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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D C 20548

CIVIL DIVISION

JAN 2 2 1969

Dear Mr. Preston:

On November 20, 1968, we brought to your attention the possibility of realizing savings in procurement costs by purchasing microfilm in quantities sufficient to take advantage of the maximum volume discounts offered by the suppliers. During our survey at the Mid-Atlantic Service Center (MASC) we noted another apparent uneconomical aspect concerning microfilm which raises certain questions as to whether changes are necessary in the procurement and/or use of microfilm at service centers.

We found that during the microfilm reproduction process at the MASC, substantial quantities of film on each roll purchased by the MASC were not being used and were eventually destroyed. This unused film resulted because the data being reproduced from master rolls furnished by the National Computer Center (NCC) is recorded on roll lengths averaging about 450 feet, whereas the length of the rolls on which the data is transcribed at MASC is 550 feet. We were advised by MASC personnel that the unused film on the larger rolls was not being used because it would create a slowdown in the operation to reproduce data onto rolls that were shorter in length than the master roll. MASC has destroyed a substantial quantity of the unused film. In fiscal year 1968 we estimate that the cost of the unused microfilm could have been as much as \$12,420.

Each week the NCC updates the taxpayers' master file accounts and produces microfilm of data in these accounts for each of the seven service centers. Upon receipt of the microfilm by MASC, additional copies are made for use by the various organizational elements of the center and for distribution to the district offices for research and reference purposes. At the MASC the reproduction process utilizes a film copying machine to copy data from the NCC master roll onto rolls of Kalvar¹ microfilm.

MASC and NCC officials informed us that the master rolls can be as long as 500 feet but that substantially all of the master rolls average about 450 feet in length. Some 500 foot rolls have been received by MASC but most of the rolls are 450 feet. MASC has been purchasing Kalvar

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Registered trade name.

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microfilm, for copying purposes, in standard rolls of 550 feet per roll and consequently, the reproduction of each master roll generally results in about 100 feet or more of unused Kalvar microfilm. We found that it was the practice at the MASC to store the unused film for possible later use. However, because the unused film was not utilized a large quantity of unused microfilm is accumulated and MASC personnel periodically destroy some of the film.

During fiscal year 1968, MASC purchased 6,500 rolls of Kalvar microfilm in standard 550 foot lengths at a total cost of \$68,000. Assuming that 100 feet of film on each roll will not be used the quantity of unused film totaled about 650,000 feet. Based on the suppliers price list we estimate that the cost of this quantity of unused film is about \$12,420. If the MASC follows its normal procedures most of this film will be destroyed.

In view of the substantial amount of unused microfilm being destroyed at the MASC, we believe that certain changes in procurement requirements are necessary and that means of utilizing the unused microfilm should be studied. Inasmuch as the roll length of the microfilm received from the NCC averages about 450 feet, the quantity of unused microfilm could be substantially reduced if the service center were to purchase its microfilm in roll lengths corresponding to the lengths of the film received from the NCC.

According to the financial plans for fiscal year 1969, MASC plans to purchase 5,680 rolls of Kalvar microfilm. We found that the supplier will furnish the microfilm in less than standard lengths (550 feet) at a reduction in price. We estimate that if the MASC were to purchase their film in the shorter roll lengths of 450 feet, the unused microfilm wastage could have been reduced by about \$9,900. We were informed, however, that two orders for a total of 3,000 rolls, in 550-foot lengths, have already been placed with the supplier. Savings of about \$4,700 can still be realized if the remaining 2,680 rolls are purchased in 450-foot lengths. These savings would be reduced somewhat for the purchase of 500 foot rolls needed to handle any 500 foot master rolls received from the NCC.

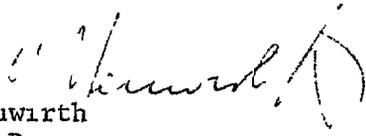
We discussed the circumstances with officials of MASC and advised them of the potential for reducing microfilm wastage by purchasing the film in roll lengths comparable with those received from the NCC. We were informed by officials that they were aware of the wastage of Kalvar microfilm, and that they would review the situation to see if it would be feasible to implement our suggestion.

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Substantial quantities of microfilm are purchased by the other service centers and the opportunity may exist for substantial savings in their microfilm reproduction processes. We understand that the Central Service Center in April 1967 revised its procurement practices to purchase microfilm in 500-foot lengths in lieu of 550-foot lengths, and estimated a savings at \$1 per roll.

In view of the above matter as noted at the MASC we would appreciate your comments and advice as to the action taken on the procurement of shorter rolls of microfilm at the service centers and on the utilization of unused film. We would be pleased to discuss these matters in greater detail with you or members of your staff.

Sincerely yours,


Max A. Neuwirth
Associate Director

Mr. Edward F. Preston
Assistant Commissioner (Administration)
Internal Revenue Service
Treasury Department

cc: Robert L. Jack
Assistant Commissioner (Data Processing)

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