

less than the average use objectives established by the General Services Administration; some of the vehicles were not used at all during the year. We found that these reports were not used by Central Office officials for management control purposes although it is pointed out in the Bureau of Indian Affairs Manual that the analyses of reports on past operations, which are developed through the Bureau's financial management control system, could indicate that weaknesses exist in vehicle utilization practices.

We brought our findings to the attention of Department and Bureau officials and proposed that vehicle utilization practices be reviewed at Bureau locations with the objective of pooling vehicles where practicable and disposing of vehicles in excess of needs. We proposed also that vehicle operators' records be properly maintained so that management officials can adequately review and evaluate vehicle utilization. We were advised that our proposals would be adopted, and in December 1965 the Department advised us that the findings in this report disclosed some significant weaknesses in the management of vehicles and that it was the Bureau's intention to eliminate those weaknesses as rapidly as possible.

We were advised that the Bureau had initiated action for an almost complete take-over of its motor vehicle fleet by the General Services Administration. Transfers of vehicles have been completed at the Anadarko and Muskogee Area Offices, and, as a result of the pooling operations, it is expected that annual operating costs of the Anadarko and Muskogee Area Offices will be reduced by about \$33,000 and \$40,000, respectively, and that total vehicle needs will be reduced by about 100 vehicles.

In view of the corrective actions taken or to be taken by the Department and the Bureau, we are making no recommendations on the specific matters noted in the report at this time. As part of our continuing review of the Bureau, we plan to make examinations into the action taken at an appropriate time. We noted, however, that the Bureau's Office of Audit does not review the utilization of vehicles. In our opinion, such reviews by internal audit are a significant and necessary management control function; therefore, we are recommending that the Commissioner of Indian Affairs require the Office of Audit to include the examination into vehicle utilization as part of its reviews of property utilization.

[Index No. 16—B-114807, Apr. 12, 1966]

NEED FOR IMPROVEMENT IN MULTIPLE-AWARD CONTRACTING POLICY, GENERAL SERVICES ADMINISTRATION

We made a review of selected multiple-award contracts awarded by the General Services Administration for felt tip markers. Multiple-award contracting is the awarding of concurrent contracts to different suppliers of comparable or competitive products or services, which can be used by Government agencies to fill their varying requirements. Because certain actions taken by the contracting officer, with which we disagree, were consistent with a policy governing the General Services Administration multiple-award

system of contracting, our review was expanded to include an evaluation of that policy.

In February 1962 General Services Administration determined that three brands of felt tip markers available to agencies under its negotiated multiple-award contracts were comparable in performance. Notwithstanding this determination, General Services Administration renewed and extended the contract with the supplier of one of these brands during the period September 1962 through February 1964 at prices which were substantially in excess of prices negotiated with suppliers of the other two brands. We estimate that increased costs of about \$300,000 were incurred by Government agencies that ordered the higher priced markers during that period.

We believe that the increased costs would have been avoided had the General Services Administration either (1) negotiated a lower price with the supplier of the higher priced markers or failing this, (2) not extended nor renewed the contract with that supplier, thereby removing that brand of marker from the Federal Supply Schedule.

The General Services Administration on July 1, 1965, in commenting on our preliminary proposals, stated that there was no supportable method whereby, under the multiple-award system, a supplier offering comparable or competitive product could be precluded from participating in the Federal supply system simply because his product was priced higher. In view of the fact that the actions of the contracting officer were based on General Services Administration policy and in view of the substantial amount of negotiated procurement under the multiple-award system, we believe that the award of contracts to the supplier of the higher priced item has implications beyond felt tip marker contracts and that a revision of General Services Administration contracting policy would be desirable.

The General Services Administration enters into the negotiation of multiple-award contracts at a disadvantage when it adheres to the self-imposed requirement that it must ultimately award a contract to each supplier of a comparable or competitive product regardless of price. Under these circumstances there is little reason for the supplier to make the price concessions which are a part of the contract negotiation process. While a dollar value cannot be assigned to the advantage that would result from a stronger posture by the General Services Administration in negotiating multiple-award contracts, we nevertheless believe that there will be occasions when the Government will benefit if both the General Services Administration contracting officers and the contractors enter into negotiations of multiple-award contracts with the understanding that the contracting officer need not award a contract if he cannot negotiate a price that he believes is reasonable, all facts considered.

Accordingly, we are recommending to the Administrator of General Services that the General Services Administration revise the policy governing its multiple-award system of contracting, so that a contracting officer is not required as a matter of policy to award a contract to, or to extend or renew a contract with, a supplier with whom he cannot negotiate a reasonable contract price.

[Index No. 17—B-114868, Apr. 12, 1966]

SAVINGS ATTAINABLE THROUGH REVISIONS OF CONSTRUCTION STANDARDS TO AVOID EXCESS SEATING CAPACITY IN SCHOOL DINING FACILITIES, BUREAU OF INDIAN AFFAIRS, DEPARTMENT OF THE INTERIOR

As a result of our review the Bureau has revised its construction standards, and we estimate that construction and furniture costs of dining facilities at four 1,000-pupil schools being planned by the Bureau will be lowered by about \$146,000 as a result of the reduction in excess seating capacity. In addition, savings in construction and furniture costs can be realized by the reduction of seating capacities of dining facilities at smaller schools.

In 1957 the Bureau established a standard for the construction of dining facilities which provided for a seating capacity of 50 percent of the maximum school enrollment in the main dining room. We examined operations of dining facilities at five selected schools and observed that the number of seats used at the point of maximum occupancy was less than 400, even though in some instances more than 1,000 pupils were fed. The number of seats vacant at the point of maximum occupancy ranged from 150 to 275.

Our observations showed that the capacity of serving lines and the turnover rate of pupils in the dining areas, rather than the size of the student body, are the principal factors that determine the number of seats needed in a dining facility. Since the Bureau apparently did not consider these limiting factors in 1957, the standard of providing seating capacity in dining facilities for 50 percent of the maximum enrollment of schools is unrealistic, in our opinion, and significant additional construction and furniture costs have been incurred. Moreover, action was not taken to revise the 50-percent seating standard although a cognizant Bureau official formally advised the Commissioner of Indian Affairs in 1962 that the seating standard being used resulted in overbuilding dining facilities at schools with large student enrollments.

After we brought our findings to the attention of Department officials, we were advised in August 1965 that the Bureau initiated a study of dining facility operations and we were informed in December 1965 of the results of the survey. After further discussions with Bureau officials in January and February 1966, we were advised that construction standards for dining facilities at schools with enrollments of more than 479 pupils would be revised and that plans for a new standard 1,000-pupil school dining facility had been completed. Our comparison of these revised plans with the plans previously used for a standard 1,000-pupil school dining facility showed that the dining area was reduced from about 9,000 to about 6,300 square feet, or a reduction of about 30 percent. On the basis of cost data furnished by the Bureau, we estimate that construction and furniture costs at four 1,000-pupil schools being planned by the Bureau will be lowered by about \$146,000 as a result of the reduction of excess seating capacity.

Although the Bureau took action to reduce excess seating capacity in school dining facilities after we brought our findings to the attention of the Department, the action taken was based on the results of a survey of dining operations that appeared questionable since actual

counts of vacant seats in the dining facilities were not made. Consequently, we believe that further savings may be attainable.

Therefore we are recommending that the Commissioner of Indian Affairs reevaluate seating capacity needs at school dining facilities before giving his approval for the revised construction standards.

As part of our continuing review of Bureau activities, we plan to make an examination of the actions taken by the Bureau at an appropriate time.

[Index No. 18—B-133127, Apr. 12, 1966]

OPPORTUNITIES FOR SAVINGS THROUGH GREATER USE OF AVAILABLE MILITARY AIRCRAFT PARTS, FEDERAL AVIATION AGENCY

On the basis of our reviews at two Air Force installations, it appears that substantial savings can be achieved through the greater use of military aircraft parts. During fiscal year 1964, the Agency's purchases of aircraft parts from commercial sources amounted to about \$2.2 million. Our review disclosed that the majority of the types of items purchased from commercial sources were carried in the Air Force supply system and that a number of these types of items were in long supply in the Air Force system.

The purchases were made from commercial sources when military parts were available because of the Federal Aviation Agency's policy of emphasizing that approved commercial sources be the first source of supply for aircraft parts needed for the Agency's aircraft fleet. However, many of the parts in the Air Force system were acquired from the same commercial sources as those used by the Agency.

Subsequent to our review, the Federal Aviation Agency began participating on a test basis in the Department of Defense Interservice Supply Support Program. Under this program, the military services report stocks in long supply to the Defense Logistics Service Center of the Defense Supply Agency where the information is consolidated and furnished to participants in the program in accordance with requirements reported by the participants. Full participation in this program should provide the Agency with current information as to the availability of military parts. However, on the basis of our review, we concluded that it was unlikely that maximum use of such parts would be achieved by the Agency unless its policy was changed to emphasize that military stocks be considered as the first source of supply.

In his letter to us dated July 30, 1965, the Administrator of the Federal Aviation Agency informed us that the Federal Aviation Agency was participating in the Department of Defense interservice supply program and was using assets of that Department when available to satisfy the Agency's operating requirements. He stated that a previous General Accounting Office report had prompted the Agency to reexamine its policy regarding the use of military aircraft parts. The Administrator agreed that the Agency's policy in effect at the time of our review did limit the use of military parts and that the Agency should use the Department of Defense supply system as the prime source of supply for aircraft parts whenever possible.

In this regard, he stated that an Agency directive issued in February 1965 authorized the use of military aircraft parts on certified

Agency aircraft and that overhauled and repaired military parts would be used as well as new parts. We note that, in March 1965, the Agency issued a directive for the guidance of its procurement personnel which states, in part, that personal property requirements will not be procured from commercial sources until it has been determined that the needed items are not available from other agencies.

If these directives are effectively implemented, the deficiency discussed in this report should not recur. We are recommending that the Administrator of the Federal Aviation Agency ascertain through future management reviews and internal audits that the aforementioned directives are being effectively administered and that military aircraft parts are being used to the maximum extent practicable.

[Index No. 19—B-133386, Apr. 12, 1966]

REVIEW OF ROYALTIES CHARGED TO THE U.S. GOVERNMENT FOR
USE BY GOVERNMENT CONTRACTORS OF CHEMICAL MILLING IN-
VENTIONS, DEPARTMENT OF THE AIR FORCE

A basic chemical milling invention was developed by a Department of the Air Force prime contractor, North American Aviation, Inc., Los Angeles, California. Inventor laboratory notes, technical reports, and other records of the contractor show that the invention was made to solve a problem arising in the performance of an Air Force research and development missile contract. The invention had been classified by the contractors as being not subject to the patent rights provisions of the contract, and thereafter the Government was charged royalties for its use. Although the terms of the contract were subject to varied interpretations, we believe that a reasonable interpretation would have granted the Government a royalty-free license to use the invention.

When the Air Force became aware of the basic chemical milling invention, it raised the issue of the Government's rights to royalty-free use of the invention but did not resolve the issue. At the time of our review, Government contracts with other firms had been charged chemical milling royalties totaling almost \$500,000, of which an unidentified portion covered improvement patents and know-how of another company whose records were not subject to our review.

We informed the Secretary of Defense of our findings and proposed that his Department take the necessary steps to settle the matter on equitable grounds and to avoid any unwarranted royalty payments in the future. In commenting on these proposals, the Department of Defense advised us that the Air Force General Counsel's Office had entered into preliminary discussions with counsel for the Air Force prime contractor to resolve the legal issues relevant to a determination of the Government's rights in the inventions in question and, further, that the Air Force would advise us of the action taken on these proposals at a later date.

