

DOCUMENT RESUME

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[Costs of Repairing Government Vehicles Damaged in Accidents].
B-158712. July 25, 1977. 9 pp.

Report to Joel W. Solomon, Administrator, General Services Administration; by Robert G. Rothwell (for Fred J. Shafer, Director, Logistics and Communications Div.).

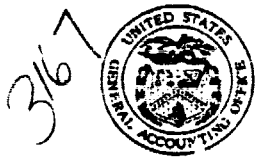
Issue Area: Facilities and Material Management (700).

Contact: Logistics and Communications Div.

Budget Function: Commerce and Transportation: Ground
Transportation (404).

Congressional Relevance: Sen. Sam Nunn.

At the request of Sen. Sam Nunn, a study was made of the repair costs and claim settlement procedures used by several civil and defense agencies for Government vehicles involved in accidents. The General Services Administration (GSA) Regions IV and V policies and procedures for handling repairs to damaged vehicles appear adequate to protect the Government's interest. However, several practices relative to appraisal and repair estimates, postrepair inspection, claims processing, and assessments of temporary loss of vehicle use or total loss of vehicle need attention. Findings/Conclusions: There is a need for more detailed analysis of vendor repair estimates which often differ from appraiser's estimates. Some repair shops were given advance copies of GSA repair estimates which may act to increase costs. An in-house capability for estimating collision damages and repair costs would allow the agency to better evaluate reasonableness of prices and quality of repair work. Postrepair inspection is needed as is more dispatch in processing accident claims against third parties. Loss of vehicle use has not been included as a recoverable cost when establishing claims against third parties. Instructions are needed to clarify the value of total loss vehicles when recovering damages from third parties. Recommendations: Each GSA activity managing vehicle fleets should review its practices and procedures to determine whether similar situations exist and take whatever action is appropriate to correct deficiencies.
(DJM)



UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

03060

LOGISTICS AND COMMUNICATIONS DIVISION

JUL 25 1977

B-158712

The Honorable Joel W. Solomon
Administrator of General Services

Dear Mr. Solomon:

As requested by Senator Sam Nunn, we studied the repair costs and claim settlement procedures used by several civil and defense agencies for Government vehicles involved in accidents. Among other things, we checked to see whether (1) reports fully disclose the number and cost of vehicle accidents, (2) appropriate steps are taken to assure that repair costs are reasonable, and (3) accident claims processing steps are adequate to recover the cost of repairing vehicles when third parties are at fault.

Although we obtained overall statistics on vehicle accidents and repair costs for the General Services Administration, our detailed audit work was limited to Region IV, Atlanta, Georgia, and Region V, Chicago, Illinois.

The agency's policies and procedures for handling repairs of damaged vehicles and processing related claims appear adequate to protect the Government's interest. However, we observed several practices that need administrative attention. We are reporting our findings not only to inform you of the weaknesses we found in the regions audited, but more importantly because such weaknesses may exist at other regional offices within the agency.

During fiscal year 1975, about 11,500 GSA motor pool vehicles were involved in accidents. The cost of repairing these vehicles was \$2,492,951. For the fiscal year ending June 30, 1976, statistical information on the number of accidents and the cost of repairs at the locations we visited was:

<u>Region</u>	<u>In use</u>	<u>Number of vehicles involved in accident</u>	<u>Repair cost</u>
GSA Region IV	9,259	1,236	\$256,206
GSA Region V	<u>7,044</u>	<u>1,735</u>	<u>383,301</u>
Total	<u>16,303</u>	<u>2,971</u>	<u>\$639,507</u>

Our review disclosed that:

- Although professional appraisals were used to evaluate repair shop estimates, many of the appraisals and estimates did not address the same vehicle repair requirements.
- Some repair shops were furnished with advance copies of the GSA fee appraiser repair estimates. Knowing in advance what the agency will accept for labor and parts costs may keep shops from offering a lower price.
- GSA should consider developing an in-house capability for estimating collision damages and repair costs.
- Vehicles repaired by commercial shops should be inspected more thoroughly.
- The timeliness of processing claims against third parties and the specification of what costs should be included in claims need to be improved.
- Loss of vehicle use has not been included as a recoverable cost when establishing claims against third parties.
- Instructions are needed to clarify the value of total loss vehicles when recovering damages from third parties.

