Evaluation of the FDIC Headquarters Copier Administration Program

Evaluation Report No. 99-004

June 15, 1999

Office of Congressional Relations and Evaluations

Office of Inspector General

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Introduction

Evaluation Request

- During 1997, the Management Review Staff (MRS) began a 2-phased review of the FDIC headquarters (HQ) copier administration program. Phase I of the study concentrated primarily on identifying copier inventories, capacity, and usage. Phase II was supposed to focus on the appropriate ownership vehicles for copiers. Because of management and staffing changes, the Phase II review was not completed.

- In mid-1998, the Associate Director, Acquisition Services Branch (ASB) asked the Office of Congressional Relations and Evaluations (OCRE) to review the recommendations from the Phase I review and to complete an evaluation of the FDIC HQ copier program to meet the Phase II objective.[1]

Evaluation Objectives

- Evaluate the FDIC HQ copier management program and make recommendations to improve its economy and efficiency.

- Evaluate the operation of FDIC HQ copy centers and make recommendations for improving the economy and efficiency of this function.

Evaluation Tasks

- Review the MRS Phase I report. Assess implementation of recommendations.

- Evaluate utilization and cost of convenience copier and copy center equipment.

- Review best practices within and outside of FDIC including copier management strategies used by FDIC's Atlanta and Dallas regional offices, and by other federal agencies.

- Analyze FDIC HQ demand for color copying and whether FDIC's approach to color copying is optimal.

- Identify alternative methods for managing and staffing the copy center function.

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[1]On March 5, 1999, the functions and staff of the Acquisition Services Branch and Corporate Services Branch were combined into the Acquisition and Corporate Services Branch within FDIC's Division of Administration.

Scope and Methodology

OIG Work Performed

- We reviewed and determined convenience and copy center equipment inventories, workloads, utilization levels, and cost-per-copy (CPC) rates.
- We interviewed Design and Printing Section (DPS) and copy center staff to determine the available features of copy center equipment and the extent to which staff use those features.[2]
- We reviewed the MRS Phase I report and determined the extent to which CSB had implemented MRS recommendations.
- We reviewed other lease and equipment ownership options for convenience copiers under the General Services Administration (GSA) Federal Supply Schedule (FSS) and other programs available to FDIC and compared the pros and cons of each option.
- We met with vendor representatives to understand equipment features and programs available to FDIC.
- We analyzed copier supply costs and projected costs under various options.
- We analyzed equipment alternatives for production and color copiers.
- We reviewed best practices at five government agencies--GSA, the Board of Governors of the Federal Reserve System (FRB), the Office of the Comptroller of the Currency (OCC), the Government Printing Office (GPO), and the Office of Thrift Supervision (OTS). We also spoke with an official from the U.S. Department of Agriculture (USDA).
- We reviewed management and staffing practices and costs at other agencies and other FDIC offices.
- We met with a representative from the Franchise Business Activity (FBA). FBA is a government-wide program which provides consolidated administrative support to a number of agencies.
- We visited the FDIC Atlanta Regional Office to review its copier program.
- We performed our evaluation work from October 1998 through March 1999 in accordance with the President's Council on Integrity and Efficiency's *Quality Standards for Inspections*.

[2]As a result of the March 5, 1999 Division of Administration reorganization, the DPS was renamed the Design and Printing Group.

Overall Observations

- Most of FDIC HQ convenience, production, and color copiers were significantly underutilized. As a result, FDIC was paying too much for photocopies. Further, opportunities existed for CSB to reduce copy center staffing costs.

- To CSB's credit, following the MRS Phase I review, CSB reduced the number of HQ copiers and downgraded some models to more closely match actual usage.

- However, we concluded that CSB needed to take additional measures to more closely align its copier equipment with the Corporation's copier demands.

- We estimated that FDIC could save from $6.6 to $9.3 million dollars over a 5-year period under the various alternatives presented in this report. Specifically, FDIC could save:

  - ✓ $3.5 to $6.2 million by converting to one of the convenience copier alternatives,

  - ✓ $2.56 million by converting to a CPC program for production copiers,

  - ✓ $532,000 by phasing-in contractor staff as copy center employees leave FDIC.

Convenience Copiers

- On average, 78 percent of HQ convenience copiers were operating at less than 40 percent of their monthly optimal volume levels.

- As a result, FDIC was paying an average of $.06 per copy, twice as much as what GSA suggests as reasonable.

- FDIC could have greatly reduced the cost of its copier program by placing more appropriate volume level machines to match copier demands.

- A number of lease alternatives were available to FDIC that could have reduced program costs, assuming FDIC HQ copiers were rightsized. Over a 5-year period we estimated FDIC could save:

  - ✓ $3.9 million by using a GSA FSS distributor as Atlanta CSB has done,

  - ✓ $3.9 - $5.8 million by transferring to a flat-rate plan under the GSA FSS schedule,

  - ✓ $6.2 million by entering into a flat-rate open market lease arrangement, or

  - ✓ $3.5 - $3.9 million by entering into an interagency agreement with the FBA.

Production Copier Equipment

- Opportunities existed for FDIC to realize cost savings by consolidating its copy centers and/or eliminating copy center (production) equipment to more closely match production copy demand.

- FDIC existing copy center equipment had the capacity to make about 7.4 million copies per month. However, these centers were only producing about 1.6 million copies per month. On average, 80 percent of HQ production copiers were operating at less than 40 percent of their monthly optimal volume levels.

- On average, FDIC was paying almost $.04 per copy for black and white (B/W) copies. If these machines were used at their optimal volume level, their CPC should have been less than $.009 per copy.

- FDIC's DocuTechs--high-volume production copiers--were significantly underutilized and two were not being used for their intended purpose.

- FDIC also had more DocuTechs per HQ employee than other agencies we visited.

Copy Center and Key Operator Staffing

- FDIC could realize further cost savings by outsourcing copy center staffing.

- We obtained labor rates for copy center staff from facilities management contracts at the FDIC Atlanta Regional Office and at the OCC. FBA also proposed staff rates for FDIC HQ copy centers. These fully-burdened hourly rates were 31 to 37 percent lower than hourly wage and benefits paid to comparable internal HQ copy center staff.

- Most of the copy center contracts that we observed had two operators per copy center. FDIC HQ had three to four staff per center.

Color Copiers

- FDIC was paying an average of $.20 a copy for color copies. If these machines were used at their optimal volume level, their CPC should have been about $.05 per copy.

- Color equipment alternatives existed that could have met FDIC color copy demands while reducing color copier costs.

Program Responsibility

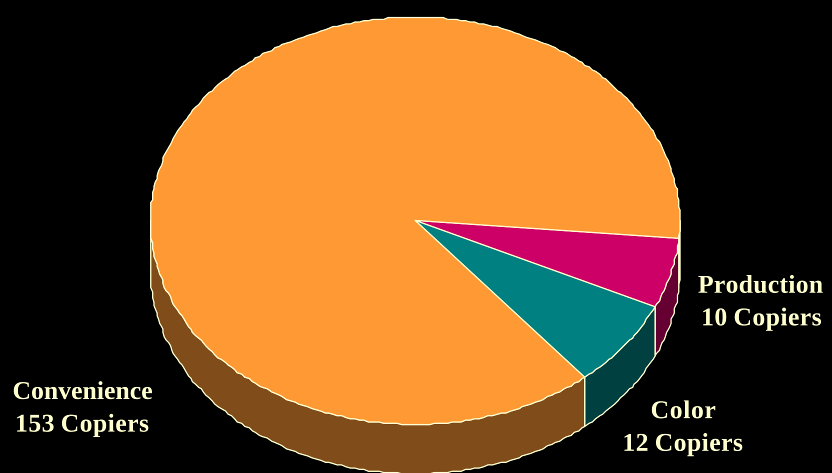
- During our review, DPS was responsible for the FDIC HQ copier program, including convenience, production, and color copiers. DPS was also responsible for FDIC's printing design function. DPS was organizationally located within ACSB.

- With respect to the copier program, DPS was responsible for monitoring the copier inventory, monthly meter counts, invoicing, and copier service and maintenance. DPS was also responsible for making decisions on acquiring, placing, removing and relocating equipment. Finally, DPS was responsible for operating HQ copy centers.

- Further, each program office designated collateral-duty key operators (KO) that were responsible for monitoring the operation of convenience copiers within their immediate work area. KO duties included taking monthly meter readings, reporting malfunctions and requests for equipment service, and adding toner and other supplies.

- As of December 1998, FDIC HQ had 191 copiers in its inventory. We reviewed 175 machines during this review. All but one of these machines were under Lease to Ownership Plan (LTOP) agreements. The remaining copiers that we did not review were either owned outright, under commercial leases, specialized machines, or under agreements that DPS intended to terminate. The following figure presents a breakout of the copiers that we reviewed.

FDIC HQ Copiers



Convenience Copiers

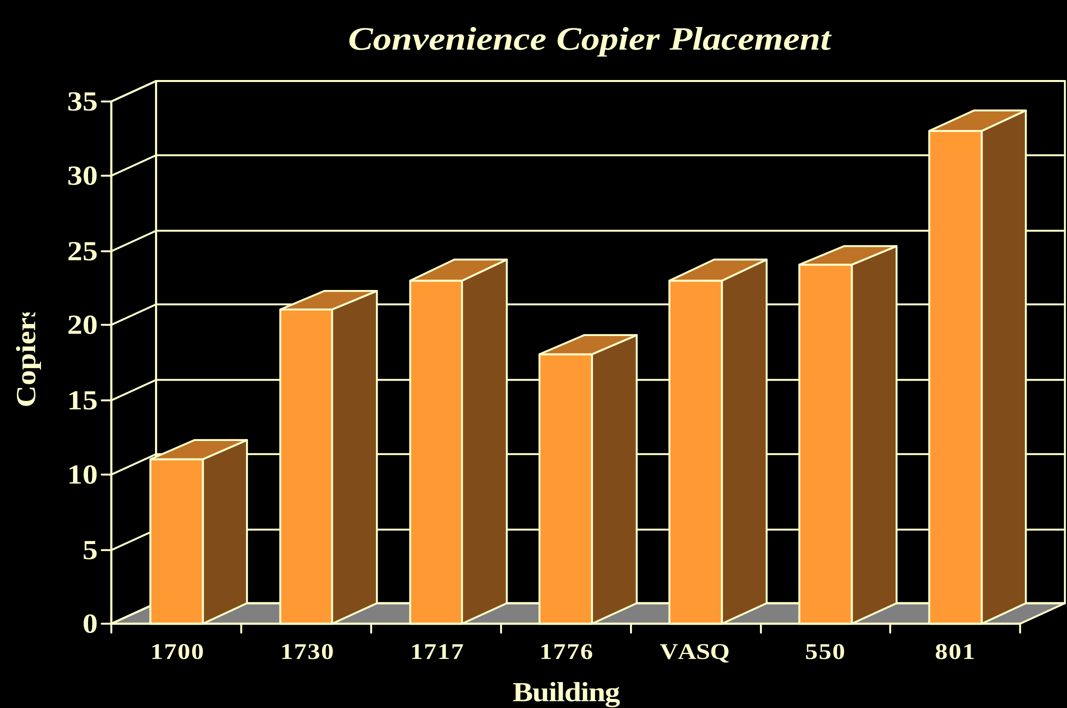
HQ Convenience Copiers

- Xerox and Danka provided FDIC HQ 153 convenience copiers distributed throughout seven HQ buildings. FDIC also owned or leased 12 Canon machines. For the purposes of this review, convenience copiers were non-color, non-copy center machines.