The Air Force advised us in February 1966 that it had negotiated with the prime contractor a proposed settlement agreement which the Air Force intended to execute in the near future. This agreement in essence provides for (1) the rebate to the Government of \$157,000 as settlement of one half of the prime contractor's share of the chemical

milling royalties paid by Government contractors through September 30, 1964, (2) the continuing rebate of one half of the prime contractor's future share of such royalties, add (3) the grant of royalty-free licenses in the contractor's 12 chemical milling inventions and 5 inventions on which patent applications have been filed.

We believe that difficulties arise as to the Government's license rights because of varied interpretations given the definition of the term "subject invention" contained in the Armed Services Procurement Regulation (ASPR) patent provisions. Although the ASPR definition of a subject invention was revised during our review to mean any invention made "* * * in the course of or under this contract * * *," the Government is still confronted with the difficult task of establishing whether a nonsubject classification by a contractor is justified. We therefore proposed that the Department of Defense amend the ASPR patent provisions to provide a broader and more definitive description of the term "subject invention" and to establish a presumption that any invention made during performance of a contract, which relates to the subject matter of the contract or to work incident to or required under the contract, is a "subject invention."

We also proposed that the Department consider a further amendment of the ASPR patent provisions to provide that both the military services and the Comptroller General of the United States have the right of access to records necessary to determine whether any invention of a contractor is a subject invention or to determine compliance by a contractor with the requirements of the patent rights clause.

The Department of Defense informed us that our proposed change in the ASPR, along with other proposed changes dealing with patent administration, had been considered by the ASPR Patents Subcommittee and that the Subcommittee's report was scheduled for consideration by the full ASPR Committee. When final action is taken by the ASPR Committee, the Department will advise us of any changes in the regulation.

[Index No. 20—B-158427, April 12, 1966]

REVIEW OF SAFETY CONDITIONS IN CERTAIN STORAGE AREAS PRIMARILY IN THE SOUTH BUILDING OF THE DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C., DEPARTMENT OF AGRICULTURE, GENERAL SERVICES ADMINISTRATION

We noted that trash was permitted to accumulate in storage areas; printed matter was stored in a manner that obstructed sprinkler coverage; corridors and aisles were used for storage areas, thus impeding the movement of fire-fighting equipment; extension cords were used unsafely; broken bulbs and unprotected lighting fixtures created fire hazards; employees smoked in areas highly susceptible to fire; "No Smoking" signs had not been posted in areas where they should have been posted; and inspection and maintenance of fire extinguishers were inadequate not only in storage areas but elsewhere in the South Building, so that many of the extinguishers were of questionable usefulness. We have included in the report photographs taken during our review in 1964 showing the conditions of some of the storage areas in the South Building.

In our opinion, the hazardous conditions for which Department of Agriculture officials are responsible were primarily attributable to the absence of a coordinated Department-wide policy and of adequate standards, techniques, and procedures pertaining to the prevention and control of fire and related hazards. Also, we believe that the unsafe conditions for which the General Services Administration is responsible resulted because its buildings manager did not comply with established General Services Administration regulations and did not provide adequate maintenance in the attic and subbasement storage areas in the South Building.

In a letter dated September 29, 1965, the Director, Office of Plant and Operations, Department of Agriculture, informed us that he had checked various parts of our proposed report with the agencies of the Department having interest in those areas and had reviewed with officials of the General Services Administration certain of our findings. He noted that the issues we had raised were well taken and added that the Department was eliminating the hazards. The Director itemized certain specific actions which had been taken or were planned to correct the deficiencies we reported and stated that he expected that the actions which the Department was taking would also prevent the recurrence of such hazards.

In a letter dated October 20, 1965, the Assistant Administrator for Finance and Administration, General Services Administration, explained in detail the corrective measures which had been or would be taken on the various deficiencies noted in our proposed report.

We believe that the actions taken or contemplated by the Department of Agriculture and the General Services Administration are substantially responsive to our proposals and, if properly implemented, should eliminate and prevent the recurrence of the deficiencies disclosed in our review in the South Building. We noted, however, that similar deficiencies existed in three of six other governmental agency buildings which we subjected to a selective review in December 1965. Therefore, we are recommending to the Administrator of General Services that our findings be brought to the attention of the agency's managers in the other buildings under General Services Administration control with the request that similar reviews be made and any necessary corrective action be taken.

Although our findings pertain primarily to one of many governmental agency buildings in the Washington, D.C., area, we are bringing the results of our review to the attention of the Congress because the deficiencies disclosed both in that building and in three of six other buildings included in our subsequent review demonstrate some of the unsafe and hazardous conditions which should be avoided by all Government agencies. Also, our findings should be of interest to all Government agencies in connection with their responsibilities under the "Mission Safety-70" program initiated by the President on February 16, 1965, which has as its objective a 30-percent reduction of Federal employees' injuries and related costs by 1970.

[Index No. 21—B-158515, Apr. 12, 1966]

REVIEW OF LONG-TERM MEDICAL RESEARCH ON AGING OF AVIATION PERSONNEL, FEDERAL AVIATION AGENCY

The objective of the Federal Aviation Agency's efforts in this 25-year research project is to develop methods for measuring the physiologic age, as distinguished from the chronologic age, of aviation personnel. The Public Health Service, Department of Health, Education, and Welfare, also is supporting a project through a research grant to learn more about the process of physiological aging and its progress is relation to chronological age. The latter project is using pilots as a study group and is expected by the grantee to continue for a total of 30 years. The projects, currently being funded at annual rates totaling about \$365,000, will cost the Government \$9.7 million (\$5 million for the Federal Aviation Agency and \$4.7 million for the Public Health Service) if they are financed to completion.

In our opinion, the need for the Federal Aviation Agency to undertake a separate long-term project on the aging of pilots and other aviation personnel is questionable because (1) the general objectives of each project are similar and each project is based on the same planning study and (2) the information being developed under the Public Health Service-supported research project could, it seems, have been adapted to meet the objectives of the project which the Federal Aviation Agency had recently initiated.

In 1960 the Federal Aviation Agency awarded a contract to the Lovelace Foundation for Medical Education and Research, Albuquerque, New Mexico, for a research planning study of aging criteria. The Lovelace Foundation advised the Agency that an extensive planning study was necessary before any long-term project on aging could be effectively initiated. Prior to the award of the contract, the Subcommittee on Independent Offices of the Committee on Appropriations, House of Representatives, expressed concern that the Federal Aviation Agency was about to undertake research in an area already being studied by the Public Health Service and by other Government agencies. The Agency informed the subcommittee that, to its knowledge, neither the Public Health Service nor any other research group was conducting research on aging related to the task of piloting. Subsequently, the Agency learned that the Foundation intended to apply to the Public Health Service for a grant to support a long-term project on the aging of pilots. However, the Agency proceeded to make the first examinations in its long-term aging project.

We conclude that, upon being advised of the Foundation's intention to apply to the Public Health Service for a grant to conduct long-term research on the aging of pilots, the Federal Aviation Agency could have formally communicated with the Service and the Foundation to determine whether one long-term project could be devised to meet the needs of both agencies. If these procedures had been followed, the Federal Aviation Agency's research objectives related to the aging of pilots and other aviation personnel may have been attained, as part of the long-term project supported by the Public Health Service, at substantially lower cost to the Government.

The Federal Aviation Agency disagreed with our findings on the bases that (1) the methodologies of each of the projects differ and

(2) the studies do not, for the most part, duplicate each other although they are similar. We do not mean to imply that there are no differences between the two projects. However, the general objectives of each project are similar and the research subjects in both projects are representative of the population for which the Agency requires data. Accordingly, we believe that with adequate coordination the Public Health Service-supported project may have been modified to satisfy the objectives of the project which the Federal Aviation Agency had recently initiated.

The Agency acknowledged that there were no formal procedures for coordinating research between it and the Public Health Service. The Federal Aviation Agency advised us that it would establish formal procedures for coordinating new research projects with the Public Health Service.

With regard to whether both projects should continue to be financed, the Administrator, Federal Aviation Agency, informed us that Agency officials had discussed this matter with Public Health Service officials, at which time they agreed that each group would maintain its separate project. Because of the technical nature of the question involved, we are not in a position to determine the merits of the decision reached. The situation described in this report serves, however, to illustrate the importance of adequate coordination between Government agencies before long-term research projects are initiated. The establishment of formal procedures by the Federal Aviation Agency for coordinating new research projects with the Public Health Service, if such procedures are properly implemented, should assist in accomplishing research objectives in a more economical manner. Accordingly, we are making no recommendations at this time. We will continue to observe the manner in which the Federal Aviation Agency and other Government agencies coordinate their research efforts.

[Index No. 22—B-122796, Apr. 21, 1966]

REVIEW OF REEMPLOYMENT LEAVE TRAVEL BENEFITS GRANTED CERTAIN CIVIL SERVICE EMPLOYEES IN STATES OF ALASKA AND HAWAII, DEPARTMENT OF DEFENSE AND OTHER GOVERNMENT AGENCIES

The General Accounting Office has made a review of reemployment leave travel benefits granted certain civil service employees in the States of Alaska and Hawaii by the Department of Defense and other Government agencies.

Under the law, the Government pays the expenses of round trip travel of certain employees and the transportation of their immediate families from their posts of duty in Alaska or Hawaii to their designated residences at time of appointment or transfer, for the purpose of taking leave between tours of duty.

These benefits are provided to attract employees with needed skills to duty posts outside the continental United States and to induce them to extend their tours of duty at such posts. The hearings on the authorizing legislation (5 U.S.C. 73b-3) indicate that reemployment leave travel benefits were for employees who do not intend to become permanent residents of Alaska or Hawaii and that a reevalua-

tion was to be made of the need for reemployment leave travel benefits when these territories became States.

Our review disclosed, that many Federal employees were obtaining these travel benefits although they had lived for many years in, had registered to vote in, and had bought homes in, Alaska or Hawaii. Under existing law, these employees, because they were considered to be nonresidents of Alaska or Hawaii at the time of appointment or transfer, are permanently entitled to reemployment leave travel benefits; whereas employees who were considered to be permanent residents of Alaska or Hawaii when they were hired are not entitled to these benefits.

To ascertain whether similar benefits were provided by private industry to employees from the United States mainland, we inquired into the policies of several of the larger corporations having offices in Alaska or in Hawaii. Seven of the nine corporations we queried advised us that they did not provide employees from the United States mainland with transportation to the mainland for the purpose of vacationing.

Although entitlement to reemployment leave travel benefits is based upon the employee's actual residence at time of appointment or transfer, the implementing Bureau of the Budget regulations do not define "actual residence." As a result, many employees are obtaining benefits on the basis of administrative determinations of actual residence which appear to be questionable.

The Government's cost for reemployment leave travel benefits to employees in Alaska and Hawaii amounts to about \$1.4 million a year. We did not estimate how much of this amount could be saved by terminating benefits for employees who become established residents of Alaska or Hawaii and by applying more restrictive criteria in determining the employee's place of actual residence at time of appointment or transfer. We believe, however, that the savings from such actions would be significant.

The matters discussed in this report were brought to the attention of the Bureau of the Budget and several Federal agencies having employees in Alaska and Hawaii. The Bureau of the Budget and these agencies generally agreed that provision should be made for terminating reemployment leave travel benefits for employees who become established residents of the States of Alaska and Hawaii and that there is a need to clarify the intent of the law with respect to an employee's actual residence at time of appointment or transfer.