Details of our findings follow.

NEED FOR MORE DETAILED ANALYSIS
OF VENDOR REPAIR ESTIMATES

Region V used professional appraisers to estimate vehicle damages and repair costs and then compared these appraisals with the estimates solicited from commercial vendors. However, we found that the vendor submitting the lowest price estimate was generally selected to perform the work even though the proposed repairs did not fully coincide with the damages identified by the professional appraiser. In addition, we found that vendors' estimates often varied as to the nature of the repairs to be performed. Consequently, there was no real assurance that the vendor submitting the low estimate actually offered the most reasonable price for repairing the vehicle.

Our comparison of 31 appraisals with vendors' estimates showed that in some cases the vendor estimates

- listed more items for repair than the appraisal,
- listed less items for repair than the appraisal,
- did not list all of the items on the appraisal and included some items not listed on the appraisal,
- listed repairing instead of replacing a part, and
- listed new instead of rebuilt parts.

The following examples demonstrate the lack of comparability between professional appraiser and vendor estimates and point out the need for closer analysis of repair estimates.

- The professional appraiser hired by GSA estimated that it would cost \$392 to repair a vehicle. The vendor selected by GSA to perform the work submitted a lower repair estimate but his price did not include replacing the vehicle grille and bumper reinforcement, which the professional appraiser had estimated to cost \$126.
- In another case, the professional appraiser estimated vehicle repair cost at \$346. The vendor selected to repair the vehicle submitted a lower estimate but neglected to include a replacement bumper in his list of repairs.

After being informed of our findings, GSA regional officials issued a letter to motor pool managers instructing that:

"GAO comparisons of the estimates obtained for individual accidents have revealed that they often differ widely in the items shown, making it nearly impossible to accurately judge which vendor's cost is truly lowest. In the future, a comparison of estimates for a single vehicle should show that the items included on each estimate are identical or closely comparable. An item included on only one estimate should be deducted before a judgment is made as to lowest estimated cost. Further, if it is determined that an unnecessary item appears on all estimates for an accident case, that item should be deleted before comparing the estimates for

lowest cost. Also, necessary items should be included on all estimates. This would apply to front end alignments when there is front end damage. A low estimate which does not include such necessary items is not necessarily the lowest bid.

"Consideration should be given to different methods of achieving a single result, and the varying related costs. If one estimate quotes a price for repair and another quotes a price for replacement, judgments of comparative cost and quality become very difficult. Efforts should be made to avoid this sort of situation by informing estimators and appraisors of our desire to have estimates which are comparable to those from other sources."

VENDORS SHOULD NOT BE FURNISHED
ADVANCE COPIES OF GSA REPAIR ESTIMATES

In Region IV, many of the vendors selected to perform repair work had received an advance copy of the GSA fee appraiser's estimate which detailed the work to be performed and itemized costs.

We believe this practice should be discontinued because a vendor may not offer his lowest price if he knows in advance what the customer is willing to pay. In the absence of such knowledge, depending on his workload, labor rates, and available parts discounts, a vendor might very well offer lower prices.

We reviewed 113 vehicle repair files and found 88 instances where the vendor's repair bill price was identical to the estimate prepared by the fee appraiser representing GSA. On the other hand, where vendor estimates were obtained without their having access to the fee appraiser estimate, significantly lower prices were offered.

GSA SHOULD CONSIDER DEVELOPING AN
IN-HOUSE CAPABILITY TO APPRAISE
VEHICLE DAMAGE AND REPAIR COSTS

We believe that GSA should train motor pool personnel to make vehicle damage assessments in-house. This would place the agency in a better position to evaluate the

reasonableness of commercial repair shops' estimates and the quality of their repair work.

