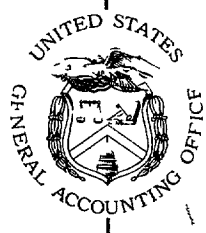


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# REPORT TO THE CONGRESS

## Need To Determine The Most Economical Method For Obtaining Maintenance And Repair Of Office Machines B-160419

Veterans Administration

*BY THE COMPTROLLER GENERAL  
OF THE UNITED STATES*

~~413402~~ **093396**

OCT. 5, 1970



COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON D C 20548

B-160419

To the President of the Senate and the  
Speaker of the House of Representatives

This is our report on the need to determine the most economical method for obtaining maintenance and repair of office machines by the Veterans Administration. Our review was made pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

Copies of this report are being sent to the Director, Office of Management and Budget, the Administrator of Veterans Affairs; and the Administrator of General Services.

A handwritten signature in cursive script that reads "James P. Stacks".

Comptroller General  
of the United States

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ABBREVIATIONS

GAO General Accounting Office

GSA General Services Administration

VA Veterans Administration

D I G E S T

WHY THE REVIEW WAS MADE

Veterans Administration (VA) stations obtain office machine services under contracts providing for service in one of two ways. Under a per-call contract, machines usually are serviced at the VA station, as required, at an hourly service charge. Under an annual maintenance contract, machines are kept in operating condition through periodic maintenance, plus repair service as required, at a fixed annual fee.

In 1967, the General Accounting Office (GAO) reported<sup>1</sup> that, although Government and independent studies indicated that the per-call method was the least expensive method of obtaining maintenance and repair services for office machines, 80 percent of maintenance and repair costs for Government office machines in fiscal year 1965 were for the more costly annual maintenance contracts.

On the basis of a draft of that report, the General Services Administration (GSA) revised the Federal Property Management Regulations in November 1966, which provided that the method for obtaining office machine services be determined after a comparison of costs and after consideration of related factors.

During fiscal year 1969, VA's 225 field stations had about 62,000 office machines.

GAO reviewed VA policies, procedures, and practices to determine whether the most economical method of obtaining office machine services, based on a comparison of the costs and advantages and disadvantages of each method, was being used.

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<sup>1</sup>"Savings Available through Expanded Use of Regional Contracts for the Repair and Maintenance of Selected Office Machines, General Services Administration" (B-160419, February 23, 1967)

## FINDINGS AND CONCLUSIONS

In 1966, VA told its field stations that its study at 22 stations showed a definite potential for savings if office machines were serviced on a per-call basis rather than under annual maintenance contracts (See p 7 )

VA suggested, but did not require, that individual stations review their methods of servicing office machines. VA's Central Office did not follow up to see whether stations complied with its suggested action or with GSA's revised Federal Property Management Regulations (See pp 7 and 8 )

During its review at 13 VA stations, GAO found that, where office machines were serviced under annual maintenance contracts, station officials had not studied cost and use factors in determining the service method to be used. About 1,642, or 59 percent, of the electric typewriters, dictating machines, calculating machines, and adding machines at these stations were serviced under annual maintenance contracts (See pp 7 and 9 )

GAO estimated that savings of about 67 percent of the annual maintenance costs, or about \$38,000, could have been realized had the 1,642 machines at the 13 stations been serviced on a per-call basis. (See pp 7 and 9 )

VA stations were obtaining services under annual maintenance contracts for 17,356 of their office machines in fiscal year 1969 at an estimated cost of about \$600,000. GAO estimated that, if the same conditions GAO found at the 13 stations exist at VA's other field stations, VA could achieve savings of as much as \$400,000 annually if the per-call method had been used for all office machines serviced under annual maintenance contracts in fiscal year 1969. (See pp. 7 and 10.)