We recommended that the Bureau of the Budget, under its existing authority, specify criteria for determining "actual residence at time of appointment or transfer," for the guidance of administrative personnel responsible for determining the entitlement of employees to reemployment leave travel benefits.

We suggested that, because conditions affecting the recruitment and retention of civil service employees in Alaska and Hawaii have changed since enactment of the legislation providing for reemployment leave travel benefits and because there is no provision for terminating such benefits in the light of changed conditions, the Congress may wish to consider legislation providing for discontinuing reemployment leave travel benefits when they are no longer appropriate.

[Index No. 23—B-133044, Apr. 21, 1966]

SAVINGS AVAILABLE THROUGH UTILIZATION OF GREATER QUANTITIES OF EXCESS MEDICAL EQUIPMENT AND SUPPLIES, VETERANS' ADMINISTRATION

On the basis of our review, we believe that the veterans Administration could have used considerably greater quantities of certain medical equipment and supplies that were declared excess by the Department of Defense in 1962 and 1963 than it actually acquired. The excess items cost about \$2.7 million. Of these excess items, about \$1.8 million worth were acquired by Government agencies—including about \$450,000 worth acquired by the Veterans Administration—and about \$900,000 worth were donated to recipients outside the Government. We believe that a significant quantity of the \$900,000 worth of donated excess items could have been used throughout the Veterans' Administration hospital system.

In our opinion, the Veterans' Administration did not acquire the maximum quantities of excess medical equipment and supplies that it could have used, because responsibility for screening and evaluating excess property for use by the Veterans' Administration was not centralized and was therefore ineffective.

We advised the Administrator of Veterans' Affairs of our findings and proposed that he centralize authority and responsibility for, and provide procedures for, effectively screening and utilizing excess property.

The Deputy Administrator of Veterans' Affairs informed us on September 8, 1965, that he agreed that the Veterans' Administration should make the fullest practicable use of excess property of other Government agencies and that procedures had been developed centralizing the responsibility for screening and maximizing the utilization of excess property.

[Index No. 24—B-133127, Apr. 21, 1966]

OPPORTUNITY FOR SAVINGS THROUGH PAYMENT OF RELOCATION COSTS RATHER THAN SUBSISTENCE ALLOWANCES FOR CONTRACTOR-FURNISHED EMPLOYEES, FEDERAL AVIATION AGENCY

During the 5-year period ended June 30, 1964, the Government incurred significant additional costs that could have been avoided if the Agency had paid relocation costs rather than subsistence allowances for certain contractor-furnished employees assigned to work at its National Aviation Facilities Experimental Center. We believe that, when it was advantageous to do so, the Agency's contracting personnel should have authorized or requested relocation, at Government expense, of contractor-furnished employees assigned to work on projects at the Center for periods in excess of 1 year. We believe also that the basic cause for the additional costs was the absence of specific guidelines for use by the Agency's contracting personnel in evaluating the allowability and reasonableness of subsistence and relocation allowances.

Although the precise amount of savings that would have been realized is not readily determinable, we found that the cost of relocat-

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 guidelines 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 Atomic 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

officials to compare the costs of the fire protection and prevention activities between the plants and thus identify the potential economy measures discussed in the report.

We presented the matters discussed in the report to the Commission's General Manager for comment, and, at our request, the General Manager obtained for us the views of Goodyear and Carbide. The contractors and the Commission stated reasons why personnel reductions could not have been made earlier, but they indicated that steps were being taken to realize the potential economies.

We are recommending that the Commission's General Manager (1) require a review of fire protection and prevention and guard force activities at its other contractor-operated installations for the purpose of ascertaining whether adequate and effective levels of these activities are being conducted in the most economical manner and (2) direct the attention of Commission employees to the importance thorough reviews and analyses of cost and staffing reports regularly submitted by operating contractors, which provide a basis for evaluating the comparative economy of similar activities at different plants.

[Index No. 26—B-146962, Apr. 21, 1966]

REVIEW OF SELECTED OVERHEAD COSTS CHARGED TO GOVERNMENT
CONTRACTS BY THE UNIVAC DIVISION OF SPERRY RAND CORP.,
ST. PAUL, MINN., DEPARTMENT OF DEFENSE

In our review we found questionable charges to Government contracts by the Univac Division of Sperry Rand Corporation, St. Paul, Minnesota, totaling \$264,000, consisting of plant maintenance and occupancy costs, interest, and accelerated amortization of lease hold improvements.

Univac allocates plant maintenance and occupancy costs incurred in its eight operating plants on a so-called one-roof basis. Under this method, these costs are combined into one pool and an average cost per square foot on plant space is computed considering the total working area in the eight plants. This is then allocated to Government and commercial operations in each plant on the basis of the area utilized for each type of work. Inequities result from this method when space used for Government operations is charged with costs incurred exclusively or predominantly in areas used for commercial operations.

In our review we identified about \$152,000 of plant maintenance and occupancy costs incurred in a 12-month period which were charged to the Government, although they were related to the company's commercial operations. For example, about \$127,000 of rent and local property taxes incurred in various other plants were allocated to Government contracts performed in plant II, a rent-free Navy-owned plant used primarily for Government work. If these expenses had been accumulated on an individual plant basis and allocated in proportion to Government and commercial work performed in each plant, we estimate that Univac's commercial work would have borne \$77,000 of this \$127,000. We believe this would have been a more realistic basis for allocating these expenses.

We also found that Univac charged the Government with interest costs of about \$29,000 (including about \$18,400 applicable to cost-type contracts), recorded by the contractor as rent, and with accelerated amortization costs of \$83,000 on leasehold improvements. Neither of the charges was questioned by the Air Force auditors, although they appeared to be contrary to the pertinent provisions of the Armed Services Procurement Regulation.

The Department of Defense informed us that, after we had called the matter to its attention, it effected recovery of interest reimbursed to Univac through the fiscal year ended March 31, 1964, under cost-type contracts and agreed to redetermine the amounts allowable for amortization of leasehold improvements. With respect to plant maintenance and occupancy costs, the Department also agreed to seek an adjustment of the overhead inequitably allocated to the Government.

[Index No. 27—B-157535, Apr. 21, 1966]

REVIEW OF PRICES NEGOTIATED ON SELECTED CONTRACTS FOR AMMUNITION AND WEAPONS COMPONENTS, DEPARTMENT OF THE ARMY

The Government has incurred additional costs because two contractors proposed, and the Government accepted, prices that were overstated in relation to cost information known to the contractors prior to the dates on which the proposals were made. Our review of one contract awarded to Aerojet-General Corporation and three contracts awarded to The Cleveland Pneumatic Tool Company revealed that the primary cause of the overstated prices had been the failure of both contractors to base their labor cost estimates on the most recent production information available. Furthermore, although there was substantial production experience available prior to the award of each of the contracts in question, Army procurement officials did not, in our opinion, adequately review such production data to verify the reasonableness of the contractor's proposal.

Our selective examination into the pricing of the contract awarded to Aerojet-General Corporation indicated that the price had been overstated by about \$957,000. When we brought our findings to the attention of the Department of the Army it initiated a further review, from which it concluded that the contract price actually had been overstated by about \$2.8 million. Our review of the prices negotiated with The Cleveland Pneumatic Tool Company indicated that the prices of the three contracts had been overstated by about \$239,000. Each of the four contracts was awarded subsequent to the enactment of Public Law 87-653, and therefore included provisions for price adjustments. The Department of the Army advised us that, on the basis of its review of the circumstances, it agreed that the contracts had been overpriced and informed us that it was taking action to obtain appropriate refunds.

In view of the actions being taken by the Department of the Army to adjust the contract prices, we made no further recommendations.

[Index No. 28—B-157711, Apr. 21, 1966]

POTENTIAL SAVINGS BY BUYING INSTEAD OF LEASING SPECIALIZED
TRANSPORTATION EQUIPMENT, DEPARTMENT OF THE AIR FORCE

The Department of the Air Force provides logistic support for all Government missile and space programs. On the basis of our review, we are of the opinion that, during the period October 1961 through June 1965, the Air Force expended about \$1 million more to lease liquid oxygen and nitrogen transport trailers from common carriers than it would have expended to purchase and maintain the trailers. These costs were incurred as a result of the Air Force's adherence to a policy of leasing specialized transportation equipment from carriers without first considering the comparative costs of leasing and of owning the equipment. Had the comparative costs been considered before the agreements were made with the carriers, we believe that the financial advantages of ownership could have been foreseen and the additional costs avoided.

In its comments on this matter in April 1965, the Department of the Air Force recognized that, when a long-term requirement existed for specialized transportation equipment, it might be advantageous to consider Government purchase and stated that its transportation regulations would be revised to require a cost analysis of Government purchase versus lease or exclusive-use arrangements when such equipment is required. This revision had not been incorporated in the regulations at the time of issuance of our report.

The Air Force did not agree, however, that the leasing arrangements had resulted in avoidable costs to the Government, claiming that acceptable military design trailers could not have been purchased in time to meet the transportation requirements and thus avoid payment of interim leasing charges for commercial design trailers. Although the Air Force did not comment specifically on the possible procurement of commercial design trailers, we were informally advised that, since it already had military design trailers in its inventory, the Air Force would not have considered commercial design trailers. It is our opinion that the Air Force should not have limited its consideration of trailers to be purchased to those of military design. We believe that, if commercial design trailers were considered satisfactory for transporting the propellants under leasing arrangements with the carriers, they would have been equally satisfactory for the same purpose if under Government ownership.

We recommended that, in revising the transportation regulations, the Secretary of the Air Force considered including a provision specifying that specialized commercial design equipment be purchased in lieu of military design equipment, if financially advantageous to the Government, and used to transport military cargo. We recommended also that the Secretary of the Air Force institute a review to determine whether existing lease arrangements should be continued or whether some alternative arrangement should be negotiated with the carriers.

[Index No. 29—B-114858, Apr. 29, 1966]

NEED FOR IMPROVED COORDINATION OF TRANSMISSION LINE CONSTRUCTION PRACTICES OF THE BUREAU OF RECLAMATION AND THE BONNEVILLE POWER ADMINISTRATION, DEPARTMENT OF INTERIOR

The Bureau and the Administration have adopted different practices in constructing tower footings without fully evaluating alternative methods of construction. Our review showed that, because of these different practices, there have been substantial differences between the amounts which the Bureau and the Administration have agreed to pay for the construction of tower footings. For example, we found that the Bureau specified the use of concrete pad footings on 473 miles of transmission lines under conditions that it appears would have permitted the use of steel footings, such as those generally constructed by the Administration, and that the prices of the concrete pad footings were about \$492,500 more than the average prices of steel footings of equal or greater structural strength constructed by the Administration.

In addition to differences in practices relating to construction of tower footings, we noted or were advised of other differences between the transmission line construction practices of the Bureau and the Administration, such as the extent of soil testing, weight of towers used, size of conductors, size and number of insulators used, use of overhead ground wires, and use of Government-furnished materials. Although the Office of the Assistant Secretary, Water and Power Development, Department of the Interior, is responsible for the direction and supervision of the Bureau and the Administration, an official of this Office advised us that the Office has not required coordination of transmission line construction practices and has not reviewed or evaluated the differences in the construction practices of the two agencies.

