

2. PHS has destroyed \$19 million worth the past year.

3. About \$8 million additional will become worthless if not used in 18 months.

A legal problem is involved in that the \$8 million worth of materials are technically "needed" and so may not be declared as "excess" and transferred to other Federal agencies or donated to State and local institutions though their life will be exhausted before they can be used. Bills have now been introduced to correct this deficiency.²⁶

The PHS medical supplies are but a fraction of the \$703 million short-shelf-life items which have been identified by a DSA/GSA study group.²⁷

Recommendation. All the \$703 million of short-shelf-life stocks should be examined for use. This is an interagency problem whose solution involves top management in the executive branch. First, any legal impediments should be removed so this property may be used in the Federal Establishment and if not needed or usable there within its lifespan it should be made available for use in schools, hospitals, or other eleemosynary institutions.

The subcommittee will expect detailed information next year on the utilization, transfer, donation, sale, destruction, or other disposition of the medical supply stocks and short-shelf-life items generally.

The subcommittee is concerned that the weaknesses now revealed in the management of short-shelf-life items may be indicative of inadequacies in the management of stores inventories costing many billions of dollars.

Further recommendation. The GAO has indicated that it intends to continue a review of the adequacy of inventory controls in the DOD as a priority matter.²⁸ The subcommittee requests that some classes of short-shelf-life should also be reviewed as a test of the adequacy of inventory controls generally and that a report be made on the subject at its hearings next year.

V. PROCUREMENT OF COMMERCIAL-INDUSTRIAL TYPE PRODUCTS

Findings. President Johnson on March 3, 1966, issued a memorandum to the heads of departments and agencies entitled "Government Procurement Guidelines".²⁹ It directed the Director of the Bureau of the Budget to issue detailed guidelines for the determination as to when the Government should provide products and services for its own use under the general policy of reliance upon private enterprise.

BOB circular No. A-76, dated March 3, 1966, was issued by Director Schultze to implement the President's directive.³⁰

The subcommittee has recommended for several years that more aggressive action be taken in eliminating nonessential existing Government commercial-industrial type activities and arresting the initiation of new ones, so is pleased that this step has finally been taken, which is bipartisan in nature in amending and presumably strengthening prior action taken during the Eisenhower administration.³¹

Inasmuch as the BOB guidelines are very detailed and require review, interpretation, implementation and testing by the departments and agencies, it will be some time before their impact is

²⁶ See S. 3328 (Senator Proxmire) and H.R. 15210 (Representative Griffiths), 89th Cong., 2d. sess.

²⁷ Hearings, 1965, p. 379 et seq.

²⁸ Hearings, 1966, p. 165.

²⁹ Hearings, 1966, app. 1, p. 208.

³⁰ Ibid., app. 1, p. 203.

³¹ Ibid., app. 1, pp. 208-212.