Moreover, because expenditures under annual maintenance contracts in fiscal year 1969 by all Federal agencies were \$8.4 million, GAO believes that there exists a significant potential for savings Government-wide through greater use of the per-call method for obtaining maintenance and repair services (See pp 7 and 20 )

Although GAO's comparisons showed that the average service cost under the annual maintenance contracts was substantially higher than the average service cost under the per-call contracts, neither method should be adopted without comparison studies. GAO found for certain machines that per-call costs were higher than the costs that would have been incurred had the machines been serviced under annual maintenance contracts. Because of variables in machines, usage, and quality of services offered, a single method of obtaining maintenance and repair services for all machines may not be appropriate. (See pp. 8 and 9 )

GAO inquired of three other Federal agencies concerning their methods of servicing office machines. Headquarters officials at two of these agencies told GAO that (1) no studies had been made to determine the most

economical method of obtaining maintenance and repair services and that (2) their internal audit groups had not reviewed the methods of obtaining the services. Headquarters officials at the third agency said that its 1968 study at selected field stations showed that service under per-call contracts was more economical than under annual maintenance contracts and that its internal audit group was considering beginning a review of the methods for obtaining services (See p. 20 )

RECOMMENDATIONS OR SUGGESTIONS

The Administrator of Veterans Affairs should

- establish procedures requiring field stations to determine the most economical maintenance and repair service method for office machines,
- require that field stations document reasons for using more costly maintenance and repair services, and
- establish appropriate follow-up procedures to ensure that field stations comply with such requirements (See p 17 )

Because of potential Government-wide significance, GAO informed GSA officials of its findings and suggested that GSA emphasize to Federal agencies the importance of reviewing their methods for obtaining maintenance and repair services to ascertain whether the most economical method is being used (See pp 20 and 21 )

GAO is recommending to the Administrator of General Services that GSA closely monitor Federal agencies' compliance with the pertinent GSA policies. GAO suggests that GSA consider requiring the agencies to report periodically the number of office machines and the percentage of these machines serviced under annual maintenance contracts and under per-call contracts (See p 21 )

AGENCY ACTIONS AND UNRESOLVED ISSUES

VA agreed with GAO's recommendation and stated that it would amend the VA Property Management Regulations to require that the field stations determine the most economical method for servicing office machines and fully document, where applicable, their reasons for using a more costly method (See pp 17 and 18 )

VA stated also that internal audits and administrative surveys would include follow-up on station compliance with directives (See p 18 )

GSA said that the matter would be brought to the attention of all Federal agencies and that it would consider the most appropriate means to achieve agencies' compliance with its policies concerning repair and maintenance of office machines (See p 21 )

MATTERS FOR CONSIDERATION BY THE CONGRESS

GAO is reporting this matter to inform the Congress of actions planned by VA and GSA to provide more assurance that the most economical method is used to service office machines



## CHAPTER 1

### INTRODUCTION

The General Accounting Office has reviewed the Veterans Administration's policies, procedures, and practices for obtaining repair and maintenance services for certain types of office machines.

Most VA stations obtain office machine repair and maintenance service under contracts providing service on either a per-call basis or an annual maintenance basis. Under the per-call contracts, machines are generally serviced at the VA stations whenever breakdowns occur or repairs are needed, at an hourly per-call service charge. Under the annual maintenance contracts, machines are kept in operating condition through periodic maintenance, plus repair service as required, for a fixed annual fee. In addition, a limited number of VA stations operate their own repair facilities for servicing office machines.

Our review was directed toward determining whether VA stations were using the most economical method of obtaining office machine repair and maintenance services based on a comparison of the costs and relevant advantages and disadvantages under the per-call and annual methods. We did not make an overall evaluation of VA's equipment repair and maintenance program. The scope of our review is discussed in chapter 4 of this report.

VA conducts its activities at the Central Office in Washington, D.C., and at 220 field stations located throughout the United States and at five foreign stations.

The Central Office is responsible for issuing broad policies under which each of its stations operate, but, generally, each of the stations is autonomous, with rather complete operational authority vested in the station director. The field stations consist of regional offices, foreign offices, insurance centers, data processing centers, hospitals, domiciliarys, outpatient clinics, supply depots, a prosthetic center, a marketing center, and a records-processing center. During fiscal year 1969, these stations

had a total of 62,339 office machines of the following types 18,075 electric typewriters, 17,974 manual typewriters, 14,851 dictating machines, 7,522 calculating machines, and 3,917 adding machines.