We believe that the results of our review indicate a need for centralized coordination to provide reasonable assurance that, when improved systems or techniques—in terms of either efficiency or economy—are developed, they will be promptly implemented by all the agencies which can benefit from their use. The Department did not agree that centralized coordination is needed and its views are recognized in the report.

We are recommending that the Secretary of the Interior reconsider the Department's position and require that a study be made to determine the full extent of the differences between the transmission line construction practices of the Bureau and the Administration and the potential for effecting savings by the adoption of more uniform practices. We are recommending further that this study be used as the basis for determining the degree of coordination necessary and practicable to effect the potential savings and for developing procedures to implement such coordination.

[Index No. 30—B-118634, Apr. 29, 1966]

OPPORTUNITY FOR SAVINGS BY REDUCING OVERTIME ON REVETMENT
CONSTRUCTION AND MAINTENANCE ON THE LOWER MISSISSIPPI
RIVER, CORPS OF ENGINEERS (CIVIL FUNCTIONS), DEPARTMENT OF
THE ARMY

The accompanying report presents our findings regarding the opportunity for savings by use of a 40-hour workweek in lieu of regularly scheduled overtime on revetment construction and maintenance work performed by the Corps of Engineers (Civil Functions), Department of the Army, on the Lower Mississippi River. Revetment construction involves the laying of concrete mattresses at selected bank locations to protect vulnerable bank areas from the eroding action of the river currents.

On the basis of our review, we believe that, in most cases, the Corps of Engineers could accomplish planned revetment work over an extended construction period by using a 40-hour workweek in lieu of scheduled overtime work to accelerate revetment operations. We made an examination of past construction seasons and programs to demonstrate the feasibility of doing this work in the future without the use of regularly scheduled overtime. We estimate that the Corps of Engineers could have realized savings of about \$521,000 during fiscal years 1962 through 1965 by eliminating scheduled overtime in revetment construction activities performed by the Memphis District of the Corps of Engineers on the Lower Mississippi River.

The Department of the Army advised us that the Corps of Engineers must consider many factors in planning and carrying out this complex land and marine construction operation. The primary factors which the Department stated must be considered relate to adverse river stages and weather conditions. In determining that a 40-hour workweek was feasible, we gave consideration to the possible effect of adverse river stages and weather conditions on the Corps' ability to perform the work.

The Department stated that failure to complete the yearly program would subject the bank areas to additional erosion and could result in damage to partially completed revetments. We believe that many of the potential problems mentioned by the Department would be present regardless of whether the work was performed by using scheduled overtime or on a 40-hour workweek basis with overtime limited to that required after it becomes apparent that necessary work cannot be completed because only a portion of the authorized revetment work can be accomplished in any one construction season. Also, the risks are present in any year because, as district officials informed us, revetment work is most effectively performed when erosion of the banks has progressed to a certain stage. Prior to or after the time this stage has been reached, the effectiveness of performing revetment work is reduced.

We are therefore recommending that the Chief of Engineers direct the Lower Mississippi Valley Division to use a 40-hour workweek in programming revetment construction by the Memphis District and that overtime be limited to that required after it becomes apparent that necessary work cannot be accomplished on a 40-hour workweek basis.

[Index No. 31—B-146917, Apr. 29, 1966]

POTENTIAL SAVINGS THROUGH IMPROVED MANAGEMENT OF AMMUNITION, DEPARTMENT OF DEFENSE

The Army Ammunition Procurement and Supply Agency, Joliet, Illinois, authorized the procurement of .22-caliber and 90-millimeter ammunition without inquiring whether other military departments had excess ammunition that could be made available to meet Army needs. At the times during fiscal year 1965 when procurement was authorized by the Army, the Marine Corps had substantial quantities of these types of ammunition on hand that were excess to its current needs. After we brought this matter to the attention of agency officials, ammunition valued at \$713,000 was transferred from the Marine Corps to the Army. As a result, approved plans for the procurement by the Army of additional .22-caliber ammunition valued at \$431,000 were canceled and requirements for future procurement of 90-millimeter ammunition were reduced.

The Army failed to query the Marine Corps on the availability of stock that was excess to its current needs because responsible personnel were not aware of Army policy or procedures concerning this matter. The need for procedures to ensure that one service will not authorize procurement of equipment or supplies until it has ascertained whether its requirements can be met from excess stocks of other services has been recognized by the Department of Defense and the military services for many years.

The Deputy Assistant Secretary of Defense (Materiel Requirements), commenting on a draft of this report, acknowledged that the Army had erroneously authorized the procurement of the ammunition without first determining whether the Marine Corps had excesses that could be made available to meet the Army's needs. He advised us that additional management controls had since been instituted to provide assurance that Army commodity managers would follow prescribed procedures in future situations of this type. In addition, he advised us that subsequent to our review an interdepartmental task group had been formed to review the supply management of weapons and related ammunition, including interservice utilization.

We met with members of the task group and were advised that, as a result of their efforts, over \$9 million worth of ammunition had been earmarked for interservice utilization and over \$150 million worth of ammunition had been made available for transfer to eligible countries under the military assistance program. This group also told us of their plans for a more effective program for interchanging information on ammunition needs and excesses among the services. Under this new program, authorized in October 1965 and to be implemented in fiscal year 1967, it is planned that automatic data processing equipment will be used to match the needs of one service with releasable stocks of the other services and thereby improve the possibility that optimum use will be made of stocks in long supply.

If the new Department of Defense program for interchanging ammunition among the services is to attain optimum effectiveness, carefully devised management controls and checkpoints will be essential. Accordingly, we recommended to the Secretary of Defense that the personnel responsible for developing this new program be instructed to give particular attention to the need for such controls.

[Index No. 32—B-158604, Apr. 29, 1966]

POLICY GUIDANCE STRENGTHENED ON DIRECT PROCUREMENT OF COMPONENTS NEEDED BY CONTRACTORS IN PRODUCTION OF WEAPON SYSTEMS AND OTHER MAJOR END ITEMS, DEPARTMENT OF DEFENSE

The General Accounting Office has issued to the Congress a large number of reports over the past several years on reviews of the policies, procedures, and practices followed within the Department of Defense in determining whether certain components needed for installation in weapon systems or other major end items being produced should be purchased by the contractors or purchased by the Government and furnished to the contractors. In these reports we pointed out the economies that could be realized in Government procurement if the Department of Defense and the military services would make greater efforts to furnish components to contractors in instances where it is feasible and to the advantage of the Government to do so.

The economies stem from several factors. Purchasing of the components by the Government provides an opportunity to consolidate requirements for a component common to several weapon systems or other major end items and to take advantage of the lower prices that may be available for purchases in larger quantities. Inasmuch as military procurement is subject to provisions of the Armed Services Procurement Regulation which requires the use of formal advertising procedures designed to obtain full and free competition, unless specifically excepted by law, the Government is more likely to purchase the components competitively, thus affording all qualified producers an opportunity to participate in supplying the Government's needs. Also, the furnishing of components to the contractor places the Government in a sound position to negotiate a lower price for the end item by reducing the profit or fee which otherwise would be allowed on the contractor's cost of items purchased under the contract.

In the subject report we stated that the Department of Defense had recently added to the Armed Services Procurement Regulation a provision which contains a policy statement and procedural guidance designed to encourage and expand the practice of furnishing components to contractors when the circumstances are appropriate. The prior policy guidance, in effect during the periods covered by our reports, appeared to us to tend to discourage the practice we were advocating.

The earlier policy guidance, which had been in effect since prior to 1959, was provided in the Armed Services Procurement Regulation (section 13-201) in the following terms.

It is the general policy of the Department of Defense that contractors will furnish all material required for the performance of Government contracts. However, the Government should furnish material to a contractor when it is determined to be in the best interest of the Government by reason of economy, standardization, the expediting of production, or other appropriate circumstances.

This provision gave the military services broad latitude and was variously interpreted in their implementing instructions. The interpretations ranged from the position of the Air Force, that components should be Government furnished to the maximum practicable extent, to the position of the Navy's Bureau of Ships, that the furnishing of such items should be "reduced to an absolute minimum."

The new guidance, which was added to the Armed Services Procurement Regulation on October 1, 1965, as revised December 1, 1965 (section 1-326), places greater emphasis on direct procurement of components. The Department of Defense policy is now stated as follows:

Whenever it is anticipated that the prime contract for a weapons system or other major end item will be awarded without adequate price competition, and the prime contractor is expected to acquire a component without such competition, it is Department of Defense policy to break out that component if (i) substantial net cost savings will probably be achieved; and (ii) such action will not jeopardize the quality, reliability, performance or timely delivery of the end item. The desirability of breakout should also be considered (regardless of whether the prime contract or the component being purchased by the prime contractor is on the basis of price competition) whenever substantial net cost savings will result from greater quantity purchases or from such factors as improved logistics support through reduction in varieties of spare parts and economies in operations and training through standardization of design.

This provision does not apply to all procurement decisions, but only to those which deal with whether components that were furnished by the contractor in a previous procurement of a weapon system or other major end item should be furnished by the Government in a forthcoming procurement. Thus it does not apply to the initial decisions which must be made at the inception of the procurement program. We understand that the Armed Services Procurement Regulation Committee is developing guidance which will cover initial decisions.

In addition to placing emphasis on direct procurement, section 1-326 places responsibility for breakout decisions on the project manager and sets forth certain requirements for establishing and maintaining records for identifying components which have been considered for breakout and for disclosing the basis for decisions which are made. Section 1-326 also establishes certain guidelines to assist project managers in making their decisions.

We believe that the adoption of section 1-326 represents a significant step toward realizing more fully the economies which are obtainable by direct procurement under appropriate circumstances. The progress that results will of course depend upon the effectiveness of implementation by procurement organizations and surveillance by the services. We have been advised that the progress will be evaluated by the Department of Defense Procurement Management Review Program as a part of its continuing reviews of the operations of procurement organizations.

[Index No. 33—B-158662, Apr. 29, 1966]

REDUCTION IN DOLLAR OUTFLOW POSSIBLE THROUGH MORE EXTENSIVE USE OF AMERICAN-MADE BUILDING MATERIALS IN EMBASSY AND RELATED CONSTRUCTION PROJECTS, DEPARTMENT OF STATE

Our examination into selected purchases of building materials for embassy and related construction projects overseas disclosed a number of instances where foreign-made materials were used in lieu of American-made materials. Our examination was concerned entirely

with purchases from outside the country in which the construction was performed and from countries in which the United States holds no excess foreign currencies. Purchases of foreign-made materials with nonexcess foreign currencies or dollars have an adverse effect on the United States balance of payments.

The most significant instance which we noted of using foreign-made materials, paid for with nonexcess foreign currency, was in the construction of an annex to the American Embassy in New Delhi, India, completed in 1965. We identified purchases totaling about \$273,000 in individual amounts of over \$1,000 from suppliers in England, Germany, and France made by the Indian contractor during construction. All the items noted appeared to be of a type that could have been purchased in the United States.

Although we did not attempt to ascertain the full extent of the foregoing practice, it seems possible, in view of the size of the Foreign Service building construction program (about \$14 million for fiscal year 1966), that the Department could make a worthwhile contribution toward alleviating the United States balance of payments problem by making an appropriate modification in its present procurement regulations to require the maximum use practical of American-made materials in its construction projects.

The Department expressed general agreement with our findings and conclusions and stated that it had undertaken to review and alter the policies leading to a greater use of American-manufactured products within the limits of practicality in contracts executed after March 1, 1966. The Department stated, however, that there was a practical limit with respect to its use of dollars for the purchase of American products in that the Congress annually requires the Foreign Service building program to expend local currencies in amounts which approximate 70 percent of the annual appropriation. There is no requirement that such local currencies be excess or near-excess to United States needs.

