

EXHIBIT K—SUMMARY OF GAO AUDIT REPORT—SUBSTANTIAL SAVINGS AVAILABLE THROUGH USE OF FORMAL ADVERTISING PROCEDURES IN CONTRACTING FOR LIGHT BULBS AND TUBES (B-163349, MAR. 20, 1968)

PROBLEM

GSA uses negotiated contracts for the procurement of the Government's light bulb and tube requirements—about \$29.1 million worth annually. To obtain an indication of the savings that may be achieved by advertising for these items, GAO compared prices obtained by the State of California under formally advertised contracts for light bulbs and tubes with the prices obtained by GSA under negotiated contracts. Prices for 197 of the 685 items listed in the GSA contracts were compared. On the basis of annual Government expenditures of \$13.3 million for the 197 items, GAO estimated that savings of at least \$1.7 million, or about 12.4 percent, may be realized through formal advertising. To the extent that price reductions can be realized through formal advertising for the remaining 488 items, additional savings would result.

RECOMMENDATION

GAO proposed that GSA establish its light bulb and tube contracts through formal advertising.

AGENCY RESPONSE

GSA stated that, effective July 1, 1968, contracts for light bulbs and tubes covered by Federal specifications would be formally advertised.

CURRENT STATUS

GSA found that the specifications were outdated and/or inadequate for formal advertising. Therefore, the use of formal advertising procedures will be delayed until January 1, 1969, to allow for the establishment of adequate specifications. For the interim period, GSA negotiated prices in line with the prices obtained by the State of California.

GSA COMMENTS

The formally advertised contracts which should be in effect by January 1, 1969, will cover an estimated 200 lamp items with an annual value of about \$16 million. Specifications will subsequently be developed on about 600 additional items with an estimated value of \$9 million and items covered will then be formally advertised.

We estimate that this year's multiple-award contracts will save the Government about \$1.8 million compared to last year's contracts. The better prices we negotiated this year were to a great extent due to GAO's bringing our attention to the lower California prices.

C. PROGRAM CATEGORY IV—OTHER PROPERTY MANAGEMENT AND DISPOSAL SERVICES

Mr. Brooks. Mr. Moody, could we get a statement from Mr. Harlan of your Property Management and Disposal Service on exhibit L?

(Exhibit L follows:)