GSA makes available per-call and annual repair and maintenance services for office machines to Federal agencies through national contracts negotiated with office machine manufacturers and published in Federal Supply Schedules and through regional contracts awarded on a competitive-bid basis, generally to local repair firms. To obtain the services under the national contracts listed in the Federal Supply Schedules or under regional contracts, orders are usually placed directly with the contractors, and, upon receipt of the service, payment is made directly to the supplier by the ordering agency.

A list of the principal officials of VA responsible for the administration of activities discussed in this report is shown as appendix II.

## CHAPTER 2

### NEED TO ESTABLISH PROCEDURES FOR DETERMINATION OF THE MOST ECONOMICAL METHOD FOR OBTAINING MAINTENANCE AND REPAIR OF OFFICE MACHINES

Our review at 13 VA stations showed that repair and maintenance services for 1,642 machines, or about 59 percent of the stations' electric typewriters, dictating machines, calculating machines, and adding machines were obtained under annual maintenance contracts during fiscal year 1968 at a cost of about \$57,000. On the basis of a comparison of the average annual cost of service under the per-call and annual maintenance methods, we estimate that savings of about 67 percent of the annual maintenance costs, or about \$38,000, could have been realized if the 1,642 machines had been serviced on a per-call basis.

In fiscal year 1969, VA stations were obtaining services under annual maintenance contracts for 17,356 of their electric typewriters, dictating machines, calculating machines, and adding machines at an estimated cost of about \$600,000. We estimate that, if conditions found at the 13 stations included in our review exist at the remaining 212 stations not covered by our review, VA could achieve savings of as much as \$400,000 annually if the per-call method had been used for all office machines serviced under annual maintenance contracts in fiscal year 1969.

Moreover, because expenditures under annual maintenance contracts in fiscal year 1969 by all Federal agencies were \$8.4 million, we believe that there exists a significant potential for savings Government-wide through greater use of the per-call method for obtaining maintenance and repair services.

In July 1966, the VA Central Office advised its field stations that a study at 22 field stations showed a definite potential for savings if office machines were serviced on a per-call basis rather than under annual maintenance contracts and suggested, but did not require, that individual

stations examine their methods used for servicing office machines. However, our review at the 13 stations revealed that, in all instances where office machines were being serviced under annual maintenance contracts at the time of our visits, station officials had not conducted studies to determine whether the annual maintenance method was the most advantageous in terms of cost and factors such as use and degree of reliability needed. In addition, we found that the VA Central Office did not follow up to determine whether stations were complying with the suggested action.

COMPARISON OF COSTS UNDER  
ANNUAL MAINTENANCE CONTRACTS  
AND PER-CALL ARRANGEMENTS

To determine whether savings were possible through greater use of the per-call method for servicing office machines, we initiated a study, in March 1969, of fiscal year 1968 costs for maintenance and repair services under the per-call and annual maintenance contract methods at 13 VA stations. We selected these stations in order to make a comparison of costs under both the annual maintenance and per-call methods.

In our study we made a comparison of maintenance and repair service costs for 2,802 office machines, including 1,129 electric typewriters, 1,022 dictating machines, 415 calculating machines, and 236 adding machines. We excluded manual typewriters in our comparison because the services for almost all of them were being obtained under per-call service contracts in fiscal year 1969. The 2,802 office machines represented all machines in service at these stations of the types selected for review and, as a result, included both old and new machines. Our comparisons showed that, for all of the machine types selected for review, the average service cost under the annual maintenance contracts was substantially higher than the average service cost under the per-call contracts. Following are the results of our study at the 13 stations.

Machine type	Number of machines by service contract		Fiscal year 1968						Difference in average service cost per machine	Estimated annual savings (note a)
	Annual mainte- nance	Per- call	Total service cost		Average ser- vice cost per machine					
			Annual mainte- nance	Per- call	Annual mainte- nance	Per- call				
Electric typewriters	454	675	1,129	\$14,377 26	\$10,734 76	\$31 67	\$15 90	\$15.77	\$ 7,159 58	
Dictating machines	948	74	1,022	32,306 47	777 35	34 08	10 50	23 58	22,353 84	
Calculators	159	256	415	8,356 87	2,336 01	52 56	9 13	43 43	6,905 37	
Adding machines	<u>81</u>	<u>155</u>	<u>236</u>	<u>2,101 63</u>	<u>924 34</u>	<u>25 95</u>	<u>5 96</u>	<u>19 99</u>	<u>1,619 19</u>	
Total	<u>1,642</u>	<u>1,160</u>	<u>2,802</u>	<u>\$57,142 23</u>	<u>\$14,772 46</u>				<u>\$38,037 98</u>	