GSA currently requires that three commercial repair shop estimates or one professional appraisal be obtained if a vehicle has sustained damages exceeding \$100. If repairs are under \$100, GSA can forego competition. GSA is now considering increasing this figure to \$300 or perhaps even \$500. If the \$300 figure is approved, GSA motor pool officials would immediately be faced with the problem of evaluating the reasonableness of a greater number of noncompetitive repair estimates. It would appear that an in-house damage appraisal capability is mandatory for evaluating these estimates. An in-house capability would also be beneficial under competitive situations as even the lowest competitive repair estimate may represent an unreasonable price to a customer who is knowledgeable of the local labor market and has been trained to appraise vehicle damage and evaluate repair costs.

Furthermore, since motor pool personnel are required to evaluate the repair work performed on vehicles, we believe that they would benefit from damage appraisal training.

Regional officials agreed with our observations and told us that motor pool personnel either have or can easily attain the experience and knowledge to prepare damage appraisals. They stated that an internal training program could be established to acquire needed skills and also mentioned that a formal appraisers' training program used by the insurance industry is offered by an institution in Pennsylvania.

NEED FOR CLOSER INSPECTION OF REPAIRED VEHICLES

Before authorizing payment of a vendor's invoice GSA procedures require that the repaired vehicle be inspected to evaluate the adequacy and cost of the work. If the vehicle is returned to a motor pool, the maintenance shop supervisor or equipment inspector performs the inspection. If it is returned to an agency, the vehicle operator performs the inspection.

Often the only evidence that a vehicle had been inspected was a signature on the repair order or the vendor's invoice certifying that the work was approved. However, neither of these documents itemized the repair work required or performed on the vehicle.

We discussed our observations with regional officials who said that in some cases repairs were not evaluated on an item by item basis and little or no inspection was performed to evaluate the quality of the work. In other cases, the inspectors used the fee appraiser or vendors itemized repair estimate as a check list to assure that all necessary work had been performed.

We believe that every vehicle should be thoroughly inspected by a knowledgeable and trained member of the motor pool to insure that commercial repair shops have actually performed the work covered by their billing and that the quality of the work is satisfactory.

IMPROVEMENTS NEEDED IN PROCESSING
ACCIDENT CLAIMS

GSA regulations and procedures for processing claims for and against the Government are generally adequate to protect the Government's interest. However, the timeliness of processing claims against third parties should be improved and there is a need to clarify costs that are to be included in claims against third parties.

Whenever a motor pool vehicle is involved in an accident, GSA is responsible for settling any claim that develops against third parties. This responsibility includes vehicles that have been assigned to an agency on a long-term basis. Accordingly, to establish claims against third parties, GSA claims personnel must rely on accident documentation received from organizational units within and outside the agency. Documentation includes the driver's accident report, police reports, agency investigation reports, and other material related to the accident.

Timeliness of processing claims
against third parties should
be improved

Federal claim collection standards require that agencies normally make three written demands at 30-day intervals. If collection efforts are unsuccessful, the collection standards provide criteria for closing the claims as uncollectable or referring them to GAO or the Department of Justice for litigation.

In Region IV, claims personnel were prompt in initiating claims against third parties. After being notified of a potential claim, regional counsel personnel took an average of 8.5

days to issue demand letters to third parties advising them of the Government's claim. However, in Region V we noted many instances of delay in initiating both claim collection action and followup demand letters against third parties.

For example, as of October 7, 1976, the regional counsel office in Region V had 195 open claims against third parties. The following table shows the amount of these claims and the year they were initiated.