We believe that the Department's indicated actions will achieve the desired result, within the limitations imposed by the appropriation acts, if properly implemented and given the continued attention of responsible management officials. Therefore, we are making no recommendation to the Department at this time but plan to examine into the effectiveness of the actions taken at a later date. With regard to the Department's comment concerning the mandatory use of local currencies in the Foreign buildings program, we are suggesting that the Congress may wish to consider changing the language used in the annual appropriation act to the effect that the use of foreign currencies for constructing and operating foreign buildings is made mandatory only in those instances where such usage will be beneficial to the United States balance of payments.

[Index No. 34—B-114833, May 24, 1966]

OPPORTUNITIES FOR REDUCING THE NUMBER OF VEHICLES MAINTAINED IN FLEET, SOIL CONSERVATION SERVICE, DEPARTMENT OF AGRICULTURE

Our review of the available evidence on the utilization of 453 vehicles assigned to selected Soil Conservation Service offices in three

States indicated that 84 vehicles, or about 19 percent of the vehicles assigned to the selected offices, were not needed.

In our opinion, the accumulation of more vehicles than were needed at the selected offices evidences a need for (1) the pooling of vehicles among offices located in proximity to each other, where possible, and (2) the assigning of vehicles on the basis of actual usage.

For the 84 vehicles which our review indicated were not needed, we estimate that the net replacement value—excess of average acquisition cost over average resale value—in fiscal year 1965 was about \$90,000. Agency procedures provide for the assignment of vehicles throughout Soil Conservation Service operations on the basis of quota criteria which do not consider actual usage or the possibility of pooling vehicles among offices. We believe, therefore, that an appropriate revision of the agency's procedures to consider these matters would afford an opportunity to reduce the Soil Conservation Service vehicle fleet by a larger number of vehicles than the specific number indicated by our review at the selected field offices.

The Administrator, Soil Conservation Service, in his letter of November 23, 1965, did not specifically comment on the excess vehicles indicated by our review but stated that, as a result of certain studies made by the agency subsequent to the time the preliminary results of our review were brought to his attention, it was found that an immediate reduction of 71 vehicles could be made in the agency's fleet. He stated, however, that he considered the present system of the Soil Conservation Service better adapted to the overall problem of determining the number of vehicles needed than other systems which the agency had under consideration.

He proposed, however, to (1) institute an intensive study of the agency's present system and (2) select some typical States which would be required to maintain daily-use records for a period of approximately 1 year in order to determine the number of times vehicles were needed and when those needs might be met by the use of vehicles of another office nearby.

We believe that our review has demonstrated that, while the present agency quota system is not unreasonable for use as a general guideline, it needs to be supplemented by guidelines which provide for giving due consideration to the actual vehicle usage information and to any planned future program changes before making the final determination as to vehicle needs. We believe also that our review has shown that consideration should be given to the pooling of vehicles at Soil Conservation Service offices located close to each other.

We are recommending that the Secretary of Agriculture request the Administrator of the Soil Conservation Service to initiate at this time a Service-wide review of daily vehicle utilization for the purpose of establishing the number of vehicles needed by the agency, giving due consideration to the possibility of pooling vehicles at locations where there is more than one office, as well as to planned changes in future program activity. We are recommending also that agency guidelines for assigning vehicles be supplemented to provide for the pooling, where feasible, of vehicles at locations where the Soil Conservation Service has more than one office and that all assignments be periodically reviewed as to reasonableness and justified on the basis of the actual usage of the vehicles. In this connection, we are recommending that the Administrator be required to revise agency procedures to

provide for the daily recording of mileage readings and hours of use of vehicles.

[Index No. 35—B-154068, May 25, 1966]

PLANNING FOR AND UTILIZATION OF AUTOMATIC DATA PROCESSING
EQUIPMENT, AMES RESEARCH CENTER, MOFFETT FIELD, CALIF.,
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

The Ames Research Center has, in recent years, leased computers that have been significantly underutilized and as a result has incurred relatively high computer processing costs. We believe that this situation can be attributed to Ames' permitting its various organizational units to pursue separate courses of action with respect to automatic data processing activities and not requiring thorough analytical studies which would have served as a basis for the evaluation and selection of the optimum equipment configuration needed to meet Center-wide processing requirements. We believe further that a contributing factor has been that NASA Headquarters did not fully evaluate the effectiveness of Ames' practices relating to its planning for, and acquisition and utilization of, automatic data processing equipment.

The excess computer capacity acquired by Ames and the fragmented approach that has repeatedly been taken in determining its automatic data processing equipment requirements strongly suggest the need for centralized direction of the planning for, and the acquisition and operation of, all its computer systems.

We believe that ample evidence of the existence of excess computing capacity was available with regard to wind tunnel data reduction, general scientific computing work, and administrative data processing to have indicated the need for a Center-wide study. Our review revealed that, during the 3-year period ended April 1964, Ames paid basic monthly equipment rentals of about \$784,000 for operational use time that was not used. Also, we noted that the estimated in-service hours of Ames' two major computers for fiscal year 1965 were substantially fewer than the average of the estimated in-service hours of the same types of computers used by all Government agencies for that period. We believe further that this low utilization experience should have prompted the Space Administration and Ames to determine whether two major computers were needed or whether Ames' requirements could have been met by the use of one computer.

The Space Administration advised us that, in line with our proposals, responsibilities had recently been assigned at Headquarters for the central management of automatic data processing, instructions were being formulated which would require management evaluation of installation effectiveness, and a review board had been established at Ames to consider all automatic data processing resources and needs on a Center-wide basis. The Space Administration, however, does not agree that unused computer capacity was avoidable or that the use of only one computer system at Ames, if it had been feasible, would have resulted in economies. Whether it would have been technically or economically feasible for Ames to consolidate its equipment needs in past years could not, in our opinion, have been determined without first performing a detailed study of Center-wide data processing

requirements. As of February 1966, the Space Administration was still not in a position to make such a determination, because a study of the required magnitude was not yet available.

We believe that, if the assigned responsibilities at Headquarters for the central management of automatic data processing equipment activities are properly carried out, more effective planning for and utilization of such equipment throughout the Space Administration will result. Similarly, if the newly established Ames review board effectively monitors equipment utilization and systems development and evaluates proposed equipment acquisitions, we believe that deficiencies of the type discussed in this report will be eliminated or greatly minimized. Because of the importance of automatic data processing to the Space Administration's research and development activities, we plan to devote more attention to this area in the future.

We are making this report to the Congress because of the increasing importance of computer technology in Government operations and the increasing costs being incurred therefor. We believe that the practices described in this report demonstrate the need for effective control.

[Index No. 36—B-158625, May 25, 1966]

REVIEW OF DEVELOPMENT OF CERTAIN SCIENTIFIC INSTRUMENTS FOR THE SURVEYOR PROJECT, NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

The objectives of the Surveyor project are to soft-land a series of unmanned instrumented spacecraft on the moon's surface, gather scientific and engineering data about the moon, and transmit the data back to the earth, where it will be disseminated to the scientific and engineering communities. In our review we learned that the Space Administration had expended about \$5.7 million for the design and development of certain scientific instruments which were removed from the approved Surveyor spacecraft payload after a reduction in the predicted capability of the Atlas/Centaur launch vehicle required a drastic reduction in the weight of the spacecraft instrument payload. We therefore undertook a review of the management of instrumentation development, to determine whether costs of this nature could be avoided or reduced.

On the basis of our review, we believe that a significant part of these costs were incurred after it became apparent that the use of the instruments was no longer feasible. We found that the Space Administration had not promptly initiated appropriate studies for establishing the instrumentation it desired for a lighter weight spacecraft for the early Surveyor flights when it was evident that such action was necessary. We found also that the Space Administration took no action to discontinue the development of instruments for use on a heavier weight spacecraft at the time that data became available which showed that the reduced launch vehicle performance and the correspondingly reduced instrument payload would apply to all approved flights.

We believe that, had the Space Administration taken timely action to suspend or discontinue development of these instruments for which, on the basis of available information, there was no reasonably fore-

seeable use, expenditures of as much as \$2.5 million could have been avoided. Further, we believe that such timely action could have released scientific and technical manpower in both Government and industry to meet other, and possibly more pressing, demands at a time when the demand for scientists and engineers exceeded the supply.

The Space Administration did not agree with our finding. Its comments are recognized in the report.

We are reporting this matter to the Congress because of the interest expressed in the Surveyor project, as indicated by the Subcommittee on NASA Oversight, Committee on Science and Astronautics, House of Representatives, which issued a report dated October 8, 1965, entitled "Project Surveyor," and in the belief that the results of our review will be of value to the Congress in its surveillance over the space programs. We believe also that our report, by pointing out a specific area where, in our view, management was not fully effective, will be of assistance to the Space Administration in its management of future space programs.

[Index No. 37—B-146730, May 27, 1966]

RECOVERY OF NEEDED PARTS FROM EXCESS AIRCRAFT ENGINES, DEPARTMENT OF THE AIR FORCE

The Air Force has placed considerable emphasis on the importance of recovering needed parts from excess aircraft engines being processed for disposal, and this emphasis has resulted in significant savings each year. We found, however, that in the reclamation of J57 and R4360 engines in fiscal year 1964, parts costing about \$872,000, for which the Air Force had requirements, had not been listed for recovery when the engines were processed for disposal. Many of these parts were omitted from the lists due to errors, oversights, and misunderstandings on the part of commodity managers at the San Antonio Air Materiel Area, Texas, and because supervisory reviews did not detect these omissions. In some instances, published lists of parts to be recovered were not provided to the commodity managers for review for accuracy and completeness, and, in other instances, heavy workloads delayed revision and updating of these lists to reflect latest requirements. In addition, at the Oklahoma City Air Materiel Area, Oklahoma, engines were disposed of before an appropriate list of parts to be saved had been issued by the engine manager at San Antonio.

We brought our finding to the attention of Air Force officials during our review, and the Air Force took action to recover any needed parts which had not yet been disposed of. By that time, however, it was possible to recover only parts costing \$213,400; the remainder had already been disposed of. After allowing for condemnations and reclamation and repair costs, we estimate that this action resulted in savings of about \$137,000. We estimated that, if provision had been made initially for the recovery of the entire \$872,000 worth of parts, it would have resulted in additional savings of about \$443,000.

The Air Force commented on our finding in a letter dated August 25, 1965. The Air Force acknowledged that deficiencies had existed in the reclamation process in fiscal year 1964 and agreed that errors and untimely reclamation had caused the loss of needed parts. We

were also advised of various procedural changes to preclude recurrence of conditions we found, which had been made subsequent to our review.

Generally, we believe that the Air Force has established an effective program for obtaining needed parts from engines being disposed of. The importance of the program is emphasized in Air Force regulations, and application of existing procedures has resulted in substantial dollar savings each year from reclamation. Our review showed, however, that failure to reclaim even a relatively few parts which are needed can result in substantial losses which, we believe can be avoided. We believe also that the action taken by the Air Force as a result of our review will further improve existing procedures and that, if effectively implemented and enforced, these improved procedures should help prevent recurrence of the type of deficiencies identified during our review.