- As of December 1998, Xerox provided 106 copiers to FDIC HQ at an annual cost of almost $1.2 million, or $98,400 monthly. Danka provided 47 copiers to FDIC HQ at an annual cost of almost $356,000, or $29,600 monthly.

- Most HQ machines were under LTOP agreements. Monthly charges included an LTOP fee, Full Service Maintenance (FSM) fee for maintaining the equipment in working order, and in some cases, a per copy charge.

- Under LTOP, the customer pays the LTOP fee for the term of the agreement, usually 48 to 60 months, at which point title of the machine transfers to the customer. FSM payments are required during the LTOP period. Vendors charge 3 months of the LTOP fee per machine to terminate or downgrade machines.

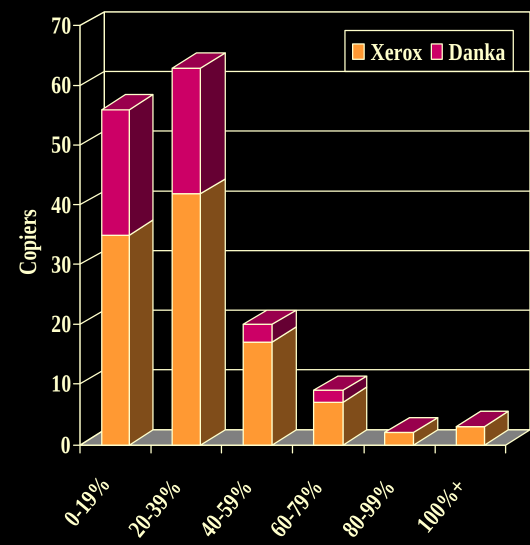


Convenience Copiers

Copier Utilization

- Based on our analysis, we concluded a number of HQ convenience copiers were significantly underutilized.
- On average, 78 percent of FDIC HQ convenience copiers were operating at less than 40 percent of their monthly optimal volume levels. Fifty-six machines were operating at less than 20 percent of their optimal volume levels.
- Only three machines were exceeding their optimal volume levels.

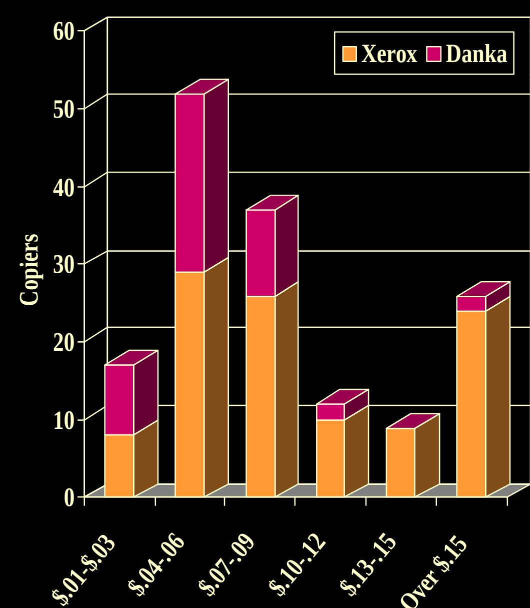
Percent of Copier Utilization



Copier Cost-Per-Copy

- According to a GSA representative, $.03 per copy is realistically the most that government agencies should be willing to pay for copiers. Per copy rates include LTOP, maintenance, per copy charges, and supplies.
- FDIC was paying more than $.03 per copy for 89 percent of its HQ copiers. On average, FDIC was paying $.06 per copy. For three machines, FDIC was paying more than $1.00 per copy.
- These CPC figures did not include supplies cost which we estimated at $.0055 per copy.

Average Cost-Per-Copy for Copiers



Copier Supply -vs- Demand

- The volume capacity of copiers in FDIC's inventory far exceeded FDIC HQ actual copier usage. Overall, FDIC HQ convenience copiers had the capacity to produce 8 million copies per month. However, FDIC was only producing about 2.27 million copies a month.

- Xerox and Danka provided convenience copiers with monthly volume levels from 1,000 to 500,000 copies.

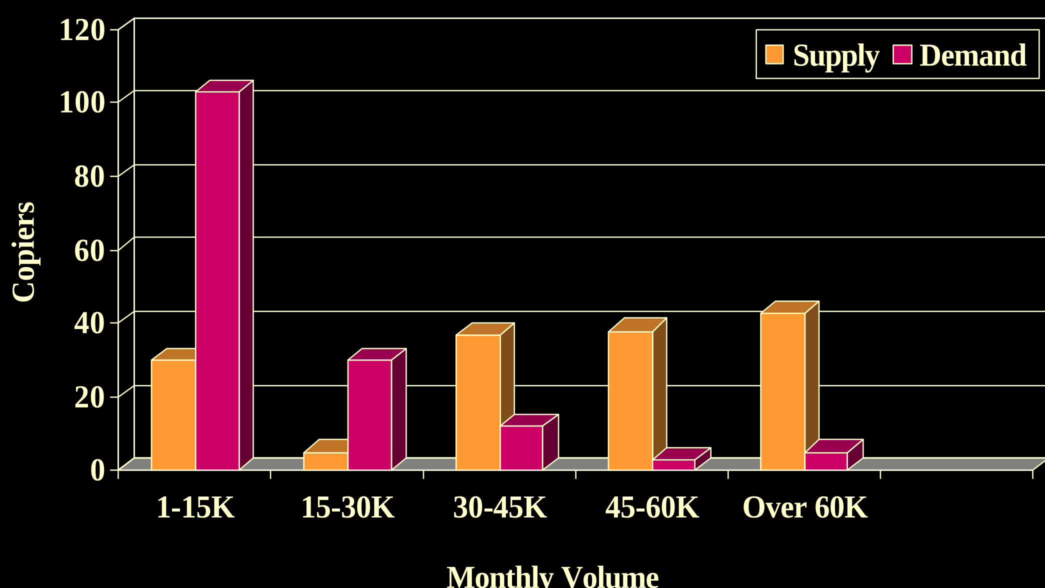
- Officials from other agencies and FDIC's Atlanta Regional Office told us monthly meter readings were crucial to assessing the proper placement and type of machines.

- We found that DPS did not take consistent meter readings. During a 7-month period in 1998, DPS took meter readings for an average of 47 percent of its convenience copiers. As a result, DPS did not have a full understanding of its copier needs.

- Individually, the optimal monthly volume levels of most of FDIC HQ's copiers (supply) were exceeding each machine's actual monthly copying volume (demand).

- Consequently, FDIC was paying for copier capabilities that the Corporation did not need.

Comparison of Optimal Volume Levels of Existing Machines (Supply) to Average Actual Copier Volumes (Demand)



Convenience Copier Alternatives

- We identified a number of alternatives available to FDIC HQ that could significantly reduce convenience copier program costs. We estimated FDIC HQ could save $3.5 to $6.2 million over a 5-year period under these various scenarios.

- FDIC could achieve the bulk of the program savings by rightsizing its existing copier equipment to more closely match individual copier demand. For example, we estimated that if FDIC maintained 153 copiers under Xerox LTOP agreements, but installed the appropriate volume machines, the Corporation could save $3 million over a 5-year period.

- Beyond rightsizing, each scenario offered a variety of equipment with distinctive features and limitations. While any of the scenarios presented would meet FDIC's existing convenience copy demands, some programs offered greater overall copy volume capacity. We recommended that DOA consider all of these factors when making its decisions to ensure that FDIC received the most for its money.

- To compare scenarios, we determined program costs for a 5-year period. Program costs included the copier purchase or lease price, maintenance fees, CPC charges, and non-paper supplies costs.

- We also considered the costs of terminating the LTOP agreements for FDIC's existing copiers in each scenario. We recommended that DPS analyze individual LTOP agreements and determine whether it made economic sense to terminate each LTOP agreement. We provided DOA an analysis of LTOP expiration dates in a separate document.

- Under the Outright Purchase and LTOP scenarios, the customer owns the equipment and can trade the equipment in for a new copier. Accordingly, we included a factor to account for the trade-in value associated with these scenarios.

- Finally, certain scenarios had features that were either intangible or difficult to quantify that were important in comparing scenarios. These included factors such as:
  - ✓ Lease termination and downgrade penalties,
  - ✓ Invoicing procedures,
  - ✓ Copier relocation costs, and
  - ✓ Service response time.

- Appendix I includes a comparison of these factors for selected programs and an analysis of costs under a hypothetical situation.

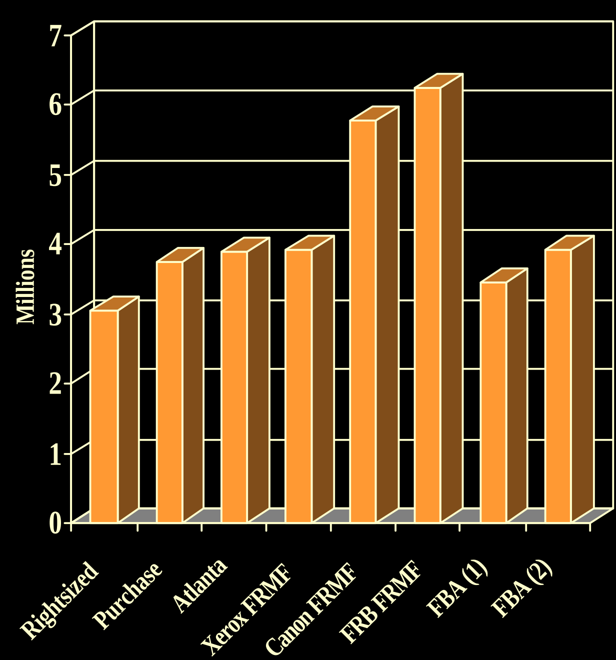
Convenience Copier Alternatives

Comparison of Scenarios

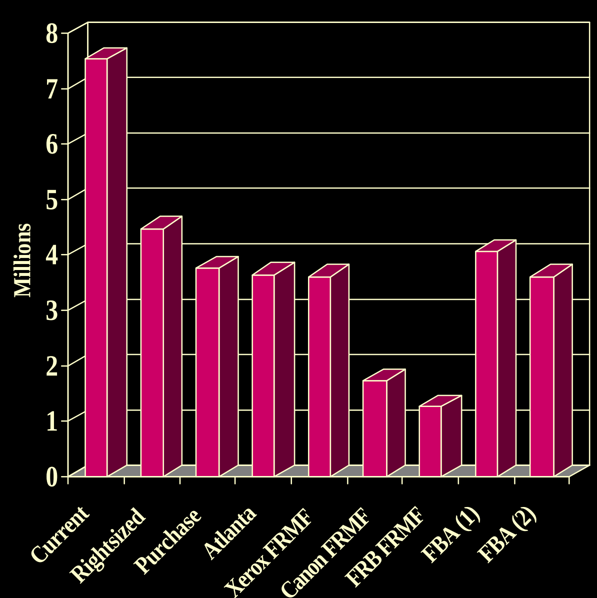
- These figures present comparative information for the following scenarios:
  - ✓ Current LTOP program,
  - ✓ Rightsized LTOP program,
  - ✓ Atlanta Office program,
  - ✓ Xerox Flat-Rate Monthly Fee (FRMF) program,
  - ✓ Canon FRMF Program,
  - ✓ FRB FRMF Program,
  - ✓ FBA CPC program (FBA 1), and
  - ✓ FBA CPC program with a reduced number of machines (FBA 2).