<u>Fiscal year claim opened</u>	<u>Number of cases</u>	<u>Amount claimed</u>
1971	2	\$ 431
1972	4	3,027
1973	-	-
1974	7	2,483
1975	35	21,026
1976	80	42,017
1976 (July-Sept.)	<u>67</u>	<u>28,703</u>
	<u>195</u>	<u>\$97,687</u>

We reviewed 37 of these claims--totaling \$37,168--and found that significant delays had occurred in initiating the claims and in following up collection actions. Specifically, we determined that:

- Eighteen claims for \$19,869 had delays exceeding 30 days before the regional counsel initiated collection action. These delays ranged from 32 to 428 days.
- Thirty claims for \$30,177 had not been followed up since July 31, 1976--an interval of more than 60 days.

Region V officials attributed these delays to the low priority of tort claims and to insufficient administrative staff. Tort claims had the lowest priority in the regional counsel's workload and collection actions were taken as time was available. Apparently, administrative staff had not been available to prepare followup letters since July 1976. Regional officials told us that a secretary was hired in January 1977 to improve claims processing and that they would assign a regional attorney to help process tort claims. We were told also that a diary had been established to monitor the processing of open claims.

LOSS OF VEHICLE USE SHOULD BE INCLUDED
AS A RECOVERABLE COST IN DAMAGE CLAIMS

GSA activities are apparently not including loss of vehicle use as a recoverable cost in damage claims processed against responsible private parties. Although GSA regulations state that all costs should be included in claims against third parties, we did not find any instance in which loss of vehicle use had been included in claims filed against private parties. On the other hand, some claims against the Government included costs incurred by the claimant to lease a vehicle while his car was undergoing repairs.

We believe that, when the Government incurs costs to secure transportation while damaged vehicles are being repaired, such costs should be included in claims filed against responsible parties. We noted that the Postal Service routinely includes a charge for loss of use of a vehicle in its claims and had consistently recovered such costs.

We discussed this matter with regional officials. They agreed that such costs should be considered when claims are being developed. We believe that GSA needs a policy instruction covering this subject.

INSTRUCTIONS HAVE BEEN ISSUED TO
CLARIFY THE VALUE TO BE RECOVERED
ON TOTAL LOSS VEHICLES

During our review we noted that GSA had not issued instructions on the amount to be recovered from third parties when a damaged vehicle was determined to be a total loss. As a result, when processing claims against third parties, Region IV did not recover an adequate value for total loss vehicles.

We found that the two regional offices reviewed were not consistent in recovering damages on total loss vehicles. Region V used a vehicle's fair market value to determine the amount to charge third parties for total loss vehicles. However, in determining similar charges, Region IV used the remaining GSA book value for the vehicle, which was generally lower than the fair market value. For example, in Region IV, we identified eight accident cases where claims had been made against a third party for a total loss vehicle. Using the remaining book value, Region IV had claimed \$6,156. An additional \$4,766 could have been claimed had they used the vehicles' estimated fair market value.

We discussed this matter with regional officials and in April 1977 GSA advised its regional claims processing personnel that they should seek to recover the fair market value rather than the book value for total loss vehicles.

RECOMMENDATIONS

We believe that the matters discussed in this letter should be called to the attention of all GSA activities managing vehicle fleets. We recommend that you direct each activity to

- review its practices and procedures to determine whether similar situations exist and
- take whatever action is appropriate to correct deficiencies.

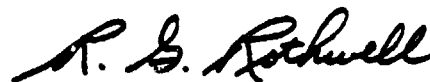
We recommend also that you (1) issue an instruction to alert claims-processing officials about the need to consider a charge for loss of vehicle use in claims against responsible parties and (2) consider developing an in-house capability to appraise vehicle damage and repair estimates and costs.

As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the Senate Committee on Governmental Affairs and the House Committee on Government Operations not later than 60 days after the date of the report and to the Senate and House Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

We are sending copies of this report to Senator Nunn and to the Chairmen, Senate and House Committees on Appropriations, Senate Committee on Governmental Affairs, and House Committee on Government Operations.

We would appreciate receiving your comments on these matters and would be pleased to discuss any questions you may have.

Sincerely yours,


for F. J. Shafer
Director