[Index No. 38—B-114878, May 31, 1966]

PREFERENTIAL ALLOWANCES PAID TO CERTAIN CONTRACTOR EMPLOYEES AT THE HANFORD WORKS, RICHLAND, WASH., ATOMIC ENERGY COMMISSION

Shortly after assuming operation of the Hanford Works in September 1946, the General Electric Company determined that the existing wage rate structure for certain craft and clerical positions was not equitable. Therefore, General Electric proposed in May 1948 and, with subsequent Commission approval, adopted a new wage structure designed to eliminate the inequities. The preferential allowance was adopted in conjunction with the wage structure realignment because General Electric considered it inadvisable to reduce the total wages of about 3,400 employees receiving wages at rates higher than the rates established under the wage realignment. General Electric expressed the belief that the preferential allowances would be eliminated over a period of time by upgrading, transfers to higher rated jobs, and usual personnel turnover. No specific or determinable time limit was placed on the payment of the preferential allowances, and, as of February 1, 1965, 146 employees were still receiving the allowance which totaled about \$55,000 annually.

Our review showed that, within 3 years after the new wage structure became effective, the basic wage rates for most affected job classifications had, through general wage increases, equaled or exceeded the previous basic wage rates. Not only was the preferential allowance retained after the new basic rates were raised above the previous rates, but it also was increased as basic wage rates were increased.

We believe that the continued payment of the allowance, which was designed to mitigate the economic consequences of the wage structure realignment, has resulted in a misalignment of pay at the Hanford Works, thus violating the basic principle of equal pay for substantially equal work. We believe also that, because a specific or determinable time limit was not established when the allowance was approved, the Government continues to incur inequitable wage costs.

General Electric is withdrawing as the operating contractor at the Hanford Works, and, under a program of diversification announced

by the Commission, a number of contractors, rather than a sole operating contractor, are conducting the various activities. The new support services contractor, who employs practically all of the persons still receiving the allowance, commenced operations effective March 1, 1966, and is currently negotiating with the employees' union with a view toward ultimate resolution of the problem.

We presented the matters discussed in the report to the Commission's General Manager for comment, and, at our request, the General Manager obtained the views of the General Electric Company. We proposed that the Commission consider reviewing the wage structures at its other contractor-operated installations with a view toward ascertaining whether similar incremental allowances are being paid and, if being paid, whether the Government may be incurring inequitable wage costs. We proposed also that the Commission adopt a policy applicable to all its installations, which will provide that a specific or determinable time limit be placed on the payment of any similar allowances in the future.

The Commission and General Electric stated that the matter of reducing or limiting preferential rates at Hanford had been considered in the past but that the rates were considered far less important than the other issues which were part of the total wage package subject to negotiation and therefore were not given high priority. They pointed out also that, in 1946 when General Electric assumed operation of the Hanford Works, it inherited a wage structure containing rates that were substantially higher than comparable area rates but that the current rates were substantially in line with area rates despite the preferential allowances.

Regarding our proposals, the General Manager informed us that the Commission was taking steps to accomplish the intent of our proposals. In view of these actions, we are making no recommendations at this time.

[Index No. 39—B-157371, June 3, 1966]

POTENTIAL SAVINGS BY CONSOLIDATION OF FIELD ORGANIZATIONS AND FACILITIES FOR RECRUITING MILITARY PERSONNEL, DEPARTMENT OF DEFENSE

The General Accounting Office reviewed the operation by each military service of separate organizations and facilities to recruit military personnel for their regular forces.

We believe that, if the separate field recruiting organizations and facilities of the four military services were consolidated, millions of dollars could be saved annually. In addition, we believe that consolidation of the field recruiting offices of the four military services would help achieve the purpose of the President's new program for improving and facilitating communications with the public.

The potential savings are best illustrated by the manner in which the branch recruiting stations are operated. Each of the services canvasses the entire country through separate networks of many hundreds of branch stations. As a result, there is substantial duplication of expense for office space and equipment, utilities, personnel, motor vehicles, and recruiting forms.

As shown in our report, if the recruiting organizations were consolidated, each of the services could have at least one representative at each recruiting station. This would permit each service to present to interested prospective applicants its enlistment programs and to inform them of any advantages or benefits peculiar to the particular service involved.

In recent years the Department of Defense has directed the consolidation of a number of significant services and activities that are common to all military departments. This action has resulted in the establishment of Defense-wide organizations, such as the Defense Supply Agency and the Defense Contract Audit Agency. The McCormack-Curtis amendment to the National Security Act of 1947 Authorized the Secretary of Defense to unify any common supply or service activity that was not a major combatant function without consulting the Congress or the Joint Chiefs of Staff. Subsequent to the enactment of the McCormack-Curtis amendment, the Joint Economic Committee held hearings on the matter and identified military recruiting activities as one of the fruitful areas subject to consolidation. The House Appropriations Committee has also expressed concern over the use of separate facilities by the military services for recruiting purposes.

We brought our findings to the attention of the Department of Defense and the four military services and proposed that the Secretary of Defense, under the authority given him by Public Law 87-651, enacted September 7, 1962 (10 U.S.C. 125), direct that a field test of the consolidation of military recruiting organizations and facilities be conducted. We were informed that a Defense-wide study of recruiting facilities was underway to develop plans for relocating and combining separate recruiting offices to the extent practicable. We were advised that this study would identify appropriate geographical areas for conducting a test of the consolidation of recruiting offices. The Department informed us also of action taken to further combine and unify physical examining, mental testing, and enlistment processing functions within the military services.

In view of the significant savings which we believe can be achieved if the separate field recruiting organizations and facilities are consolidated, we recommended to the Secretary of Defense that the contemplated field test be undertaken and completed as expeditiously as feasible. We requested the Secretary of Defense to furnish us with the results of the study as well as the results of the field test to be made of the consolidation of recruiting offices.

[Index No. 40—B-158482, June 3, 1966]

MANAGEMENT OF THE PROCUREMENT OF MAJOR EQUIPMENT AND RELATED SPARE PARTS BY THE U.S. MARINE CORPS, DEPARTMENT OF THE NAVY

We found that there is a diffusion of responsibility in the management and supervision of major equipment procurement programs of the United States Marine Corps. There were a total of five separate management organizations—three in the Department of the Navy, one in the United States Marine Corps, and one in the Department

of the Army—involved in the acquisition of 234 new-type cargo trucks for use by ground support elements of four Marine Corps air units. Because this diffusion of responsibility was not adequately coordinated, the new trucks, which cost over \$1.8 million, were purchased without combat essential spare parts. During the period that the spare parts were not available, the air units were required to use old, deteriorated trucks. As a result, the readiness of the four units was affected for a period of 14 months after the delivery of the trucks.

The Assistant Secretary of the Navy (Financial Management), by letter dated November 10, 1965, informed us that the Navy concurred in our findings. We were also furnished copies of instructions covering policies and procedures issued with the intent of preventing the recurrence of deficiencies of the type noted in our report.

Under the present procedures in the Department of Defense, various organizations will continue to be responsible, and properly so, for different segments of equipment procurement programs. In order that there be adequate management control, we recommended to the Commandant of the Marine Corps that the basic responsibility for the coordination and supervision over all aspects of major equipment procurement programs including the end items and related spare parts be assigned to a specific organization within the Marine Corps.

[Index No. 41—B-158514, June 16, 1966]

REVIEW OF READINESS STATUS OF IDLE AMMUNITION-PRODUCTION FACILITIES, DEPARTMENT OF THE ARMY

The General Accounting Office made a review of the readiness status of a selected Department of the Army idle ammunition production facility.

Our review and a broader study later conducted by the Army indicated that many facilities considered essential for mobilization purposes would probably not be available for emergency ammunition production when needed. Certain other facilities apparently are not required for immediate production but have been maintained in a high state of readiness at considerable cost under contracts with various contractors. This resulted, in our opinion, from a general lack of attention to this critical area and the fact that too few qualified persons were assigned to industrial readiness planning.

Our review of one production facility showed that the equipment had been maintained by contractors for about 6 years in a leased plant at costs totaling more than \$500,000, on the basis that military requirements dictated that 90 mm shell production be started within 3 months in the event of mobilization. We found, however, that these facilities probably could not have been made ready for production in less than 6 months because of the need for certain special tooling and plant preparation. This is about the same length of time that would have been required to prepare for production if the equipment had been placed in Government-owned storage facilities at much lower cost. Furthermore, the need for maintaining the equipment in readiness to produce shells within 3 months was questionable because

the Army had sufficient 90 mm shells on hand to meet its requirements during the first 6 months of a mobilization period.

Subsequent to the date of our review, we were informed by agency officials that the equipment involved in our study was being placed in Government storage facilities as a result of a reevaluation of requirements. However, our review of available studies on requirements disclosed no significant changes since 1959.

Although the Department of Defense did not concur in our findings and conclusions, it did concur in our proposal to call the reported conditions to the attention of personnel having responsibility for administration of idle production equipment.

The Army study, completed in October 1965, concluded that ammunition production planning was not adequate to meet emergency demands. These findings included the observation that 43 of 180 companies surveyed would not be able to produce the ammunition items called for by mobilization plans because of lack of equipment, technical data, and qualified management and production personnel or because of undue reliance on certain subcontractors. The Army survey team has made certain suggestions for improving the industrial readiness position for ammunition and for maintaining better control in the future. We believe that adoption of these suggestions would help prevent the adverse conditions found during our review. Therefore, we recommend that the substance of these suggested corrective actions be adopted.

[Index No. 42—B-114860, June 21, 1966]

REVIEW OF REPAIR PRACTICES RELATING TO SINGLE-FAMILY PROPERTIES ACQUIRED THROUGH MORTGAGE INSURANCE PROGRAMS, FEDERAL HOUSING ADMINISTRATION, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

We first informed the Commissioner, Federal Housing Administration, of the need for timely repair action, in our report to the Congress dated June 7, 1965 (B-114860), concerning single-family properties acquired by the agency in Wichita, Kansas. In that report we stated that our limited surveys also showed a need for timely repair action in cities other than Wichita and recommended that the agency establish effective control procedures to require the directive of its insuring offices and other officials of the agency to take aggressive action to repair acquired properties in accordance with the Administration's basic repair policies. This report supplements our previous report and describes our findings with respect to the agency's acquired properties located in the State of Georgia.

Our review of acquired single-family properties in the State of Georgia indicated a need for improving repair practices and that many properties owned by the agency in parts of Georgia were in a deteriorated condition. In our opinion, the timely repair of acquired properties would improve sales potential and decrease the costs of holding these properties in inventory. We also believe that the condition of some of these properties contributed to neighborhood blight and that the delay in repairing these properties may, in some cases, result in higher repair costs. Further, the follow-up action by officials in Washington and the field on the findings in internal audit

reports with respect to this problem in Georgia did not appear to be effective.

In commenting on our finding the Commissioner stated that he had been concerned with the repair problem for some time. The Commissioner stated that he believed it was proper for property management officials to consider the consequences of expending large amounts of money for repairs on properties which had no sales or rental potential in the foreseeable future and which, therefore, might have to be repaired again in some cases. The Commissioner stated, however, that these consequences should be balanced against the public obligation of the agency to avoid, as much as possible, blight and deterioration of neighborhoods by putting the property in presentable condition through necessary exterior repairs.

In October 1965 the agency revised its property management instructions to provide that, without fail, all properties acquired be repaired immediately after acquisition. A partial exception is to be made where there are concentrations of properties which cannot be sold within 6 months. In those cases, exterior repairs are to be made to put the property in presentable condition and to prevent undue deterioration which may result from such problems as roof leaks or broken windows. In addition, steps were taken to increase the effectiveness of follow-up action on internal audit reports.

