

1964 with the costs that we estimated would have been incurred by using civil service personnel. We estimated that the cost of \$5,673,000 incurred by using contractor-furnished personnel during that period was \$205,000, or 3.7 percent, more than the cost that would have been incurred by using civil service personnel.

The Postmaster General disagreed with our computations showing that the Department, by using contractor-furnished personnel rather than civil service personnel, had incurred additional cost to the Government and stated that the Department had determined that the estimated costs for using civil service personnel would have approximated the costs for using contractor-furnished personnel. Although we do not agree with the Department's cost estimates, we believe that the major matter for consideration is the illegality of the Department's contracting practice.

In a letter dated November 23, 1965, the Postmaster General advised the Civil Service Commission that the Department had reached the decision that it would not be feasible at this time to staff with civil service personnel the entire function which had been handled under contract. He advised the Commission further that the Department was planning to let the existing contracts expire and then to replace these contracts with new contracts which would eliminate the employer-employee relationship.

By letter dated December 16, 1965, the Chairman of the Civil Service Commission informed the Department that the Commission would review the new contracts and the relationships established thereunder, to ascertain whether they represent, from a civil service standpoint, a legal means for the procurement and use of contract services.

In view of the fact that the Department has stated that the illegal contracting practice will be discontinued, we are not making a recommendation at this time. Further, no action is being taken by us on payments made under the contracts, because the contractors furnished the personnel in good faith and the Government has received the benefit of their services.

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POSSIBLE SAVINGS FROM IMPROVING THE MANAGEMENT CONTROL OF PROJECTILE FUZE COVERS AND OTHER REUSABLE AMMUNITION COMPONENTS, DEPARTMENT OF THE NAVY

During the 3-year period ended June 30, 1964, the Navy incurred costs of as much as \$218,000 because significant quantities of reusable fuze covers were not returned by user activities, and other quantities, although returned, were lost or sold as scrap by one of the ammunition stockage points. Since the Navy has a continuing need for these fuze covers, possible savings of as much as \$595,000 could be realized during the 5-year period ending June 30, 1970, by establishing effective controls over the return and reuse of these covers.

Although our review did not include an examination of records pertinent to reusable ammunition components other than MK 4 fuze covers, we did note that procurements of other reusable ammunition components were made necessary by the failure of user activities to