

Practically all the additional cost was charged through overhead to contracts with the Department of Defense and, to a limited extent, with the National Aeronautics and Space Administration. Our tests indicated that most of the contractor's flights were routine in nature with no priorities assigned. We concluded that the contractor could have performed effectively under its Government contracts by using commercial and chartered aircraft and available Government-sponsored air services. This contractor has since reduced its executive fleet to one aircraft.

In some situations, it appeared that the additional cost of a private aircraft operation may have been justified by the urgency and high priority of the work performed or by the need to have a minimum capability for emergency needs. In our opinion, however, the additional cost in most cases outweighed the apparent benefits.

The military departments primarily concerned, agreed that the contractors, in certain instances, did not need aircraft for the support of major contracts to the extent they had been used. As a result, in negotiating overhead cost for the years under review, certain disallowances were made by the departments.

In an earlier report to the Congress (B-146948, October 21, 1964), we recommended that the Secretary of Defense provide all military services with guidelines to be followed in determining the allowability of costs of company-operated aircraft to be included in prices of negotiated Government contracts. We were informed that this has now been done and the entire matter was referred to the Armed Services Procurement Regulation Committee for its consideration and appropriate coverage in the Armed Services Procurement Regulation. We were informed also that the military services had issued guidance to their procurement personnel with respect to this matter.

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NEED TO IMPROVE CONTRACTING PROCEDURES FOR EMPLOYMENT OF APPRAISERS TO VALUE INDIAN LANDS, DEPARTMENT OF JUSTICE

Our review disclosed a need to improve contracting for employment of appraisers through the strengthening of contracting procedures and establishment of guidelines for aiding in determining the reasonableness of appraisers' proposed fees. We found that uniform procedures or guidelines had not been prescribed for aiding attorneys who select appraisers; management had not effectively reviewed contracting actions; appraisers had not been required to furnish such basic data as estimated man-days, per diem rates for personal services, travel, outside fees, printing, overhead, or other expenses in support of their bid proposals; and there was usually an absence of negotiations between attorneys and appraisers.

We proposed to the Attorney General that policies and procedures be prescribed for governing the selection of appraisers and that provision be made for periodic reviews of contracting activities for determining whether prescribed policies and procedures are being effectively carried out at the operating level. We proposed also that appraisers be required to furnish sufficient financial or other fee information for enabling the contracting officials to effectively evaluate the reasonable-