<sup>a</sup> Average cost difference times number of machines under annual maintenance contracts

Our estimate of annual savings is based on the method of estimating savings used by the U.S. Department of Agriculture and VA in studies conducted in 1964 and 1965, respectively. (See pp. 12 and 13.)

At the 13 stations, we noted considerable variation in the use of annual maintenance and per-call contracts for obtaining repair and maintenance service. For example, two stations used annual maintenance contracts exclusively for all four machine types regardless of factors such as age or degree of reliability needed. A third station used annual maintenance contracts for all dictating equipment and per-call contracts for all other machine types. Furthermore, three other stations used annual maintenance contracts exclusively for two of the four machine types.

Although the average cost of servicing the machines on a per-call basis was significantly lower than on an annual basis, it should be noted that, for certain individual machines, the per-call service costs were higher than the costs that would have been incurred under the annual maintenance contracts. At eight of the 13 stations, some machine types were serviced on both per-call and annual maintenance contracts. The repair costs for about 14 percent of those machines serviced on a per-call basis exceeded the costs that would have been incurred had the machines been serviced under annual maintenance contracts. For example, at one of the eight stations, 11 electric typewriters used in the central stenographic pool had an average per-call repair cost of \$80.46 for fiscal year 1968, compared to the service fee of \$24.75 under locally available annual maintenance contracts. It appears that services for these machines, because of their unusually heavy usage, should have been obtained under an annual maintenance contract.

On the basis of the difference by machine category in the average cost of maintenance and repair under annual maintenance contracts and per-call contracts, as determined from our study, and if conditions found in our review are the same as conditions at stations not covered by our review, we estimate that use of the per-call method to service the 17,356 machines under annual maintenance contracts in fiscal year 1969 would have resulted in annual savings of about \$400,000, as shown below.

<u>Machine category</u>	<u>Number of machines on annual maintenance</u>	<u>Average cost difference</u>	<u>Estimated savings</u>
Electric typewriters	5,358	\$15.77	\$ 84,500
Dictating machines	9,450	23.58	222,800
Calculators	1,818	43.43	79,000
Adding machines	<u>730</u>	19.99	<u>14,600</u>
	<u>17,356</u>		<u>\$400,900</u>

At three of the 13 stations, the officials had conducted studies of service costs for certain office machines and determined that it would be more economical to service these machines on a per-call basis. On the basis of the results of these studies, one station had changed to the per-call basis for servicing certain machines prior to our review and the other two stations changed to the per-call basis for servicing certain machines in fiscal year 1969.

At these three stations and at the remaining 10 stations, some machines were serviced on a per-call basis whereas other machines were serviced under annual maintenance contracts. In all instances where machines were being serviced under annual maintenance contracts at the time of our visits, studies of service costs had not been made, and the decision to service them under maintenance contracts (1) was based on station officials' opinions that it was more economical to service machines under annual maintenance

contracts because of factors such as heavy machine usage or the need for a high standard of machine performance or (2) represented a continuation of prior years' policy.

We recognize that factors such as heavy usage or the need for a high standard of performance and reliability should be considered in determining the method of obtaining maintenance and repair service for office machines. We believe, however, that the decision as to the most economical method should be based on an analysis of relative cost as well as consideration of factors such as performance standards and machine usage.

VA officials at the three stations which had conducted cost studies advised us that they had conducted cost analyses for certain office machines and determined that it was more economical to service certain machines on a per-call basis rather than on an annual maintenance basis. At one station, officials advised us that such a determination was made for all electric typewriters less than 8 years old. In fiscal year 1969, maintenance and repair services for these machines were obtained on a per-call basis. In fiscal year 1970, maintenance and repair services for all electric typewriters were obtained on a per-call basis regardless of age.

