ing contractor-furnished employees who worked at the Center for periods ranging from 12 to 52 months would have been significantly less than the cost of the subsistence allowances paid to the contractor. We believe that, in view of the long term and complex nature of the projects and the lack of in-house capability to perform such projects, the Agency knew, or should have known, that some contractor-furnished employees would be needed at the Center for extended periods of time and that relocating these employees at Government expense would have been advantageous.

We proposed that the Administrator, Federal Aviation Agency, require that precise policies and procedures relative to the allowability and reasonableness of subsistence and relocation allowances for contractor-furnished employees be established. We proposed also that such policies and procedures direct that the duration of the contractor-furnished services be realistically evaluated and that reasonable relocation costs be paid for contractors' employees on extended assignments if such payments will result in lower overall contract costs.

In his letter to us dated September 27, 1965, the Acting Administrator advised us that the Agency was developing guidelines for use by contracting personnel in evaluating the allowability and reasonableness of subsistence and relocation expenses when negotiating and administering contracts. He advised us also that the Agency had initiated action to strengthen other controls in the subsistence and relocation allowances area.

The action taken or to be taken by the Agency, should effectively deal with the matter discussed in this report. In view of the importance of this matter, however, we will, as a part of our continuing review of the Agency's activities, evaluate the effectiveness of (1) the Agency's guidlines when they are issued and (2) the manner in which the guidelines are implemented.

[Index No. 25—B-146924, Apr. 21, 1966]

SAVINGS ATTAINABLE THROUGH REDUCTIONS IN FIRE DEPARTMENT AND GUARD FORCE STAFFING AT GOVERNMENT-OWNED CONTRACTOR-OPERATED INSTALLATIONS, ATOMIC ENERGY COMMISSION

On the basis of our review, we believe that (1) savings of about $65,000 annually are attainable by reducing the number of regular fire department employees at the Portsmouth, Ohio, Gaseous Diffusion Plant operated by Goodyear Atomics Corporation and (2) savings of about $124,000 annually are attainable by consolidating the fire and guard management staffs at both the Portsmouth Gaseous Diffusion Plant and the Oak Ridge National Laboratory which is operated by the Union Carbide Corporation. These savings, in our opinion, are attainable without impairing the effectiveness of the fire protection and prevention activities at these plants.

Information about these potential economy measures was available to Commission officials at Oak Ridge from annual fire loss, protection, and prevention cost reports and from quarterly wage and salary reports submitted by operating contractors. We believe that proper reviews and analyses of these reports would have enabled Commission