paper had been routed using the lowest available rates, the cost would have been $324, or a savings of $56.

GOVERNMENT BILLS OF LADING
CAN BE BETTER MANAGED

GPO can achieve economies by using commercial forms instead of Government bills of lading on small shipments. GPO also needs to improve its controls over Government bills of lading in the hands of contractors.

Government bills of lading are used for the transportation of U.S. property when freight charges are to be paid by the Government directly to commercial carriers. GPO's traffic division issued approximately 50,000 Government bills of lading in fiscal year 1978.

Almost all of the Government bills of lading issued by GPO are for small shipments. Our tests showed that 81 percent of the GPO shipments cost less than $100.

Through experience, Government agencies have found that standardized Government documentation is both cumbersome and costly for small shipments. The General Services Administration has authorized the use of commercial forms for shipments costing $100 or less. We have long encouraged the use of commercial forms for these shipments.

Various studies have attempted to quantify the cost of using Government documentation. For example, a General Services Administration study showed that the cost to prepare and process a Government bill of lading was $15.58, compared with a cost of $7.61 for a commercial bill of lading.

If the $7.97 difference computed by the General Services Administration is applicable to GPO shipments, the annual cost savings by using commercial forms would be substantial on shipments costing $100 or less.

Another problem with Government bills of lading concerns those in the hands of contractors. GPO's traffic division issued over 18,000 of these blank accountable forms to contractors during fiscal year 1978. We found that several thousand of these forms were unaccounted for as of December 1979.

GPO officials could not precisely state what happened to the Government bills of lading. Traffic division personnel said one possibility was that the forms had been used and paid by GPO but the traffic division had not been advised. Other possibilities were that the forms were being held indefinitely by the contractor or had been lost, misused, or stolen. In fact, we found instances where contractors had Government bills of lading from completed contracts for as long as 7 years.

Since an unscrupulous contractor could use these blank forms to transport goods at Government expense to nearly any place in the world, tighter controls are required.

CONCLUSIONS AND RECOMMENDATIONS

GPO should give greater consideration to transportation factors when making procurement decisions. Large savings in transportation costs can be realized through a better awareness of the importance of these transportation factors.

GPO also should modify its practices in using and controlling Government bills of lading. More use of commercial forms on small shipments and better controls over Government bills of lading in the hands of contractors would achieve economies and also lessen opportunities for fraud and abuse.

Accordingly, we recommend that you take the following actions to improve procurement and transportation management practices:

--Issue regulations requiring that bidders on procurement contracts submit their bids on both FOB destination and FOB origin bases.

--Make the transportation cost analyses needed to identify the lowest overall transportation costs and take the steps required to obtain these lowest costs.

--Take full advantage of section 10721 rates. Either use existing rates or negotiate additional section 10721 rates.

--Make sure up-to-date rate tenders are used. Maintain your own files or use the capabilities of the General Services Administration, which is required by law to keep updated tenders.

--Require the use of commercial bills of lading on small shipments.

--Adopt measures that will improve accountability controls over blank Government bills of lading in the hands of contractors.

AGENCY COMMENTS

We discussed this report with GPO officials and they told us of their plans for implementing the recommendations. GPO is going to (1) require bidders on selected printed material and blank paper contracts to submit their bids on both FOB destination and FOB origin bases, (2) make transportation cost analyses, and (3) take advantage of section 10721 rates.

In another action, GPO has asked the General Services Administration to provide it with up-to-date rate tenders for GPO handled products. GPO also plans to use commercial bills of lading on small shipments, except where customer agencies require Government bills of lading. With regard to accountability controls, GPO will insert a clause in contracts that will require the return of unused Government bills of lading within 30 days of contract completion.

The above actions indicate a positive approach to our recommendations. We would appreciate receiving any additional comments you might have on our report.

As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the House Committee on Government Operations and the Senate Committee on Governmental Affairs not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

We are sending copies of this report to the Director, Office of Management and Budget; the Administrator of General Services; the Chairman, Joint Committee on Printing; and the Chairmen, House and Senate Committees having oversight and appropriation responsibilities for your agency.

Sincerely yours,

Donald J. Horan

for R. W. Gutmann
Director