- A detailed discussion of selected scenarios follows.

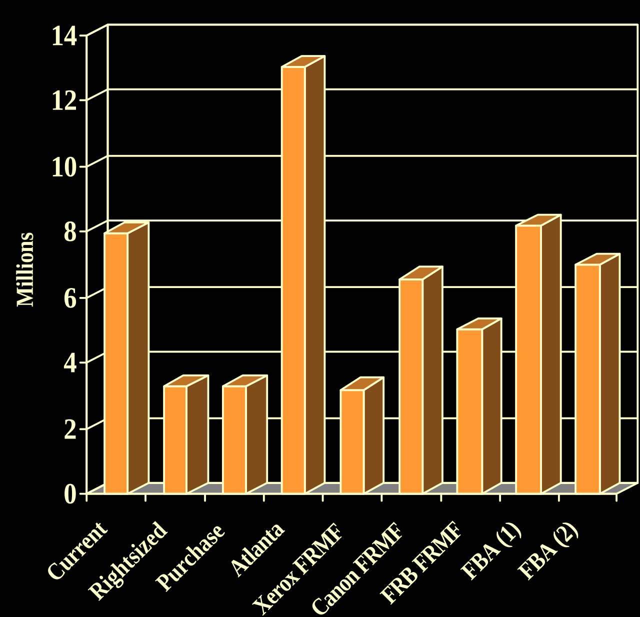
5-Year Cost Savings



5-Year Program Costs



Total Monthly Volume Capacity



Convenience Copier Alternatives

Atlanta Office Scenario

- Atlanta CSB signed a contract, effective February 1998, with a distributor, Ikon Office Solutions, Inc., to lease copiers for the Atlanta and Memphis offices and 25 field offices. The lease had one base year and four 1-year options.

- Ikon placed 49 Ricoh Aficio 500 copiers throughout the region at an annual expense of about $202,000. The Aficio 500 was a digital copier with an optimal volume range of about 85,000 copies per month. It was comparable to the Xerox DC265, but cost about $600 a month less.

- We calculated the costs of HQ converting to the terms of the Ikon Atlanta contract. Including termination and supplies costs, we estimated FDIC could save approximately $3.9 million over a 5-year term.

- This savings amount assumed replacing all 153 existing copiers with Aficio 500 machines. We estimated FDIC could achieve greater savings by consolidating its significantly underutilized machines. For example, FDIC could save an additional $501,000 over a 5-year term by eliminating 25 machines.

- Atlanta awarded the contract from the GSA schedule. Thus, the contract had the standard GSA terms and conditions, or better terms. For example, Atlanta paid 3 months of the lease amount to terminate copiers during the contract, or no penalty if termination occurred at the end of the contract or option year. We found that most commercial leases had no termination options or imposed severe penalties for early termination.

- Further, the Aficio 500 was a digital machine. Almost two-thirds of FDIC HQ copiers were analog machines which did not employ digital technology.

Scenario	*5-Year Cost*	*Total Monthly Volume*
Current LTOP	$7.5 mill	8 mill
Atlanta Office Distributor	$3.6 mill	13 mill

Convenience Copier Alternatives

FRB Flat-Rate Scenario

- In May 1998, FRB signed a lease with Canon USA, Inc., to provide copiers for FRB HQ buildings. FRB procured 60 convenience copiers under a 3-year commercial lease.
- Under the lease, FRB paid a monthly flat-rate fee for each machine which included the lease and maintenance fee, CPC charges, and non-paper supplies.
- FRB placed three Canon copier models in FRB offices.

Model	Flat Rate Fee	Montlhy Optimal Volume
Canon NP6025	$90	30K
Canon NP6330	$280	40K
Canon NP 6035	$370	50K

- We calculated the costs of converting to the terms of FRB's contract with Canon. Including termination costs, we estimated that FDIC could save approximately $6.2 million over a 5-year term.

Scenario	5-Year Cost	Total Monthly Volume
Current LTOP	$7.5 mill	8 mill
FRB Lease	$1.3 mill	5 mill

- One drawback to the commercial lease was that this scenario did not offer any early termination clauses or opportunities to downgrade machines. Accordingly, it would be crucial for the customer to understand its copier demands.

NP6025	*NP6330*	*NP6035*

GSA Flat-Rate Monthly Fee Programs

- A number of vendors also offered FRMF programs under the GSA FSS.
- FRMF programs offered copier configurations in several volume bands and charged a FRMF for each machine which included the lease and maintenance fee, CPC charges, and non-paper supplies.
- These vendors also offered CPC programs under the GSA FSS. We found the GSA CPC programs would be too expensive for FDIC. Consequently, we did not include information on GSA CPC programs in this report.

Xerox FRMF Program

- Xerox offerd FRMF terms of 36 and 48 months with four volume bands and five copier models.
- Including termination costs, we estimated FDIC could save approximately $3.9 million under the Xerox FRMF program over a 5-year term.

Scenario	5-Year Cost	Total Monthly Volume
Current LTOP	$7.5 mill	8 mill
Xerox FRMF	$3.6 mill	3.2 mill

- As discussed in Appendix I, the Xerox FRMF offered several attractive features, including free training and quarterly summary invoicing. However, program charges for upgrading, downgrading, and terminating equipment could be significant if the change occurred early in the contract.

Canon FRMF Program

- Canon offered FRMF terms of 36, 48, and 60 months with six volume bands and 16 copier models, including two digital models.
- Including termination costs, we estimated FDIC could save almost $5.8 million under the Canon FRMF program over a 5-year term.

Scenario	5-Year Cost	Total Monthly Volume
Current LTOP	$7.5 mill	8 mill
Canon FRMF	$1.8 mill	6.6 mill

- The Canon FRMF program also imposed fees for copier upgrades, downgrades and terminations. However, as shown in Appendix I, these fees did not appear to be as significant as those under the Xerox FRMF program.

Convenience Copier Alternatives

Franchise Business Activity

- The FBA is a government-wide program sponsored by the U.S. Department of the Treasury to provide consolidated administrative support to participating agencies. At the time of our review, approximately 65 agencies used FBA's CPC program to procure copiers.

- FBA offered two scenarios based on a minimum monthly volume of 2.25 million copies:
  - ✓ 138 copiers at $.0295 per copy, and
  - ✓ 107 copiers at $.0259 per copy.[2]

- Under both scenarios, the bulk of the copiers would be Canon 6330s and Oce´ 3045s with optimal volume levels of 40,000 and 75,000 copies a month. The second scenario had the greater percentage of Oce´3045s and a larger average monthly volume per copier.

- We calculated the costs of converting to the terms of the FBA contract. Including termination costs, we estimated that FDIC could save approximately $3.5 to $3.9 million over the 5-year term.

- The FBA program offered several other attractive features, including:
  - ✓ Free relocation of copiers,
  - ✓ Free unlimited training,
  - ✓ Guaranteed service response time within 6 hours,
  - ✓ Simplified contracting and invoicing procedures.

- Finally, FBA would periodically review copier usage during the term of the contract and make adjustments to ensure machine placement and overall minimum volume levels remain appropriate.

Scenario	5-Year Cost	Total Monthly Volume
Current LTOP	$7.5 mill	8 mill
FBA (138 Copiers)	$4.1 mill	8.2 mill
FBA (107 Copiers)	$3.6 mill	7 mill

[2] To maintain a low CPC, FBA excluded 15 existing low volume machines. We included the cost of those machines in comparing FBA scenarios to FDIC current copier costs.

Copy Center Equipment

HQ Copy Centers

- FDIC Circular 3300.2 required FDIC employees to use FDIC copy center resources for copying jobs that would take more than 15 minutes to reproduce on a full function copier.

- FDIC had three copy centers to service its seven HQ buildings--two copy centers downtown at the 550 and 801 buildings, and one print shop at Virginia Square in Arlington, VA (VASQ).

- As of December 1998, Xerox provided 10 B/W high-volume copiers to FDIC HQ copy centers at an annual cost of almost $759,000, or $63,000 monthly.

- These copy centers also had seven color copiers. Color copiers are addressed later in this report.

- All machines were under LTOP agreements. Monthly charges included an LTOP fee, FSM fee, and/or a per copy charge. FDIC's copy centers produced an average of 1.6 million copies per month.

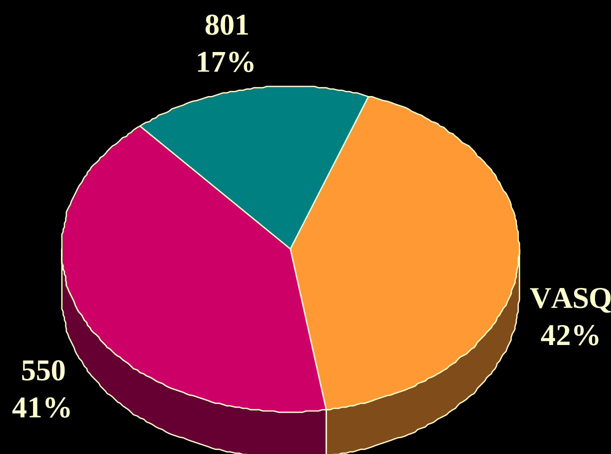
Individual Copy Center Usage

- The 550 and VASQ centers accounted for 83 percent of the total copy center volume.

- Primary users at the 550 building were the Chairman's Office, the Division of Finance and the Division of Administration (DOA).

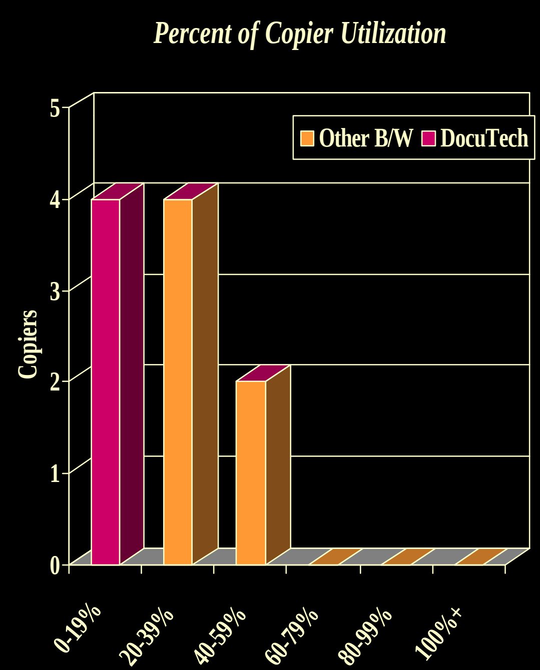
- Primary users at VASQ were the Division of Information Resource Management (DIRM) and the Training and Consulting Services Branch (TCSB). VASQ also performed work for FDIC regional offices.