Officials at a second station told us that their analyses of repair services for certain calculating machines indicated that the services could be obtained more economically on a per-call basis. They also advised us that repair services for these machines were obtained on a per-call basis in fiscal year 1969.

In addition, the third station had changed to the per-call basis for obtaining services for certain office machine types on the basis of the results of its cost analyses. Station officials told us that the analyses of their electric typewriter, calculator, and adding machine service costs showed that many of these machines required very minor repairs and that, in many instances, they were paying for the visit of a service representative who did nothing more than clean the equipment. Furthermore, they expressed the belief that cleaning or normal adjustment was the responsibility of the machine operator and should be performed daily.

Studies of methods used for repair  
and maintenance of office machines

Under the Federal Property and Administrative Services Act of 1949, as amended (40 U.S.C. 481), GSA is responsible for prescribing the policies and methods to be used by executive agencies in the procurement and supply of services. As part of a project to establish guidelines for obtaining service for office machines, GSA, in July 1965, issued, in the Federal Property Management Regulations, GSA Bulletin FPMR No. E-13, Supply and Procurement. The bulletin called the attention of Federal agencies to the need for review of the methods used for servicing office machines. Reference was made to the results of studies conducted in 1964 by an independent research firm and by Agriculture, which indicated that the per-call method was the least expensive method for obtaining office machine services. Also, the bulletin encouraged agencies to develop similar data.

The VA Central Office therefore initiated a study in December 1965 which indicated a definite potential for savings if office machines were serviced on a per-call basis rather than under annual maintenance contracts. The study was based on data obtained for about 5,750 office machines at 22 of its 225 stations. The study showed that about 41 percent of the office machines were serviced under annual maintenance contracts and that the costs therefore amounted to about \$76,000, or 76 percent, of the total expenditures of about \$100,000 for office machine repair and maintenance service. In addition, VA determined that, had these machines at the 22 stations been serviced on a per-call basis, annual savings of about \$54,000 would have been realized.

In July 1966, the VA Central Office advised hospital directors and regional managers of the results of this study. Although pointing to the need for individual stations to examine into the methods used for servicing office machines, the VA Central Office did not require but merely suggested that such an examination be made. It stated, in part, that:

"It would behoove all stations to assay the potential within their own program. In the main, these would probably parallel our own findings



except where geographical location and service resources are limited and/or nonexistent. A thorough examination of the total picture by each station is necessary to assist in a decision to exploit the possible savings in the judicious use of 'on call' office machine service."

We found that the VA Central Office did not follow up to determine whether the stations had proceeded along the suggested course of action. Also, discussions with station officials regarding the VA Central Office suggestion generally indicated that it had little or no affect upon their selection of the method for obtaining repair services. Station officials at several locations stated that their decision to obtain repair services for certain machines under annual maintenance contracts was based on factors such as the need for a high degree of machine reliability or heavy machine usage and that, because of these factors, they were of the opinion that the annual maintenance method was more economical. However, as noted previously, their opinions regarding the economy of obtaining the services under annual maintenance contracts were not supported by formal studies or cost analyses.

The 1964 study by Agriculture was based on a comparison of the costs of various methods of obtaining repair services for about 52,870 office machines, which represented about 95 percent of Agriculture's electric and manual typewriters, adding machines, dictating machines, calculators, and other office machines. The study showed that only 16 percent of the total office machines were serviced under annual maintenance contracts and that the costs accounted for 59 percent of the total \$515,000 expenditures for maintenance and repair services for fiscal year 1964. On the basis of the difference in the average cost of servicing machines under annual maintenance contracts and on a per-call basis, Agriculture estimated that savings of over \$237,000 could have been realized for fiscal year 1964 had all machines been serviced on a per-call basis. Officials at Agriculture informed us that data concerning the number of machines it operated and the percentage of these machines that were serviced by use of annual maintenance contracts and per-call arrangements was not readily available.

The independent research firm's report stated that office machine maintenance and repair services obtained under annual maintenance contracts tended to be more costly than services obtained on a per-call basis. The report was based on a study of information gathered from 462 organizations having more than 250,000 office machines and concluded that most organizations using annual maintenance contracts would realize substantial savings by changing to a per-call basis for many or most of their office machines.

