

RESTRICTED — Not to be released outside the General Accounting Office except on the basis of specific approval by the Office of Legislative Liaison, a record of which is kept by the Distribution Section, Publications Branch, OAS

B-169166
5-1-70



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D C 20548

089885

U.S. Civil Service
Commission

B-169166

RELEASED

MAY 1 1970

Brookline
Burdlow
6/23/70

Dear Senator Moss:

Your letter of February 16, 1970, referred to us a complaint from Mr. Dick Burke of Advance Business Equipment, Salt Lake City, Utah, concerning the procurement of certain copy paper by the Interagency Board of United States Civil Service Examiners (Board) at Salt Lake City. Mr. Burke stated that the Executive Officer of the Board had refused to buy copy paper from him even though (1) his Nashua copy paper had been available under Federal Supply Schedule contracts at a price lower than that paid by the Board and (2) his paper had been thoroughly tested, with very satisfactory results, on the Board's copier manufactured by the SCM Corporation.

We reviewed (1) the Federal regulations governing the purchase of items under Federal Supply Schedule contracts and (2) pertinent records and documents at both the Board's office in Salt Lake City and the Civil Service Commission's regional office in Denver, Colorado, which has administrative responsibility over the operations of the Salt Lake City Board and awards purchase orders for the acquisition of the Board's copy paper. We also interviewed Mr. Burke and ascertained from Commission officials at both the Salt Lake City and Denver offices the procedures followed in the procurement of copy paper.

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

In December 1969 the Commission's 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 Board 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 Board.

9-15-76

089885

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
	<u> </u>	<u> </u>
Net price per 1,000 sheets	<u>\$18.02</u>	<u>\$18.12</u>

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 for the Salt Lake City Board in December 1969.

JUSTIFICATION FOR PROCUREMENT

Officials of the Commission's Denver Regional Office and of the Salt Lake City Board 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 Board and three other Boards in the Denver regional area on their then newly acquired SCM copying machines. They said that in August 1967 three of these Boards, including the one in Salt Lake City, 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 also said 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 Boards.

The Salt Lake City Board's Executive Officer informed us that Mr Burke had provided about 250 sheets of Nashua copy 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 Board'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 Boards in the regional area before deciding to award a blanket purchase order.

CONCLUSION

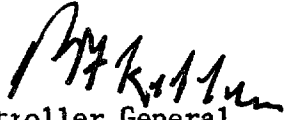
Since the total saving on the \$453 order involved would have been only \$2.50, the action of the Commission's Denver Regional Office does not appear unreasonable. However, we believe the Civil Service Commission should determine the experience other users have had with Nashua copy paper and, if such 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. We are bringing this matter to the attention of the Commission in a separate report.

- - - -

B-169166

We trust that the foregoing information will serve the purpose of your request. Pursuant to your request, we are returning the enclosure to your communication.

Sincerely yours,


Assistant Comptroller General
of the United States

Enclosure

The Honorable Frank E. Moss
United States Senate