These specific actions, if effectively implemented, and the increased emphasis now being directed toward solution of the problem should, in our opinion, help to correct the situation discussed in this report.

[Index No. 43—B-118660, June 21, 1966]

REVIEW OF THE PURCHASE OF TITLE INSURANCE ON PROPERTIES ACQUIRED IN THE STATE OF FLORIDA UNDER THE LOAN GUARANTY PROGRAM, VETERANS' ADMINISTRATION

We found that potential savings of about \$255,000 a year could be realized at this one regional office if the practice of obtaining title insurance was discontinued. Our review indicated that the purchase of title insurance could be discontinued because the Veterans' Administration had obtained adequate assurance of good and marketable title from mortgage holders who conveyed the properties to the Veterans' Administration upon default of guaranteed loans.

Our review of over 300 cases showed that title insurance companies reported 15 cases with title defects. These defects appeared to be of a minor nature which, for the most part, were caused by the failure of mortgage holders' attorneys to fulfill their responsibilities in tendering title to the Veterans' Administration. The defects were easily cured by the mortgage holders' attorneys, and, under such circumstances, we believe that it is more economical for the Veterans' Administration to assume the unlikely risk of acquiring property with a significant title defect than to pay private insurers for assuming such risks. In addition, we believe that the practice of purchasing title insurance is a departure from the general policy of the Federal Government to be self-insured by assuming its own risk of loss.

The Veterans' Administration has made substantial reductions in the cost of obtaining title evidence at various regional offices, and the

Central Office in Washington has given this matter considerable attention over the past several years. However, we believe that there have been unnecessary delays in effecting economies because some regional offices have been reluctant to make changes in their title evidence requirements.

We proposed to the Administrator of Veterans' Affairs that the practice of purchasing title insurance on properties acquired in Florida be discontinued. We proposed also that the Central Office make more penetrating evaluations of the reasons offered by regional offices for continuing the purchase of costly title evidence and direct regional offices to confine purchases of title evidence to that which is absolutely essential.

The Deputy Administrator of Veterans' Affairs advised us that in November 1965 procedures were revised to eliminate the purchase of title insurance on properties acquired in Florida. Under the revised procedures, the Veterans' Administration accepts or rejects titles to properties tendered by mortgage holders in Florida on the basis of title binders (commitments to insure title) issued by title insurance companies at substantially less cost than title insurance. We estimate that the new procedures will result in savings of about \$180,000 a year on properties acquired in Florida. However, we believe that an opportunity exists to save an additional amount of about \$75,000 a year in Florida by not purchasing title binders. It is our view that the title binders are also unnecessary for the same reasons we believe that the title insurance was unnecessary, and we are therefore recommending that the purchase of title binders be discontinued.

The Deputy Administrator informed us that at present four regional offices were still purchasing title insurance because of valid extenuating circumstances but that appropriate plans were being developed to resolve the problems at these offices in the immediate future.

Because additional savings may be available on a Government-wide basis, we plan to make examinations into the title insurance practices of other Federal agencies involved in the acquisition of real property.

[Index No. 44—B-133127, June 21, 1966]

SAVINGS AVAILABLE BY USE OF CONVENTIONALLY DESIGNED AIRPORT TRAFFIC CONTROL TOWERS AT LOW-ACTIVITY AIRPORTS, FEDERAL AVIATION AGENCY

Our review disclosed the need for improved controls to ensure that structures being financed by the Agency are the most economical design available for the effective control of air traffic. We found that the Federal Aviation Agency approved the construction of control towers without first having analyzed the relative benefits and costs of the tower design. As a result, the Agency will incur additional costs of about \$2,250,000 for the construction of 28 control towers of a new design at low-activity airports. The Agency proceeded with the construction of these towers even though available cost information showed that their cost would significantly exceed the cost of conventionally designed towers previously constructed at other low-activity airports. The Agency had planned to construct, in addition

to the 28 towers being constructed, similarly designed towers at four other low-activity airports in calendar year 1965.

Our comparison of the relative merits of the new and conventional designs indicates that the additional costs are largely attributable to aesthetic factors inherent in the nonconventional design of the new towers. Agency officials have informed us that such nonconventional design provides no significant functional improvements over conventionally designed towers previously constructed. In view of the significant additional cost of the new towers, the design of which was apparently selected for aesthetic factors rather than for any functional improvements over towers previously constructed, we question whether the more expensive design was justified.

In his letter to us dated November 3, 1965, the Administrator indicated that he agreed with our findings and advised us that towers of a lower cost design would be substituted at the four locations already scheduled for new towers. He stated that at 17 locations a reduction in expenditures could have been realized if a timely cost reduction program had been undertaken; for the remaining 11 locations, construction was too far along to make any major changes that would produce a reduction in cost.

The Administrator informed us also that, to conform to the Federal Aviation Agency's policy of selecting economical architectural designs that meet their operational and technical requirements, the Agency is pursuing means of reducing the cost of not only the towers designed for low-activity airports but also the towers planned for high-activity airports. However, to avoid reoccurrence of the situation described in this report, we are recommending that the Administrator direct that the Federal Aviation Agency's Orders be amended to recognize the policy relating to the selection of economical designs and to establish the necessary instructions to implement this policy.

[Index No. 45—B-158572, June 21, 1966]

REVIEW OF THE EQUIPMENT MODIFICATION PROGRAM FOR M48A1 TANKS, DEPARTMENT OF THE ARMY

The General Accounting Office reviewed the Department of the Army's equipment modification program for M48A1 tanks.

We believe that the Department of the Army should develop and consider cost and other pertinent factors relating to the alternative of accomplishing major equipment modifications during the overhaul process when such an alternative is available. Pertinent information with respect to the question of whether to convert used or unused gasoline-powered M48A1 tanks to the diesel-powered M48A3 configuration was not presented to top management officials, at the Army Chief of Staff and Secretary of the Army level, for consideration when the decision was made to convert the unused tanks.

The decision was based, in part, on estimates of \$63,033 to convert an unused tank and \$71,360 to convert a used tank, indicating a savings through conversion of unused tanks. However, at that time the Army was aware that, in any event, the used tanks were to be completely torn down and rebuilt at an estimated unit cost of \$12,621. Presentation of these facts to top management officials would have

provided them with the alternative that, on the basis of cost data available at the time, about \$2.3 million could have been saved by installing the diesel engine and other M48A3 features in the used tanks during the rebuild process rather than converting the unused tanks. The objective of the Army's conversion and rebuild programs, that is, to have both M48A1 and M48A3 tanks available for use by the troops, could have been accomplished by issuing the unused tanks immediately and converting the used tanks at the time they were rebuilt. On the basis of costs actually incurred, about \$5.7 million would have been saved if used tanks had been converted during the rebuild process.

In commenting on our report, the Department of the Army took the position that all factors were considered. We were informed that (1) professional judgment dictated a need for the most reliable equipment with the least possible delay and, accordingly, the decision was made to retrofit unused tanks rather than used tanks and (2) "No other method of achieving this objective was known * * *."

It is our opinion that pertinent cost data was not considered at the time the modification program was approved and that there is a serious question as to whether any significant increase in effectiveness was gained through the conversion of unused tanks as compared to the conversion of used tanks during the rebuild process for several reasons outlined in our report. Further, it is impossible to tell what decision Army officials would have made if adequate cost data had been developed and considered. There appears to have been considerable feeling on the part of some of the Army personnel involved that only unused tanks should be converted in order to have the best equipment possible in the hands of the troop units. However, without being provided full information, the Chief of Staff and the Secretary of the Army had no means of judging the relative costs and military effectiveness of the alternatives available for accomplishing their objective.

We recommended that, when major equipment modifications are to be undertaken, the Secretary of the Army specifically provide that (1) if a normal overhaul program is also to be undertaken, Army personnel develop all pertinent cost and other factors concerning the alternative of accomplishing the modifications at the same time and (2) the data be furnished to top level Department of the Army personnel for consideration in connection with program approval.

[Index No. 46—B-159200, June 29, 1966]

SAVINGS THAT CAN BE ATTAINED BY REBUILDING USED MOTOR VEHICLE TIRES, DEPARTMENT OF THE AIR FORCE

On the basis of our analysis of the tire-rebuilding statistics for 80 Air Force installations and our observations of tire inspection and rebuilding practices at 11 of the installations, we estimate that more extensive rebuilding of used motor vehicle tires by Air Force installations, instead of buying new replacement tires, would have resulted in savings of as much as \$2 million in one fiscal year and could likewise result in substantial savings in future years. At most of the installations included in our review, requirements for replacement tires were

being met to some extent through the rebuilding of used tires; but, on the whole, insufficient emphasis had been placed on this source of potential savings. For example, many used tires were being condemned when they could have been rebuilt, and, in many cases, tires were worn excessively before removal, thus precluding rebuilding.

We found that tire inspection personnel had not been adequately indoctrinated in the benefits to be derived from rebuilding used motor vehicle tires and that sufficient review and control had not been exercised over their activities. The Air Force had established general policy guidance with respect to tire maintenance which provides that used motor vehicle tires be rebuilt and used by Air Force installations whenever possible. The instructions point out that careful periodic inspection of tires will provide carcasses suitable for rebuilding and that such tires can be expected to last as long as new tires and in some cases longer. We found, however, that the extent to which this general policy guidance had been implemented varied substantially among installations.

We concluded from our review that there was a need for the establishment of specific tire-removal criteria which could be applied by vehicle maintenance personnel to ensure the removal of tires before excessive wear prevents rebuilding. In addition, since each Air Force installation has the responsibility for obtaining replacement tires for its motor vehicles, it seemed evident to us that closer supervision of tire inspection, removal, and rebuilding activities by base officials and increased command surveillance were required to ensure effective performance and to realize the maximum savings possible.

We discussed our findings with responsible Air Force officials at the installations and major commands included in our review. We were informed that appropriate action either had been or would be taken to prevent future disposal of used motor vehicle tires that could be rebuilt. The actions taken were directed primarily toward providing closer supervision over the inspection and removal of used tires.

In a letter dated April 30, 1966, the Assistant Secretary of Defense (Installations and Logistics) stated that the Air Force was in general agreement with our findings. He informed us that a new technical order had been prepared to provide, among other instructions, for the periodic inspection of tires and for their removal if the remaining tread depth is less than $\frac{3}{32}$ inch at its lowest point. He also stated that in accordance with our suggestions, this matter had been referred to the Inspector General of the Air Force as an item of special interest for future inspection programs and a letter had been sent to all major Air Force commands requesting that necessary action be taken to preclude the recurrence of these conditions. In addition, copies of a draft of our report had been furnished to the other military departments and all commands had been requested to give additional attention to the review and inspection of field operations to ensure compliance with applicable policies and technical publications.

We believe that the Departments of Defense and the Air Force have taken appropriate actions on our findings and that these actions should result in substantial savings.

[Index No. 47—B-118678, July 15, 1966]

REVIEW OF PROCUREMENT OF EQUIPMENT FOR IMPLEMENTING AUTOMATION OF WATER DATA RECORDS, GEOLOGICAL SURVEY, DEPARTMENT OF THE INTERIOR

Before developing a system to automate streamflow records, the Geological Survey collected basic streamflow data with an instrument known as a strip-chart recorder. In June 1962, the Survey completed its evaluation of the automation program and concluded that savings in costs and manpower could be realized by using a digital recorder. Both recorders collect the same type of water data—the strip-chart recorder produces a graphic chart which requires manual methods of interpretation while the digital recorder produces a punched tape which is interpreted by processing on a general-purpose computer.