CONSIDERATION OF OTHER  
PERTINENT FACTORS

GSA, in November 1966, added section 101-25.106 to Federal Property Management Regulations, Subchapter E--Supply and Procurement--which provided that the determination as to whether office machines are to be serviced by use of annual maintenance contracts or per-call arrangements be made after comparison of the relative cost of specific types of equipment in a particular location and after consideration of the following factors:

- Standard of performance required.
- Degree of reliability needed.
- Environmental factors; i.e., dusty surroundings or other unfavorable conditions.
- Proximity to available repair facilities.
- Past experience with service facilities; i.e., reputation, performance record, quality of work, etc.
- Daily use (heavy or light) and operator's care of machine.
- Age and performance record of machine.
- Machine inventory in relation to operating needs; i.e., availability of reserve machine in case of breakdown.
- Number of machines, including overall frequency of repairs required.
- Security restrictions, if any.
- Other pertinent factors.

The independent research firm's 1964 report cited certain additional factors warranting consideration in determining the best method for servicing office machines. It

stated that, although the average service cost under the per-call method was less costly than under annual maintenance contracts, probable relative costs were not the only consideration in determining the best method.

The report pointed out that, if the quality of the periodic inspection and cleaning called for by the annual maintenance contract was of high order and if essential inspection and cleaning were likely to be neglected if not provided under the annual maintenance contract, there might be advantages in improved performance that were not measurable in monetary terms. It stated, however, that generally the quality of preventive maintenance under annual maintenance contracts did not appear to be of high order and, frequently, it appeared to be of a very low order.

Some of the major arguments presented in the report against obtaining services under annual maintenance contracts included less downtime, limitations placed on annual maintenance contracts by the manufacturer, and poor service. Regarding less downtime, the report stated that today's basic office machines were generally well designed and durable and that, although a machine might be functioning perfectly, it might actually be thrown out of adjustment in the course of a routine inspection and cause subsequent breakdown. It also pointed out that many annual maintenance contracts contained certain limitations such as a provision that the contractor reserve the right not to renew the contract unless a machine is subject to shop overhaul. Furthermore, it stated that, even if the contractor's own service employees were responsible for inadequate maintenance of a machine, he could still require the user to pay for a major overhaul before continuing the contract.

We believe that there is a need for VA stations to study their methods of obtaining maintenance and repair services for office machines because of the indicated potential savings by obtaining the services on a per-call basis. It may be appropriate to selectively remove a number of machines from annual maintenance contracts to a per-call basis and study the relative repair cost and performance records. Such a study might indicate the desirability of obtaining services on a per-call basis during the equipment's early

years and of arranging for obtaining the services under annual maintenance contracts before the equipment requires complete overhaul.

Also, we are of the view that, because of the variables in the machines, in the use of the machines, and in the quality of services offered, a single method of obtaining maintenance and repair services may not be appropriate for all equipment. The suggested study of machine repair costs and performance records might show that it would be more economical to obtain services under annual maintenance contracts for certain machines which are subject to unusually heavy usage or where high performance standards result in frequent calls for adjustments in addition to repairs.

In conclusion, we believe that savings can be achieved if VA makes greater use of the per-call method to obtain maintenance and repair services for its office machines. We believe also that VA station personnel should conduct studies to determine the most economical method of obtaining maintenance and repair service. In our opinion, such studies should be based on a consideration of other pertinent factors such as the degree of machine reliability needed, machine usage, age, and performance record.

#### RECOMMENDATIONS TO THE ADMINISTRATOR OF VETERANS AFFAIRS

We therefore recommend that procedures be established requiring VA field stations to (1) determine the most economical method for obtaining maintenance and repair services of office machines on the basis of a comparison of relative costs and careful consideration of other pertinent factors and (2) document their reasons for using a more costly method of obtaining maintenance and repair service.

We recommend also that appropriate follow-up procedures be established to ensure that field stations comply with such requirements.