Percent of Total Average Monthly Volume



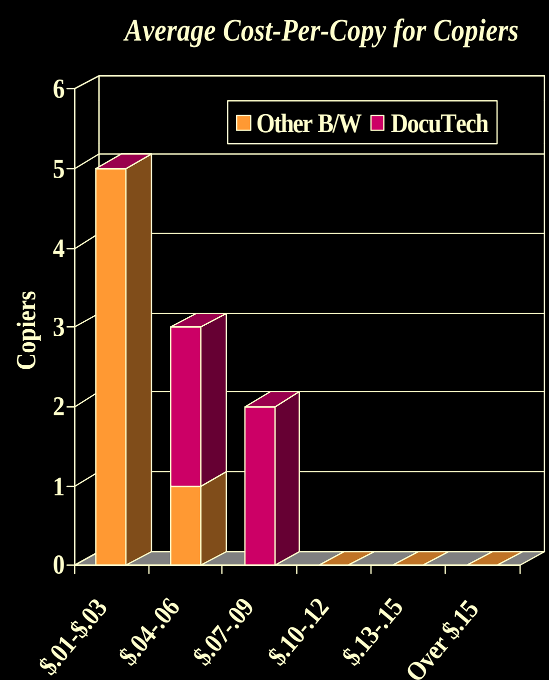
Copier Utilization

- Based on our analysis, we concluded that a number of HQ production copiers were significantly underutilized.
- On average, 80 percent of FDIC HQ production copiers were operating at less than 40 percent of their monthly optimal volume levels.
- All four of the high-volume DocuTech machines were operating at less than 20 percent of their monthly optimal volume levels.
- The highest utilization percentage of any of the production copiers was 41 percent.



Copier Cost-Per-Copy

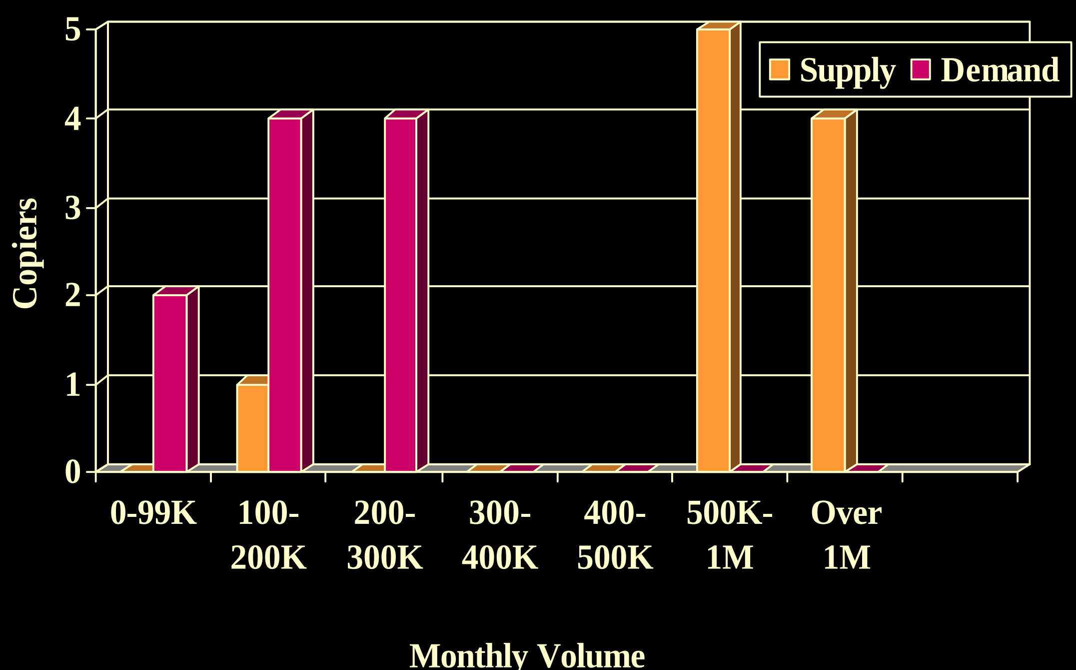
- FDIC was paying an average of $.04 a copy for B/W copy center copies. If FDIC's high-volume machines were used at their optimal volume levels, FDIC would only have been paying about $.009 per copy.
- FDIC was paying more on a CPC basis for its DocuTechs than its other B/W analog production copiers.
- FDIC was paying almost $.07 and $.08 per copy for two of its DocuTechs.



Copier Supply -vs- Demand

- The volume capacity of FDIC HQ production copiers also far exceeded FDIC's actual copy center usage. Overall FDIC HQ production copiers had the capacity to produce 7.4 million copies a month. FDIC HQ copy centers were only producing about 1.8 million copies a month.
- FDIC's production copiers had monthly optimal volume levels from 120,000 to 1.2 million copies. However, none of FDIC's production copiers produced more than 250,000 copies a month.
- DPS did collect meter readings from production copiers. However, we concluded that DPS did not use those readings to determine production copier need or placement. As a result, FDIC's non-color production machines did not match FDIC HQ true production copier needs.
- Individually, the optimal monthly volume levels of all of the production machines in FDIC's HQ inventory (supply) exceeded each machine's actual monthly copying volume (demand).

Comparison of Optimal Volume Levels of B/W Production Machines (Supply) to Average Actual Copier Volumes (Demand)



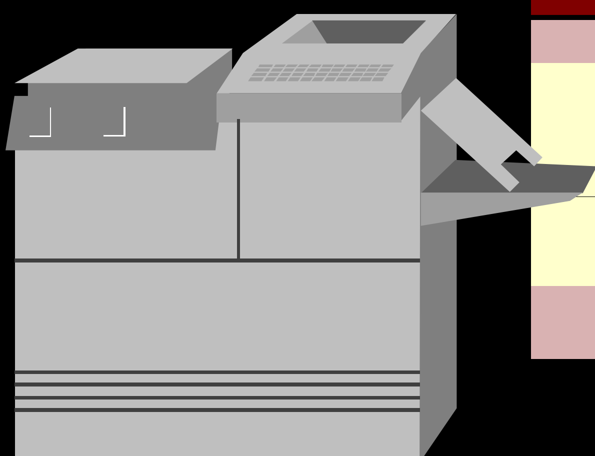
Copy Center Equipment

B/W Production Copiers

- FDIC mainly used three types of B/W production copiers--the DocuTech 135, the DocuTech 6180 and the 5690/5390 series of copiers. All three machine types are manufactured by Xerox.

- There was a substantial cost difference in the copier models ranging from $3,450 to $14,750 per month.   The following pages present a description of the specifications and features for each model and comparable equipment alternatives.

- We concluded that the major difference in the models was that the DocuTechs are digital machines which provide the capability to:
  - ✓ Scan documents once, then print many copies
  - ✓ Network the copier with FDIC’s e-mail system,
  - ✓ Save and edit copy jobs.



Copier Model	*550 Building*	*Virginia Square*	*801 Building*
B/W Copiers			
DT-135	1	1	0
DT-6180	1	1	0
5690	1	1	0
5390	0	1	2
5100	0	0	1
Total Copiers	3	4	3

Copy Center Equipment

Xerox DocuTech 135

- Digital production copier with optimal monthly volume of up to 1.2 million copies. FDIC had two DT 135s with monthly costs of $6,200 (VASQ) and $9,460 (550). These machines were being used at 7 percent and 18 percent of their monthly optimal volume levels and were costing FDIC $.08 and $.04 per copy, respectively.

Xerox DocuTech 6180

- Digital network printer with optimal monthly volume of up to 1.2 million copies. FDIC had two DT 6180s with monthly costs of $10,850 (550) and $14,750 (VASQ). These machines were being used at 18 to 19 percent of their optimal volume levels and were costing FDIC $.05 and $.07 per copy, respectively. These machines were designed for use as network printers and employ print-on-demand technology. However, neither machine was attached to the network.

Copy Center Equipment

Xerox 5690/5390 Series

- High-volume analog copier with an optimal monthly volume of up to 500,000 copies. Basically, this machine is the DT 135 without the digital capability. FDIC had five 5690/5390s with monthly costs ranging from $3,450-$5,300. These machines were being used at 24 to 41percent of their monthly optimal volume levels and were costing FDIC $.02-$.03 per copy.

Comparison of B/W Production Copiers

- FDIC's three B/W production copiers had a number of similar features, yet varied significantly in cost.

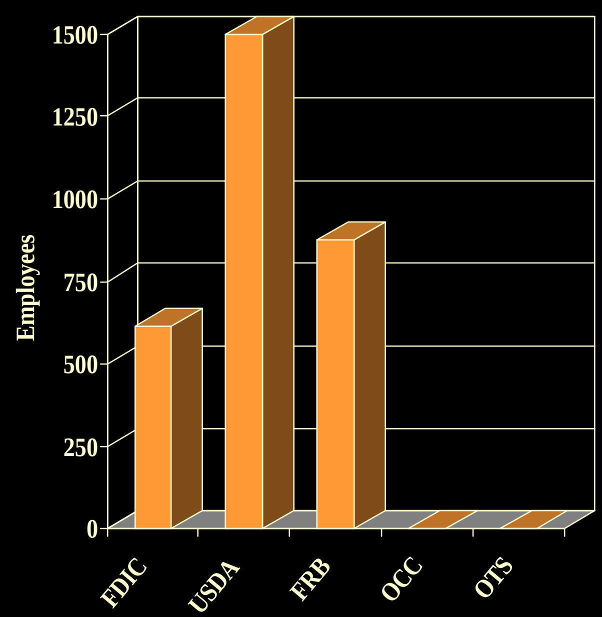
Specification/Feature	DT-135	DT-6180	5690
Monthly cost	$6 – $9K	$11 – $15K	$3 – $5K
Copies per minute (CPM)	135	180	135
Digital Capabilities	Yes	Yes	No
• Network capable	Yes	Yes	No
• Store documents/Edit Images	Yes	Yes	No
• Access external document library	Yes	Yes	No
• Run jobs and edit documents simultaneously	Yes	Yes	No
Tape binding	Yes	Yes	Yes
Ability to add stitcher machine	Yes	Yes	Yes
Ability to insert tabs and pages	Yes	Yes	Yes
Number of Paper Trays	3	5	5

Copy Center Equipment

Ratio of DocuTechs to Employees

- FDIC had more DocuTechs per employee than other agencies we visited. FDIC had four DocuTechs to serve its 2,452 HQ employees.
- USDA had six DocuTechs to serve its 9,000 HQ employees. FRB had two DocuTechs for its 1,750 HQ employees. FRB averaged 650,000 copies per DocuTech, per month.
- Other banking agencies such as OCC and OTS told us they could not justify owning or leasing DocuTechs. OCC's copy center averaged about 850,000 B/W copies a month.

