January 18, 1965, reported the continued existence of such management deficiencies during fiscal year 1964.

In view of the corrective actions initiated by the Department of Defense and the Department of the Army, we did not make any recommendations. We believe that the actions being taken are a start in the right direction and that they merit the continued attention of top management officials in order to ensure that the desired improvements are accomplished. We plan to evaluate the effectiveness of the corrective actions taken as part of our continuing review of the utilization of Government-owned family housing.

[Index No. 14—B-133127, Mar. 24, 1966]

Economies From Making Electron Tubes Available to Other Government Users, Federal Aviation Agency

In a previous report to the Agency, issued in October 1961, we brought out the need for the Agency to review and dispose of inactive depot stocks, including electron tubes, and to establish maximum stock allowances on the basis of actual or anticipated usage. Our follow-up review disclosed that the Agency had not taken adequate action to identify and dispose of tubes excess to its reasonably current needs because it had established retention levels which, in our opinion, were too high in view of the ready availability of tubes on the market.

In June 1962, the Agency decided that a 5-year supply of tubes should be maintained in stock. In June 1964, the Agency lowered the retention level to a more realistic 10-to-22-month supply for the purpose of making tubes available to the Department of Defense. As of September 30, 1963, the Agency had on hand about $2 million worth of tubes in excess of a 2-year demand and about $1.4 million worth of tubes in excess of a 3-year demand. Thus, the Agency retained for long periods large quantities of tubes which should have been made available to other Government users. We noted that in 1963 and 1964 the Department of Defense purchased from commercial sources significant quantities of tubes which, at the times they were purchased, could have been supplied from Federal Aviation Agency stocks.

In April 1964, about midway through our follow-up review, the Agency entered into an agreement with the Defense Electronic Supply Center which resulted in the Agency's reducing its retention levels for certain tubes. However, the Agency did not reduce its retention levels for tubes that were not to be reported to the Supply Center and did not make overstocks of such tubes available to the General Services Administration for possible use by several civil agencies which were also users of many Agency tube types. The retention of more tubes than were needed to meet the Agency's reasonably current requirements resulted in a larger Government investment in inventories than was necessary. Moreover, such retention (1) tends to increase interest costs because the Government borrows substantial funds to finance its operations, (2) increases the chance of financial loss through obsolescence, and (3) could result in additional storage and handling costs and in the expiration of tube warranty periods while tubes are on the shelf.

We proposed that the Administrator of the Federal Aviation Agency direct that retention levels for tubes other than those reported to the