#### AGENCY COMMENTS

In commenting on our draft report, the Deputy Administrator of Veterans Affairs informed us by letter dated

February 12, 1970, that VA agreed with our recommendations and would amend the VA Property Management Regulations to require that the field stations (1) determine the most economical method for the maintenance and repair of office machines and (2) fully document, where applicable, their reasons for using a more costly method of obtaining maintenance and repair service.

The Deputy Administrator also stated that internal audits and administrative surveys of field stations would include review of stations' effectiveness in complying with directives on repair and maintenance of office machines.

### CHAPTER 3

#### NEED FOR DIRECTING THE ATTENTION OF FEDERAL AGENCIES TO THE IMPORTANCE OF REVIEWING THEIR METHODS FOR OBTAINING MAINTENANCE AND REPAIR OF OFFICE MACHINES

In a report to the Congress on February 23, 1967, on "Savings Available through Expanded Use of Regional Contracts for the Repair and Maintenance of Selected Office Machines, General Services Administration" (B-160419), we stated that, although Government and independent studies indicated that the per-call method was the least expensive method of obtaining maintenance and repair services for office machines, most Federal expenditures were for the more costly annual maintenance method. During fiscal year 1965, expenditures by Federal agencies for services on all office machines under GSA's Federal Supply Schedule contracts amounted to about \$8.8 million. Of this amount, \$7 million, or about 80 percent, was for annual maintenance service, and \$1.8 million, or about 20 percent, was for overhaul and per-call services.

Accordingly, in our draft report transmitted to GSA in May 1966 on the matter mentioned above, we proposed that GSA establish criteria and guidelines for use by Federal agencies in selecting the best method of obtaining office machine maintenance and repair services. On the basis of our proposal, GSA, in November 1966, published a revision to the Federal Property Management Regulations which provided that the determination as to whether office machines are to be serviced by use of annual maintenance contracts or per-call arrangements be made after comparison of the relative cost of specific types of equipment in a particular location and after consideration of certain factors. This matter was discussed previously on pages 15 to 16 of this report.

We noted, however, that, in fiscal year 1969, most Federal expenditures for office machine maintenance and repair service continued to be for the annual maintenance method. Of total expenditures of \$11 million by Federal agencies for services on all office machines under GSA's Federal Supply Schedule contracts, \$8.4 million, or about 76 percent, was for annual maintenance service and \$2.6 million, or about 24 percent, was for overhaul and per-call services.

We asked officials at the headquarters of three Federal agencies--the National Aeronautics and Space Administration, the Post Office Department, and the Internal Revenue Service--to furnish us with data concerning the number of office machines operated by their agencies and the percentage of these machines that were serviced by use of annual maintenance contracts and per-call arrangements.

We were informed by officials at each agency that this type of data was not maintained at a central location. Furthermore, officials of the National Aeronautics and Space Administration and the Post Office Department informed us that (1) no studies had been made to determine the most economical method for obtaining maintenance and repair services and that (2) the internal audit groups of these agencies had not reviewed the methods used for obtaining maintenance and repair of office machines. Officials at the Internal Revenue Service informed us that (1) a 1968 study of office machine maintenance and repair services at its seven service centers and the Detroit, Michigan, Data Center showed that service under per-call contracts was more economical than under annual maintenance contracts and that (2) its internal audit group was considering beginning a review of the methods used for obtaining services.

During our review, we informed officials of GSA of our findings concerning VA and of the significant margin by which Federal expenditures for servicing office machines under annual maintenance service contracts continued to exceed expenditures under per-call and overhaul service contracts. We expressed the opinion that in view of these factors, there was a need for GSA to direct the attention of Federal agencies to the importance of reviewing their methods for obtaining maintenance and repair of office



machines to ascertain whether the most economical method was being used. In addition, we expressed the belief that GSA should closely monitor Federal agencies' compliance with policies it promulgates regarding repair and maintenance of office machines.

#### RECOMMENDATION TO THE ADMINISTRATOR OF GENERAL SERVICES

In view of the significant margin by which Federal expenditures for office machine repair and maintenance services under annual maintenance contracts continued to exceed expenditures under per-call and overhaul service contracts, we recommend that GSA closely monitor Federal agencies' compliance with policies promulgated by GSA regarding repair and maintenance of office machines. Also, GSA may wish to consider establishing procedures requiring Federal agencies to periodically report to it the number of office machines they operate and the percentage of these machines that are serviced under annual maintenance contracts and under per-call contracts.