Number of HQ Employees Per One DocuTech



DocuTechs Not Being Used to Full Potential

- FDIC was not exploiting the strengths of its DocuTechs. These strengths include high volume capacity, digital technology, and the ability to complete large copy jobs quickly.
- A Canon representative told us the breakeven point for justifying the cost of a DocuTech is at least 500,000 copies per month. All four of FDIC's DocuTechs were operating at less than 250,000 copies per month. Thus, FDIC could not even meet the breakeven point by eliminating two of its DocuTechs.
- One of the DocuTech 135s was reportedly networked for DIRM, however, DIRM had not used that technology. Processing jobs electronically would enhance copy quality and per copy speed.
- Further, Xerox designed the 6180 machine primarily to be used as a network printer. In fact, the 6180 does not have the ability to scan paper documents without additional equipment accessories. However, neither of FDIC's 6180s were being used as network printers.

Production Copier Alternatives

Canon NP9120

- Analog, high-volume production copier. Optimal monthly volume level of 750,000 copies. 120 CPM. 5-year monthly LTOP/Maintenance payment of $3,415, includes 200,000 copies per month.

Canon ImageRunner 600

- Digital Production System. Optimal monthly volume level of 250,000 copies. 60 CPM. 5-year monthly LTOP/Maintenance payment of $920, includes 50,000 copies. Total monthly cost for 200,000 copies would be $1,541.

Oce´ 3165

- Mid-to-High Volume digital copier. Optimal monthly volume level up to 250,000 copies. 62 CPM. FBA was charging $.025 per copy, including supplies, with a minimum of 80,000 copies per month ($2,000).

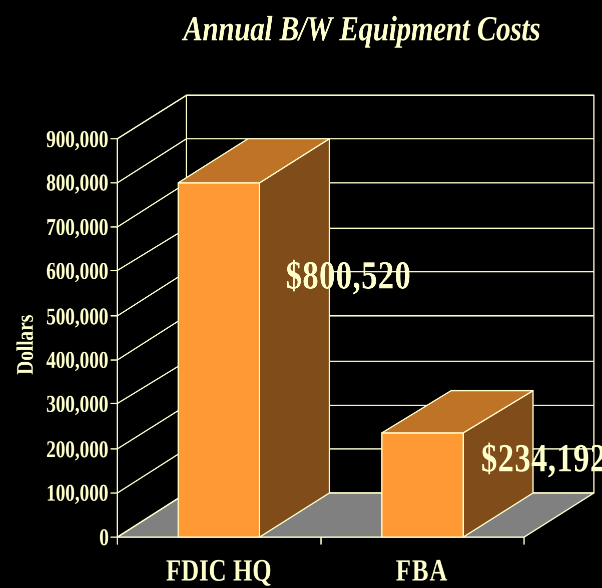
Oce´ 2600

- High volume analog copier. Optimal monthly volume level up to 1 million copies. 100 CPM. FBA recommended this machine in its proposal for equipping FDIC’s copy centers, with a charge of about $.0119 per copy, including supplies. Monthly charge would be $2,300 for 200,000 copies.

FBA Proposal for B/W Production Copiers

- The FBA provided a proposal recommending a total of 10 copiers to replace FDIC's existing 10 B/W production machines:
  - ✓ Seven Oce´ 2600 high-volume copiers, and
  - ✓ Three mid-volume Oce´ 3045s.
- FBA proposed a CPC rate of $.0119 with a minimum of 1.64 million copies per month which could achieve annual cost savings of $566,000, including supplies cost.
- Over a 5-year period we estimated that FDIC could save $2.56 million under the FBA proposal, including supplies costs.

Scenario	*5-Year Cost*	*Total Monthly Volume*
Current LTOP	$3.6 mill	7.4 mill
FBA	$1.1 mill	7.2 mill



Copy Center Staffing

HQ Copy Center Staffing

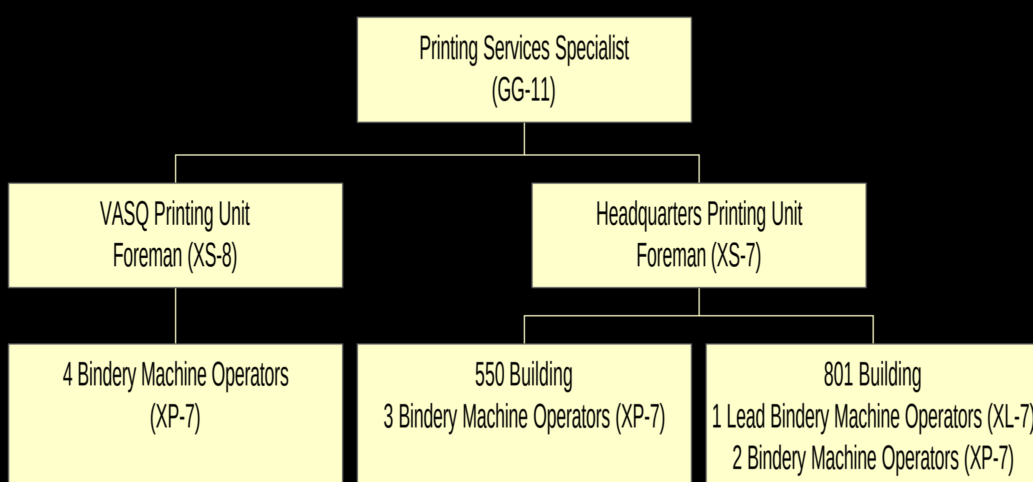
- During our review, FDIC HQ copy centers were staffed internally with full-time, hourly employees on the XL and XP scale. Staffing consisted of two foremen and 10 bindery machine operators. The VASQ print shop also included three staff largely dedicated to printing operations that we did not include in our analysis. The Design and Printing Unit, as organized as of the time of our review, appears below.

- We also obtained copy center staffing cost information from FDIC's Atlanta Office and the OCC. Both entities used contractor employees to perform convenience copier KO functions.

- Finally, we interviewed representatives from Xerox Business Services (XBS), Canon Government Marketing Division, and the FBA about outsourcing copy center staffing.

- All of the contract vehicles that we reviewed (Ikon, XBS, Canon, FBA) could provide copy center equipment in addition to staff.

Printing Unit



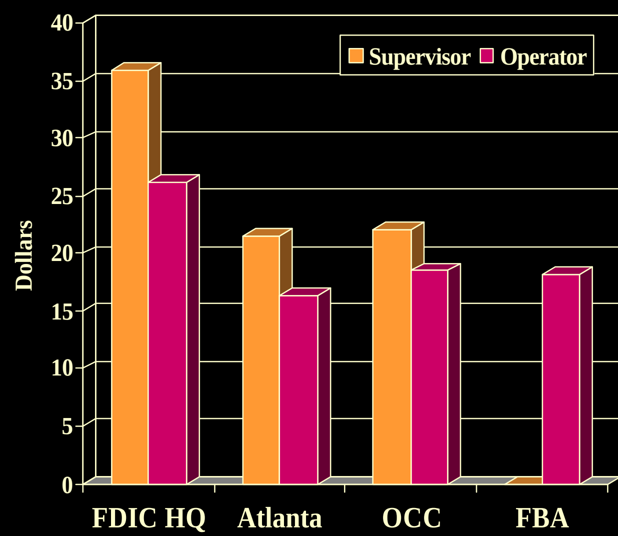
Note: The VASQ print shop also includes two Offset Press Operators and a Clerk who perform limited copy center-related work. We did not include those two employees in our analysis.

Copy Center Labor Rates

- We compared the hourly rates between FDIC's existing wage and benefits cost and the fully-burdened hourly rates under the Atlanta and OCC contracts, and the FBA proposal. We used DOF's *1998 Average Total Salaries and Benefits by Grade* to determine FDIC hourly staffing costs.

- The following figure presents the hourly labor rate (including all benefits) for copy center employees under each scenario. A discussion of each scenario follows.

Hourly Wages and Benefits



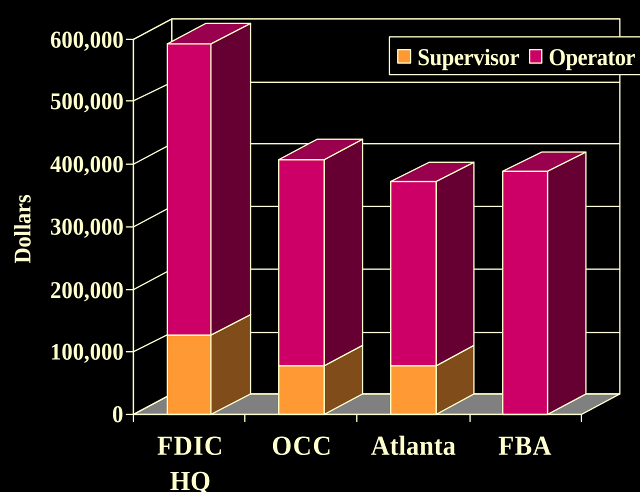
Annual Staffing Costs

- For comparison purposes, we calculated annual staffing costs using the labor rates discussed above and assuming 12 staff.

- Given these assumptions, FDIC staffing costs were $184,000 to $221,000 a year more than the other contract scenarios we reviewed.

- We concluded that, in reality, contractors would probably only place two staff per center which would result in greater savings.

Annual Hourly Wages and Benefits



FDIC Atlanta Contract

- In 1996, CSB signed a GSA schedule facilities management contract with Ikon Management Services Company to staff its copy center, mailroom, and supply room.
- The contract included a copy coordinator and a copy center employee. The coordinator also performed KO responsibilities for Atlanta convenience copiers.
- We adjusted Atlanta labor rates by adding FDIC HQ 1998 regional pay differential and locality pay factors.

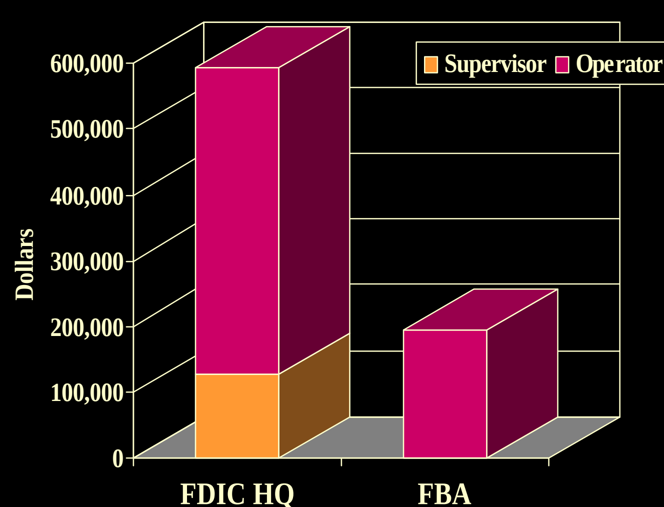
OCC Copy Center Contract

- OCC signed a GSA 8a contract with Management Support Technologies, Inc. (MSTI) to staff its copy center and perform KO functions. MSTI subcontracted with XBS.
- MSTI and XBS provided two staff who managed the copy center. The staff also inspected each of OCC's convenience copiers twice daily to ensure they were working properly and to stock paper, toner and other consumable supplies.

FBA Copy Center Staffing Proposal

- The FBA provided a proposal for staffing FDIC's three copy centers. FBA proposed a CPC rate for six staff which effectively amounted to about $194,000 annually. The following figure compares FDIC staffing costs to FBA's proposal.
- Because FBA's proposal was on a CPC basis the labor rate would stay constant for the term of the contract.
- FBA proposed two staff at each center, with no supervisor rates.

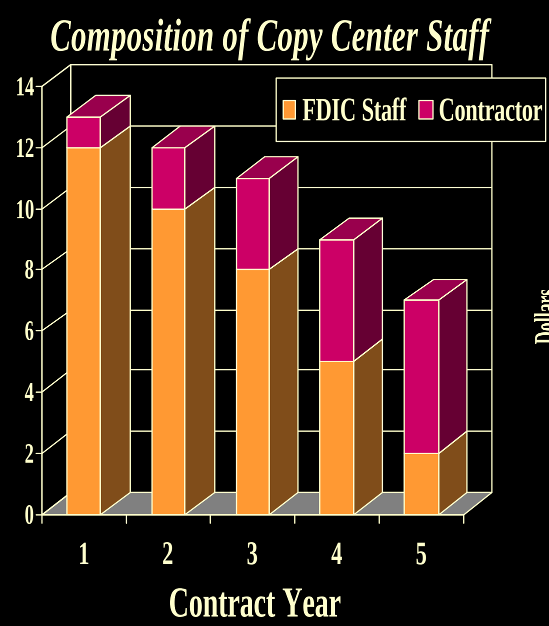
Annual Hourly Wages and Benefits

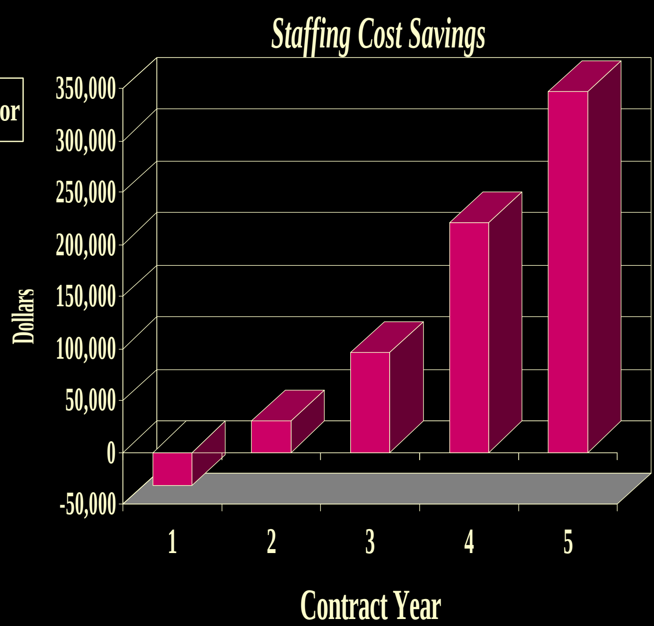


Copy Center Staffing

Phase-In Analysis of Staff

- FBA agreed to phase-in contractor staff as existing FDIC copy center employees leave the Corporation. The following charts present the effect of a phase-in scenario. Given this phase-in scenario, we estimated that FDIC could realize staffing costs savings of $532,000 over a 5-year period.





Key Operator Duties

- We concluded that regardless of whether DOA decided to phase-in contractor employees or continue to staff the function internally, copy center staff responsibilities needed to be expanded to included KO duties for convenience copiers.

- All of the staffing contracts that we reviewed used copy center staff to perform routine KO functions. Such functions could include daily inspections to ensure the copiers were operational, clearing paper jams and responding to other minor equipment malfunctions, keeping copiers fully stocked with paper and consumable supplies, and collecting meter readings. During our review, collateral-duty KOs were responsible for some of these duties. We found these functions were not being consistently performed.

- We concluded that copy center staff would be more effective and reliable KOs for convenience copiers than collateral duty KOs, because KO duties would be a primary responsibility and because the copy center staff should be more knowledgeable and better trained to service the equipment.

Color Copiers

HQ Color Copiers

- FDIC had 12 color copiers located in copy centers and four divisions. These copiers had the capacity to make 787,000 copies a month. However, FDIC was only producing about 187,000 color copies per month.

- FDIC HQ was paying $474,000 annually for this equipment, or almost $40,000 a month.

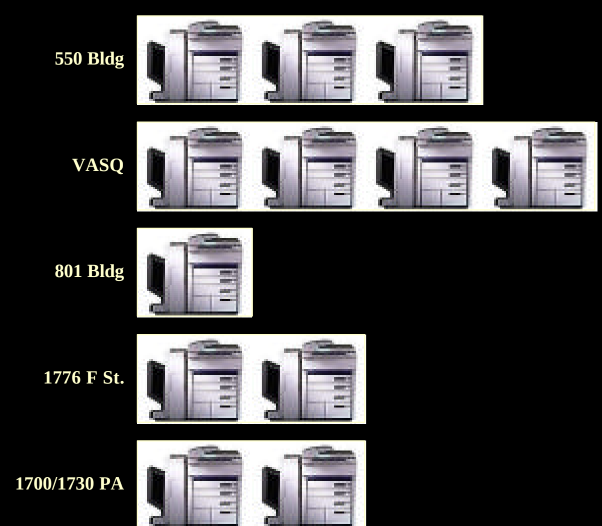
Production Color Copiers

- There were 3 color production copiers each at the 550 and VASQ buildings and one at the 801 building. Specifically, FDIC had:
  - ✓ Five full-color digital copiers,
  - ✓ Two accent-color copiers. These copiers could only produce a single color per selected area, such as red, blue or yellow.

Non-Production Color Copiers

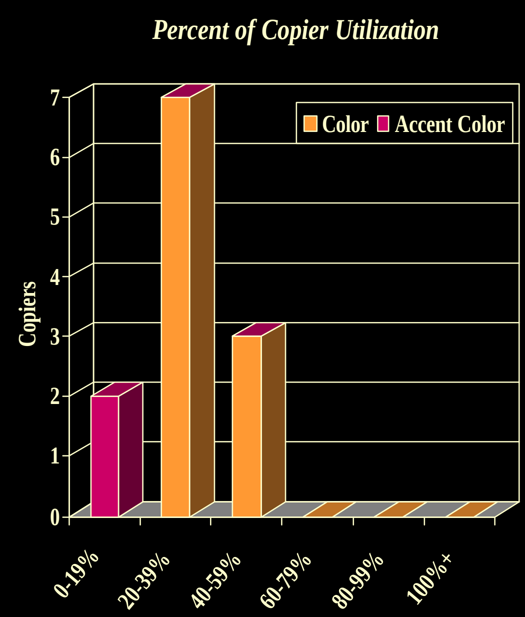
- FDIC HQ also had five full-color copiers located outside of its copy centers in the following individual divisional offices.
  - ✓ DPS (2 color copiers).
  - ✓ The Division of Compliance and Consumer Affairs (DCA),
  - ✓ TCSB, and
  - ✓ The Division of Research and Statistics (DRS). DRS owned its color copier.

Color Copier Placement



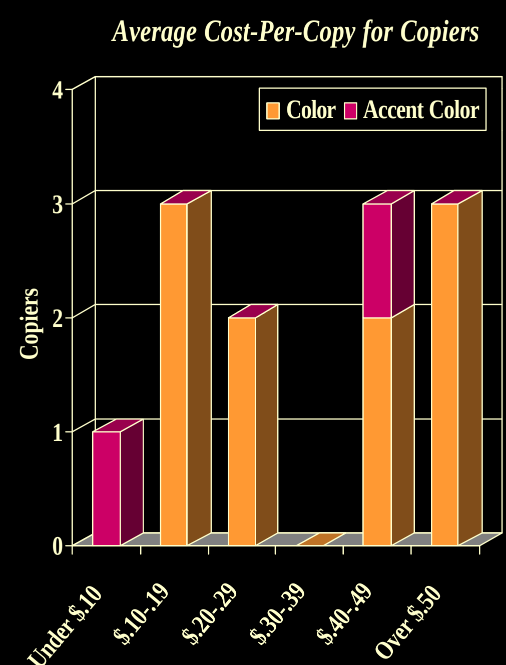
Copier Utilization

- As with the convenience and production copiers, we concluded that a number of HQ color copiers were significantly underutilized.
- On average, 75 percent of the HQ color copiers were operating at less than 40 percent of their monthly optimal volume levels. None of the HQ color copiers were operating at greater than 55 percent of their monthly optimal volume levels.



Copier Cost-Per-Copy

- FDIC was paying an average of $.20 per copy for color copies. If FDIC HQ color copiers were used at their optimal volume levels, FDIC would only have been paying about $.05 per copy.
- FDIC was paying more than $.42 per copy for copies made on half of its color equipment.
- This amount did not include supplies cost. On average, we estimated that color copy supplies cost FDIC HQ an additional $.0471 per copy.



Copier Supply -vs- Demand

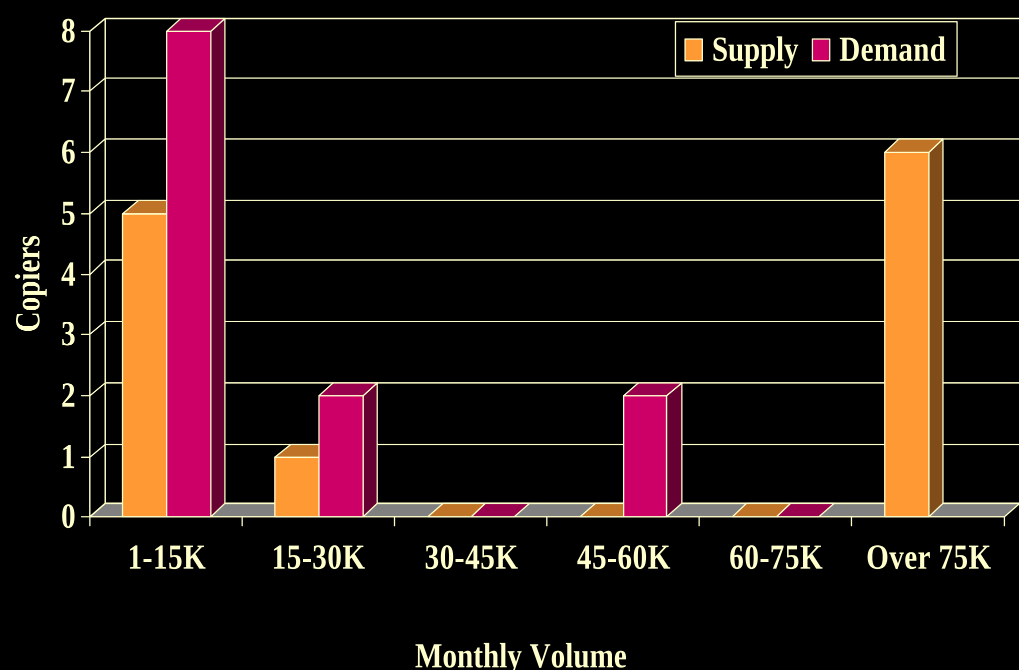
- Color copier supply -vs- demand followed a trend similar to FDIC HQ convenience and production copiers. FDIC HQ color copiers had the capacity to produce 787,000 color copies a month. However, FDIC was only producing about 187,000 color copies a month.

- The color machines under lease and LTOP agreements from Xerox and Danka provided volume levels as low as 7,000 copies a month to as much as 150,000 copies a month.