GSA officials agreed that these matters were significant and should be brought to the attention of all Federal agencies. They stated that they would take such action. They stated also that they would consider the most appropriate means to achieve agencies' compliance with its policies concerning repair and maintenance of office machines.

## CHAPTER 4

### SCOPE OF REVIEW

Our review, which was completed in September 1969, included an examination of Federal Property Management Regulations; VA's policies, procedures, and practices governing maintenance and repair activities; and various studies related to the maintenance and repair of office machines.

In order to make a comparison of costs for both the annual maintenance and the per-call arrangements, we visited and obtained cost information related to these methods of obtaining repair and maintenance services from the following VA stations.

VA hospital	- San Francisco, California
VA regional office	- Do.
VA hospital	- Livermore, California
Do.	- Fresno, California
Do.	- Palo Alto, California
Do.	- Cincinnati, Ohio
Do.	- Dayton, Ohio
Do.	- Indianapolis, Indiana
VA regional office	- Do.
VA hospital	- Atlanta, Georgia
Do.	- Columbia, South Carolina
Do.	- Montgomery, Alabama
Do.	- Tuskegee, Alabama

We discussed various aspects of the points brought out in this report with appropriate VA officials at the field stations visited and at the VA Central Office. We discussed also certain aspects of this report with officials at GSA and at the headquarters of Agriculture, the National Aeronautics and Space Administration, the Post Office Department, and the Internal Revenue Service.

**APPENDIXES**



VETERANS ADMINISTRATION  
OFFICE OF THE ADMINISTRATOR OF VETERANS AFFAIRS  
WASHINGTON, D C 20420

FEBRUARY 12 1970

Mr. Max Hirschhorn  
Associate Director, Civil Division  
U. S. General Accounting Office (801)  
Room #137, Lafayette Building  
811 Vermont Avenue, N. W.  
Washington, D. C. 20420

Dear Mr. Hirschhorn:

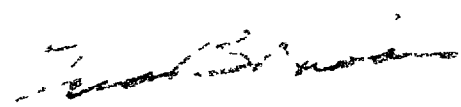
Thank you for the opportunity to review your draft report on the need to establish procedures for determination of the most economical method for maintenance and repair of office machines. (Your letter dated December 10, 1969).

We agree with your recommendations and will take the following actions:

- a. Veterans Administration Property Management Regulations (VAPMR's) will be promptly amended to require that each field station determine the most economical method for the maintenance and repair of office machines. The amendment will also direct field stations to totally document, where applicable, their reasons for using a more costly method of obtaining repair services.
- b. Internal audits and administrative surveys of field stations will include review of station effectiveness in implementing directives on repair and maintenance of office machines.

Your interest in this matter is appreciated.

Sincerely,

  
FRED B. RHODES  
Deputy Administrator

APPENDIX II

PRINCIPAL OFFICIALS OF THE VETERANS ADMINISTRATION  
 RESPONSIBLE FOR THE ADMINISTRATION  
 OF ACTIVITIES DISCUSSED IN THIS REPORT

	<u>Tenure of office</u>	
	<u>From</u>	<u>To</u>
ADMINISTRATOR OF VETERANS AFFAIRS.		
D. E. Johnson	June 1969	Present
W. J. Driver	Jan. 1965	May 1969
DEPUTY ADMINISTRATOR OF VET- ERANS AFFAIRS:		
F. B. Rhodes	May 1969	Present
A. W. Stratton	Nov. 1967	May 1969
Vacant	Sept. 1967	Nov. 1967
C. F. Brickfield	Feb. 1965	Sept. 1967
CHIEF MEDICAL DIRECTOR:		
M. J. Musser, M.D.	Jan. 1970	Present
H. M. Engle, M.D.	Jan. 1966	Jan. 1970
J. H. McNinch, M.D.	June 1963	Jan. 1966
DIRECTOR, SUPPLY SERVICE:		
D. P. Whitworth	Jan. 1965	Present