- Again, we found that DPS did not collect meter readings consistently for its color copiers, even for those copiers located within DPS. Thus, DPS did not have a full understanding of its color copier needs.

- Individually, the optimal monthly volume levels of FDIC HQ color machines (supply) were exceeding each machine's actual monthly copying volume (demand).

Comparison of Optimal Volume Levels of Existing Machines (Supply) to Average Actual Copier Volumes (Demand)



Analysis of Color Copier Equipment

- Four FDIC color copiers were Xerox DocuColor 40 (Doc 40) full-color copiers. The Doc 40s were located in the 550, VASQ, and 801 copy centers and produced 80 percent of FDIC HQ color copies. The Doc 40s were also the most expensive of FDIC HQ color copiers with monthly costs of $4,400 to $10,500.

- FDIC had four Xerox Regal 5790 full-color copiers located outside of the copy centers. These copiers had monthly costs of $1,700 to $2,100.

- FDIC also had one Xerox MajestiK 5760, a Kodak ColorEdge 1565, and two Kodak ImageSource 70CLA color copiers. The latter two machines were accent-color copiers.

Xerox DocuColor 40

- Full-color digital copier with optimal monthly volume of 100,000 copies. The Doc 40 can produce 40 color copies a minute. These machines were being used at 25 to 52 percent of their monthly optimal volume levels and were costing FDIC $.12 to $.20 per copy.

Xerox Regal 5790

- Full-color digital copier with optimal monthly volume of 15,000 copies. The 5790 can produce nine color copies a minute. These machines were being used at 22 to 55 percent of their monthly optimal volume levels and were costing FDIC $.23 to $.53 per copy.

Color Copier Alternatives

Canon CLC 1000

- Full-color, digital copier with monthly volume of 100,000 copies. The CLC 1000 can produce 31 full-color CPM. The CLC 1000 competed directly with the Xerox Doc 40, but the CLC 1000's purchase price was about $36,000 less than the Xerox Doc 40.

Canon CLC 2400

- Full-color digital copier with monthly volume of 75,000 copies. Can produce 24 full-color CPM. The CLC 2400 purchase price was $55,000 less, or less than half, of the price of a Doc 40.

- We determined that the CLC 2400 could meet the volume needs of any of the copy center color copiers.

Comparison of Color Copiers

Specification/Feature	*Doc-40*	*CLC-1000*	*CLC-2400*
Stand-alone Purchase Price	$100,090	$64,206	$45,144
Cost to Network	$18,707	$26,793	$28,186
Total Networked Purchase Price	$118,797	$90,999	$73,330
Estimated Monthly Cost (based on FDIC average monthly volume)	$5,584	$4,732	$4,172
Copies Per Minute	40	31	24
Digital/Networkable	Yes	Yes	Yes
Image Overlay	No	Yes	Yes
Maximum Paper Capacity (sheets)	1,550	5,250	5,250

Other Program Observations

HQ Copier Program

- In the course of our review, we observed the following operational issues that we reported to DOA management to improve the effectiveness of the HQ copier management program.

  ✓ DPS could not produce source records documenting ownership or showing LTOP terms for individual equipment items. Further, equipment inventory listings did not always reflect the correct equipment serial numbers. We recommended that DPS maintain, and have readily available for reference, lease or ownership documents and accurate equipment inventories.

  ✓ DPS could not produce source documentation showing billing terms for individual equipment items. Accordingly, we could not independently verify invoice amounts with the source LTOP agreements. We recommended that DPS maintain source information about billing terms of individual machines to independently verify invoice charges.

  ✓ DPS was unsuccessful in having KOs consistently gather meter readings. As discussed throughout this report, we concluded that meter readings were crucial for billing purposes and to monitor copier usage and demand. While collecting readings is a shared responsibility, DPS is ultimately responsible for verifying invoices and making copier placement decisions. We suggested that DPS consider alternative methods for collecting meter readings that would be more effective. We offered that DPS could have copy center staff collect meter readings for convenience copiers. We also recommended that DPS establish more effective systems for analyzing meter readings and emphasize the importance of consistently collecting meter readings for all machines.

  ✓ DPS maintained manual service logs for FDIC HQ copiers. However, service call information was recorded chronologically for all machines. Accordingly, DPS could not readily identify specific copiers that experienced recurring service problems. We recommended that DPS automate service logs and record service calls by individual machine.

- DOA management has either taken or planned corrective actions in response to these observations.

Conclusions and Recommendations

Conclusions

- FDIC HQ convenience copiers were significantly underutilized. As a result, on an average CPC basis, FDIC was paying twice as much as what GSA and other industry sources suggested as reasonable.

- Moreover, other lease and ownership plans existed that could save FDIC millions of dollars over a 5-year contract period and place machines that more appropriately match FDIC needs.

- FDIC user needs and copier demand did not justify the number of mid- to high-volume machines that FDIC HQ was purchasing. We suggested that any lease or ownership plan the Corporation entertained would have to place the appropriate volume level machines with the corresponding user demands.

- FDIC HQ production copiers were significantly underutilized. Consequently, FDIC was paying too much on a CPC basis for production copying. For example, all FDIC HQ DocuTechs were operating at less than 20 percent of their optimal volume levels. Further, FDIC was not exploiting DocuTech strengths and not always using DocuTechs for their intended purpose. Finally, FDIC had more DocuTechs per HQ employee than other agencies we visited.

- Accordingly, FDIC's production copiers did not match the Corporation's needs. Further, opportunities existed for FDIC to eliminate or replace production copiers with more appropriate machines and to consolidate copy centers.

- FDIC could realize further cost savings by outsourcing copy center staffing. A number of alternatives existed that could provide trained contract staff and/or production equipment for FDIC copy centers and reduce Corporation expenses. Each of these alternatives allowed for contractor staff to be phased-in as existing FDIC copy center employees leave the Corporation.

- FDIC HQ color copiers were underutilized and expensive on a CPC basis. Given FDIC's color copy volume requirements, other color machines were available that may have better met FDIC needs and reduced color copier costs.

- Finally, FDIC needed to implement copier administration procedures to ensure that accurate equipment inventories and billing information were maintained, meter readings were consistently gathered, and equipment service calls were recorded in a format to highlight maintenance and repair trends and problem machines.

Conclusions and Recommendations

Recommendations

We recommended that the Acting Director, Division of Administration:

1. Take actions to more closely align the types and placement of equipment in FDIC's copier program with FDIC HQ copying demands.

2. Analyze the available convenience copier contract vehicles and scenarios and select the one that is the best value for FDIC HQ.

3. Analyze alternatives and scenarios for placing equipment in copy centers and select the one that is the best value for FDIC HQ.

4. Review copy center workloads and determine whether equipment or centers could be consolidated.

5. Implement practices that utilize the features of high volume machines to their fullest capacity, such as networking and print-on-demand technology.

6. Analyze alternatives for staffing the copy center and key operator functions and select the alternative that is the best value for FDIC HQ needs.

7. Reassess FDIC HQ color copying requirements and determine whether FDIC could more economically meet those needs by consolidating copiers or installing more appropriate color copy machines.

8. Develop or redesign existing systems to better document ownership, lease, and billing terms of equipment; and to monitor monthly usage and service and maintenance calls. Consider alternative methods for collecting meter readings.

Corporation Comments and OIG Evaluation

Evaluation of DOA Response

- Subsequent to the issuance of our draft report, Arleas Upton Kea was named as Director, DOA. On June 4, 1999, Ms. Upton Kea provided the Corporation's response to a draft of this report. The response is presented as Appendix II to this report. DOA agreed with all of our recommendations. DOA's written response describing actions already taken and planned actions provided the requisite elements of a management decision for each of our eight recommendations.

Calculation of Funds Put to Better Use

- Based on the Corporation's response to our evaluation, we calculated an amount to report to the Congress as funds put to better use. Our support for this amount follows.

Recommendation/Agency Planned Action	*Funds Put to Better Use*
Recommendation 2 suggested that DOA analyze convenience copier contract vehicles presented in the draft report and select the alternative that presented the best value for the Corporation. The DOA Director responded that DOA plans to sign an interagency agreement with FBA and have FBA evaluate copier capacity requirements for FDIC HQ offices.	$3.5 to $3.9 Million
Recommendation 3 suggested that DOA analyze production copier contract vehicles presented in the draft report and select the alternative that presented the best value for the Corporation. The DOA Director responded that DOA plans to sign an interagency agreement with FBA and have FBA evaluate copier capacity requirements for FDIC HQ offices.	$2.56 Million
Under a separate memorandum, we recommended that DOA cancel the LTOP agreement for a color production copier located in FDIC's 550 building copy center. On May 24, 1999, DOA responded that it intended to terminate the LTOP agreement for the subject copier.	$243,878
Total Funds Put To Better Use Over a 5-Year Period	$6.3 to $6.7 Million

- In its response, DOA also indicated that it would closely review copy center staffing and the use of contractor staff. We believe FDIC could achieve additional savings by phasing-in contractor staff as existing FDIC copy center employees leave the Corporation.

- Accordingly, we will report a total of $6.3 to $6.7 million as funds put to better use in our *Semiannual Report to the Congress*.

Appendix I: Non-Cost and Difficult to Quantify Factors

Program Feature	Franchise Business Activity (FBA) Cost Per Copy (CPC) Program	Canon Flat-Rate Monthly Fee (FRMF) Program	Xerox FRMF Program
Procurement Process	Interagency agreement.	GSA Federal Supply Schedule.	GSA Federal Supply Schedule.
Available Terms	No fixed term. Price constant for term of contract with vendor. FBA in first year of 5 year contract with Oce´.	36, 48, or 60 months.	36 or 48 months.
Initial Determination of Equipment Needs	FBA performs analysis of machine placement and usage.	Customer responsibility.	Customer responsibility.
Delivery of Equipment Time	30 days.	Within 90 days, average of 30 days or less.	30 days within a 60 mile radius of a Xerox office, otherwise, 60 days.
Installation Cost	$0	$0 except for rigging costs.	$0 except for rigging costs.
Training	Free.	Initial training and training for new key operators is free. Canon charges for retraining.	Initial training is free. Subsequent training is free for machines in volume bands1 through 5.
Condition of Equipment	All new equipment.	Newly manufactured, remanufactured, or used equipment at Canon's option.	Newly manufactured, factory produced new model or remanufactured equipment at Xerox's option.
Replacement Schedule	4 year cycle.	Still awaiting response from vendor.	Still awaiting response from vendor.
Service Response Time	6 hours.	9 business hours.	9 consecutive regular working hours.
Guaranteed Up Time	99 percent. No downtime credit, FBA says there hasn't been a need for one.	90 percent.	90 percent. Downtime credit = percentage of downtime * FRMF
Non-Paper Supplies	Included.	Included.	Included.
Invoicing	On-Line Payment and Collection Agreement (OPAC) – Summary monthly invoicing.	Usually monthly summary invoicing, but Canon can accommodate customer needs.	Quarterly summary invoicing.

Non-Cost and Difficult to Quantify Factors

Program Feature	Franchise Business Activity (FBA) Cost Per Copy (CPC) Program	Canon Flat-Rate Monthly Fee (FRMF) Program	Xerox FRMF Program
Meter Reading	FBA responsibility.	Customer responsibility.	Customer responsibility.
Volume band changes	Periodic review of usage to ensure proper volume bands, no penalty for changing volume bands.	Canon recommends downgrade, upgrade or removal when copier does not produce within volume band for three consecutive months.	Customer may downgrade or upgrade a machine that does not reproduce within the stated volume band, subject to an upgrade/downgrade fee.
Copier Upgrades	$0	Model change fee of one month FRMF on the incoming unit	36 month contract • Prior to final 12 months = 60% of remaining contract FRMF. • During final 12 months 35% of the remaining contract FRMF. 48 month contract • Prior to final 12 months = 50% of remaining contract FRMF. • During final 12 months 25% of the remaining contract FRMF.
Copier Downgrades	$0	Model change fee of one month FRMF on the incoming unit	Same as copier upgrades.
Copier Terminations/Deletions	3 months cost per copy for machine being deleted.	Termination in: • Year 1 = 6 * FRMF • Year 2 = 5 * FRMF • Year 3 = 4 * FRMF • Year 4 = 3 * FRMF • Year 5 = 2 * FRMF (except month 59 = 1.5 * FRMF).	Same as copier upgrades.
Copier Moves/Relocations	Relocations are free for the first 5 percent of all customers FBA-wide. Historically, the number of relocations has not reached 5 percent.	$100	Average of $400 per move, based on review of selected historical Xerox invoices to FDIC for relocations.
Equipment Removal Charge	None.	Included in termination charges.	Included in FRMF.

Non-Cost and Difficult to Quantify Factors

Hypothetical Example of the Impact of Copier Changes, Terminations and Relocations

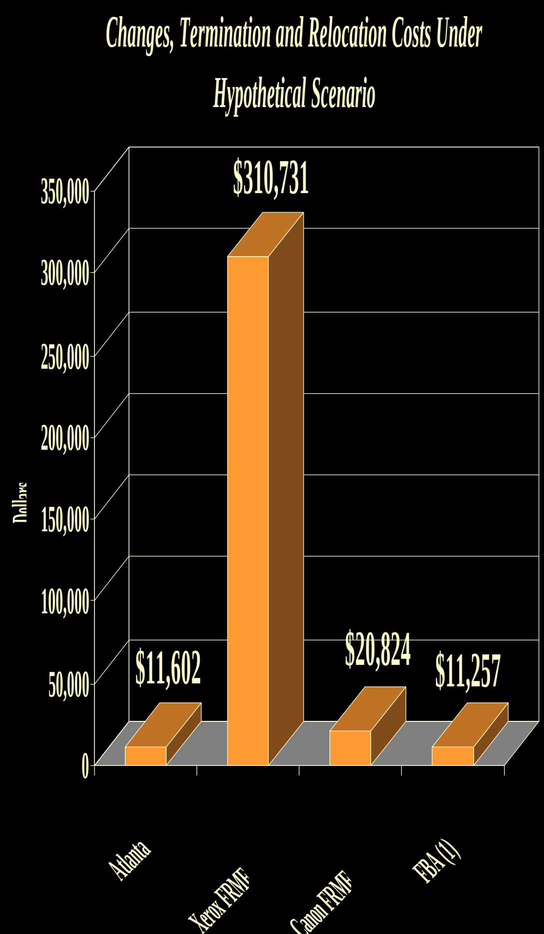
- We developed a hypothetical scenario and calculated the impact of copier changes under selected alternatives over a 5-year period.

- Based on a scenario using a total of 153 machines, we made the following assumptions:
  - ✓ 10 percent of the total machines would be upgraded to the next highest volume band,
  - ✓ 10 percent of the total machines would be downgraded to the next lowest volume band,
  - ✓ 10 percent of the total machines would be terminated completely,
  - ✓ 30 percent of the total machines would be relocated.

- We further assumed that each of these changes would occur equally at the beginning of years 2, 3, and 4 of the contract term.

- We calculated the results for those convenience copier alternatives that appeared to be the most advantageous for the Corporation. We did not present results for FRB's Flat Rate commercial lease program because FRB's contract does not allow for copier changes or terminations.

- Based on our assumptions, Xerox's FRMF program had the highest charges totaling almost $311,000. The remaining programs all had copier change, termination, and relocation fees totaling less than $21,000. These results are hypothetical and could vary significantly based on the volume band of the machine being changed and the point in the contract when the change occurs.



FDIC
Federal Deposit Insurance Corporation
550 17th Street, NW, Washington, DC 20429

Division of Administration

June 4, 1999

MEMORANDUM TO: Stephen M. Beard
Director, Office of Congressional Relations and Evaluations

FROM: Arleas Upton Kea *Arleas Upton Kea*
Director

SUBJECT: Management Response on Draft Report: Evaluation of FDIC Headquarters Copier Administration Program

The Division of Administration (DOA) has completed its review of the draft report issued by the Office of the Inspector General (OIG) entitled "*Evaluation of FDIC Headquarters Copier Administration Program.*" DOA appreciates the intensive study performed by the OIG. As noted in the OIG draft report, DOA staff had previously reviewed headquarters copier usage and determined that many copiers were being under utilized. As a result, DOA's Acquisition and Corporate Services Branch (ACSB) has reduced the Corporation's copier inventory. ACSB also asked the OIG to conduct a more in-depth analysis and make recommendations to improve the cost efficiency of the headquarters copier program.

We agree with the conclusions of the OIG study and will move promptly to use this information to plan and implement a more economical copier service program. Over the past few years, we have greatly reduced the FDIC copier inventory, while sustaining an acceptable level of service. Notwithstanding these efforts, we recognize that further steps are needed. The report provides the necessary information that DOA can use in its copier decisions for rightsizing the copier equipment needs of the Corporation on a prospective basis.

ACTIONS ALREADY TAKEN

As a result of preliminary reports received from the OIG, we began implementing program changes concurrent with their review.

a. The Design and Printing Unit (DPU) has changed staff responsibilities in order to bring additional staff with copier experience and management analysis to daily operation and oversight of the copier program. The Oversight Manager responsibility has been transferred to more senior personnel.

b. This past year the Copier Program Manager has worked to improve meter-reading responses from the Key Operators by providing them packets of information, including their detailed responsibilities. Key Operators and their Administrative Officers are also sent reminders of reporting deadlines.

c. DPU is currently consolidating the administrative records of equipment tracking, fees and service calls for better oversight, including invoice review.

d. DPU is currently developing a Rightsizing Plan for all Headquarter copiers.

DOA has evaluated each of the report recommendations and provides the following management responses for your review.

MANAGEMENT DECISION

Recommendation 1: Take actions to more closely align the types and placement of equipment in FDIC's copier program with FDIC HQ copying demands.

Management Response 1: DOA concurs with the recommendation. The ACSB/DPU is currently developing a Rightsizing Plan to better align the types and placement of copier equipment to the copying demand. Specifically, the plan will:

a. Evaluate copier utilization in the Copy Centers and the FDIC HQ's to determine the appropriate copier equipment needs for copier usage. Our initial focus will be on those areas that we can achieve substantial cost savings. Specifically, the production copiers in the Copy Centers and the convenience copiers throughout the FDIC HQs with less than 15% utilization. We anticipate completing this evaluation by July 31, 1999.
b. Review the expiration dates for those copiers under Lease to Ownership Plans (LTOP) to determine potential cost savings through expiration rather than termination. We anticipate completing this review by August 31, 1999.
c. Engage the Department of Treasury's Franchise Business Activity Group (FBA) under an interagency agreement to evaluate copier capacity requirements for all FDIC HQs offices. We are currently meeting with FBA and anticipate executing an interagency agreement with FBA by June 30, 1999.
d. The DOA ACSB Design and Printing Unit will place appropriate capacity copiers for all offices. The FBA will be used to monitor copier utilization and recommend adjustments in capacities as required.

Recommendation 2: Analyze convenience copiers contracts vehicles and scenarios and select the one that is the best value for FDIC.

Management Response 2: DOA concurs with the recommendation. DPU has reviewed the convenience copier contract alternatives and found the FBA option the most attractive. As a result, we expect to execute an interagency agreement with FBA by June 30, 1999.

Recommendation 3: Analyze alternatives for placing equipment in copy centers and select the one that is the best value for FDIC HQ.

Management Response 3: DOA agrees with the recommendation. The utilization of production copiers and a review of copy center usage will be incorporated into the DPU Rightsizing Plan as outlined above in our response to Recommendation 1.

Recommendation 4: Review Copy Center workloads and determine whether equipment or centers could be consolidated.

Management Response 4: DOA concurs with the recommendation. Currently, the six separate buildings in Washington, DC indicate a need for the two copy centers. The DPU will evaluate the Copy Centers for possible consolidation. Possible future upgrading to digital networked copiers may reduce the need for two copy centers in Washington.

Recommendation 5: Implement practices that utilize the features of high volume machines to their fullest capacity, such as networking and print-on-demand technology.

Management Response 5: DOA concurs with the recommendation. The DPU will explore ways to better utilize the digital network copiers in the Copy Centers. DOA and DIRM staffs are also reviewing the use and applicability of digital network copiers throughout Headquarters. The staffs will work together to determine the need, location and comparative costs of this equipment. New technologies for networked copiers could radically change the need for Copy Center services.

Recommendation 6: Analyze alternatives for staffing the Copy Centers and Key Operator (KO) functions and select the alternative that is the best value for FDIC.

Management Response 6: DOA concurs with the recommendation. Staffing the Copier Centers will be reviewed closely as will use of contract staff. Conversion of the staff to contractors would only be done by attrition. Currently, we believe the supervisors are important to the function. We plan to have the FBA staff perform the KO functions.

Recommendation 7: Reassess FDIC color copying requirements and determine whether FDIC could more economically meet those needs by consolidation copiers or installing more appropriate color copy machines.

Management Response 7: DOA agrees with the recommendation. The DPU will assess the color copier requirements and determine the need for consolidation. The Copy Centers' color copier utilization and the several decentralized color copiers will be examined in an effort to reduce the cost and unnecessary uses of this equipment. We estimate that the assessment will be completed by September 30, 1999. A revised Copier Program Directive will also be issued. The directive will clarify the existing color copying policy by stating color can be utilized to enhance the information of reports, but not as decoration. Copy Center supervisors currently apply this restriction to employee requests.

Recommendation 8: Redesign existing systems to better documentation of ownership, leasing and billing terms of equipment; and to monitor use, service and maintenance calls. Consider alternative methods for collecting meter readings.

Management Response 8: DOA concurs with the recommendation. DPU is reorganizing the management of the copier program. Specifically, copier records are being consolidated to ensure better tracking of information as it pertains to each copier. Much of the data has been updated and we anticipate completing this task by June 30, 1999.

It is our intention to continue to seek out ways to improve our corporate copier program and to make appropriate changes as deemed necessary. We anticipate realization of the recommendations and cost savings by May 15, 2000. We thank you for this opportunity to respond to the report. If you have any questions regarding the response, our point of contact for this matter is Andrew O. Nickle, Audit Liaison for the Division of Administration. Mr. Nickle can be reached at (202) 942-3190.

Cc: Michael J. Rubino
Edward F. Barrese