During fiscal years 1963 through 1965, the Geological Survey purchased and installed digital recorders to automate water data records and, during the same period, continued to purchase new strip-chart recorders of the type being replaced by digital recorders. This situation occurred because the Survey did not develop an overall plan to show the number of digital recorders that would be periodically needed in each district office to effectively implement the automation program and did not provide for coordination in relocating replaced strip-chart recorders so as to avoid the procurement of additional new strip-chart recorders. We believe that the Survey knew or should have known that replaced strip-chart recorders would be available periodically to meet the needs of the various district offices during the equipment substitution phase of the automation program. Nevertheless, the Survey purchased new strip-chart recorders, most of which were of the type being replaced by the digital recorder for about \$155,000, while at the same time it was generating a surplus of strip-chart recorders.

We noted also that the Survey procured a substantial number of the batteries needed to operate the digital recorder from local suppliers even though comparable batteries were available on the Federal Supply Schedule at a lower cost. We estimate that, when the conversion to the digital recorder is completed in fiscal year 1968, the Government could achieve savings of about \$13,000 annually if the batteries needed to operate digital recorders are procured through the Federal Supply Schedule.

We brought the matters discussed in this report to the attention of the Department of the Interior and proposed that an overall plan be developed which would provide for the timely procurement, distribution, coordination, and installation of all water data collection equipment to avoid further procurement of new strip-chart recorders. We proposed also that instructions to field personnel be revised to require procurement of digital recorder batteries through the Federal Supply Schedule, except in justifiable emergency situations.

In December 1965, the Department advised us that it agreed with the intent of our proposals and was therefore asking the Geological Survey to take appropriate actions necessary to carry out our proposals. The Department stated that the Survey would develop a plan for stronger central control and coordination of procurement and distribution of water data collection equipment. The Department

stated also that the Geological Survey had agreed to issue revised instructions to require field personnel to purchase digital recorder batteries through the Federal Supply Schedule as proposed. The instructions were issued effective November 22, 1965.

As a part of our continuing review of the activities of the Department, we are planning to evaluate the effectiveness of the corrective actions taken or promised.

[Index No. 48—B-159072, July 15, 1966]

POTENTIAL SAVINGS THROUGH GREATER USE OF AVAILABLE GOVERNMENT GASOLINE OUTLETS, DEPARTMENT OF DEFENSE

The General Accounting Office examined into the credit-card purchases of automotive gasoline for vehicles of the Departments of the Army, Navy, and Air Force. We found that maximum use of Government gasoline outlets was not being made primarily because responsible military officials had not taken action to effectively control credit-card purchases of gasoline.

The military departments annually spend an estimated \$5 million for the credit-card purchase of gasoline from commercial service stations. The cost of gasoline purchased with credit cards is from about 10 cents to 16 cents a gallon more than the cost of gasoline obtained from Government outlets. Although we were not able to arrive at a firm estimate of the annual savings available to the military departments, our review indicated that the departments could realize substantial savings in their annual operating costs if drivers of vehicles of the Army, Navy, and Air Force made greater use of available Government outlets.

We apprised the Secretary of Defense of our findings and suggested that certain actions be taken to attain maximum use of Government gasoline outlets for military vehicles. The Deputy Assistant Secretary of Defense (Logistics Services) indicated to us in a letter dated April 20, 1966, that the Department of Defense was in general agreement with our suggestions.

[Index No. 49—B-159451, July 18, 1966]

SURVEY OF INTERNAL AUDITS AND INSPECTIONS RELATING TO UNITED STATES ACTIVITIES IN VIETNAM, DEPARTMENT OF STATE, AGENCY FOR INTERNATIONAL DEVELOPMENT, DEPARTMENT OF DEFENSE

Our work was undertaken in consideration of (1) the importance of internal audit and management inspection functions as an essential but sometimes neglected element of management control, and (2) the continuing concern of the Congress with effective management control of these programs. We believe that, by this broadened approach, our report should have more impact on promoting improvements in agency management control practices than would a report concerned with the correction of individual instances of waste and inefficiency which in some cases have already been recognized by the agencies concerned.

In the survey and report we have endeavored to identify the more significant program areas, relate them to the surveillance by the 15 principal audit or inspection organizations or units having responsibilities there, and point up the areas in which more effective surveillance effort seems to us most needed. Generally these are well known to the departments and agencies concerned. Our purpose in reporting them in this fashion is to provide helpful information for the Congress, its Committees, and the executive agencies by presenting, in reasonable perspective, something of the scope of our United States programs, and the related departmental audit and inspection responsibilities in Vietnam. In so doing we have duly recognized the unique problems caused by the conditions under which the programs are being conducted there, and the related fading of normal boundaries of responsibilities between civil and military activities.

In this connection we have included in the report a tabulation designed to identify in the briefest fashion (1) the work which we found being done in Vietnam by the respective agencies to carry out their responsibilities for internal audit, inspection, and management review, (2) some of the more important and more pressing areas in which we believe greater agency efforts are needed, (3) actions taken by the agencies toward more effective review and corrective measures since the time of our field work in March 1966, and (4) any further plans which the agencies have stated to us.

The most significant problem areas in terms of magnitude, vulnerability to operational and management deficiencies, and consequent waste in regard to economic assistance are the commercial import program and the rural construction (formerly counterinsurgency) program. The commercial import program consists of the importation by Vietnamese importers of needed commodities, financed by the United States, through commercial channels. The rural construction program is the major economic assistance effort applied directly to the Vietnamese populace.

Substantive-type audits had been completed or were in process for parts of the economic assistance, commercial import, and rural construction programs, relating to about \$67 million from July 1, 1964, to the time of our survey in March 1966. Those programs totaled approximately \$800 million for the 2 fiscal years 1965 and 1966. Most of the audit work done has been by the Mission Audit Staff of the Agency for International Development. Formal audit reports, where issued, have pertained to relatively narrow segments of programs, although their stated scope indicated adequate coverage of the specific areas involved. For example, one report covered end-use observation of \$3.5 million of a \$72 million iron and steel import program for fiscal years 1960 to 1964.

Special-purpose inspections and investigations also have been performed, principally by the Management Inspection Staff of the Agency for International Development and by the Inspector General of Foreign Assistance.

In view of the known difficulties in effectively carrying out the economic assistance program in Vietnam, there appears to be an urgent need for a continuing evaluation of program makeup and performance for agency top management use. We believe that there is a particular need for increased surveillance of the operations involved in the receipt, distribution, and end use of the huge quantities

of commodities being imported into Vietnam under the economic assistance program. These operations by their nature and circumstances are conducive to manipulation and irregularity.

The underlying problems relating to management control of the economic assistance programs in Vietnam, although intensified, are generally not new. The more obstinate continuing difficulties have received considerable attention in congressional hearings and reports over the past several years. They also have been observed in our earlier reviews and are included in two reports which we transmitted to the Congress in July 1964.

AID has taken aggressive action in recent months toward applying greater audit and review effort in significant program areas. For example, a special group has been established in Vietnam to give particular attention to strategic commodities; and action has been started to increase and upgrade the Mission audit staff in Vietnam.

In connection with the military construction program, totaling nearly \$600 million up to March 1966, \$504 million had been incurred under a single joint-venture contract for construction of air bases, port facilities, cantonments and logistical and administrative facilities for United States and Vietnamese military forces, and other projects. Audits to date by the defense agencies having responsibility have been limited mostly to examinations of the contractors' cost representations as shown on vouchers presented for payment. Insofar as we could determine, no management reviews or evaluations have been undertaken of substantive contract performance or of the broader control aspects of the construction program.

The atmosphere surrounding the billion-dollar construction undertaking in Vietnam and the conditions of urgency under which the work is proceeding are at best conducive to a large element of waste, some of it unavoidable. Many of the management controls which are applied in a normal construction operation are precluded by the circumstances. In our opinion, this creates an urgent need for a counterbalance in the form of a searching management review and inspection function on a continuing basis to reduce avoidable waste without hindering the program. There appears to a particular need for audits and inspections concerning the adequacy and timeliness of delivery, the end use, and the propriety of costs of the large amounts of equipment, spare parts, and supplies that are being provided under the program.

We found no audits being conducted nor did we find any current plans by the audit agencies of the Departments of the Army and Navy to perform audits of military supply or logistics activity other than construction in Vietnam. The Air Force Auditor General was planning some audit by temporary duty staff in the areas of accounting and finance, procurement, and nonappropriated funds. However, Army and Air Force audit agencies were performing extensive audits at Pacific bases and in the United States of activities relating to logistics support of the military effort in Vietnam. Audits conducted by the military commands in Vietnam have been limited mostly to nonappropriated fund activities such as officers' and enlisted men's clubs and open messes.

The circumstances under which the economic and military assistance and military construction programs are conducted and the scope, complexity, and uniqueness of the activities in Vietnam suggest a greater than ordinary need for a continuing plan of top management

surveillance. The internal audit and review problems, however, are aggravated, particularly in the economic assistance program, by (1) limited audit and inspection manpower, as to both numbers and qualifications, (2) diffusion of audit staff efforts, and (3) the war conditions and other environmental elements including difficulties in securing access to information in regard to joint activities with the Government of Vietnam.

We recognize that special management techniques have been applied in the Vietnam operation. Our report does not imply derogation of these techniques, but is related to the extent to which the regularly constituted audit and investigative organizations have performed their functions in Vietnam. In this connection we believe that the Defense practice, which has in essence excluded the regularly constituted audit arms of the military services from performance of audits of support activities in Vietnam, should be reconsidered to permit these agencies to perform needed audit and review functions in areas where these functions would not interfere with combat operations nor obstruct United States purposes.

Following through from the information developed in this survey, our Office is scheduling further work to be performed in the United States and in Vietnam, relating to the more crucial areas of the commercial import program and the vast construction program.

[Index No. 50—B-118660, Aug. 9, 1966]

SAVINGS AVAILABLE BY CANCELING HAZARD INSURANCE POLICIES ON PROPERTIES ACQUIRED UPON DEFAULT OF HOUSING LOANS, VETERANS' ADMINISTRATION

On the basis of our review, we believe that estimated savings of about \$112,000 could have been realized in fiscal year 1965 at the six Veterans' Administration regional offices visited by us, if (1) available refunds on unexpired insurance policies had been obtained and (2) regulations had been revised to enable cancellation of hazard insurance policies in certain States granting mortgagors redemption rights.

Since the regional offices which we visited administered about 29 percent of all properties acquired by the Veterans' Administration during fiscal year 1965, we believe that substantially greater savings are available nationwide.

It is the stated policy of the Veterans' Administration to be self-insured against hazards to properties owned by it. This policy is consistent with the general policy of the Government to assume its own risk of loss, on the theory that the magnitude of the Government's resources makes it more advantageous to carry its own risks than to have them assumed by private insurers. However, in May 1964 the Veterans' Administration revised its instructions to require that a hazard insurance policy on acquired property be permitted to remain in force regardless of the amount of the unexpired premium, unless the property is sold prior to the expiration date of the policy. Previous instructions required prompt cancellation of an insurance policy on property acquired by the Veterans' Administration when the unexpired premium amounted to \$20 or more.

Certain States have laws which establish a period of time subsequent to foreclosure during which mortgagors in default may redeem their properties. Existing regulations of the Veterans' Administration do not provide the agency with the authority to cancel unexpired insurance policies on properties acquired in these States. Under these circumstances the Veterans' Administration is unable to become self-insured. A revision in these regulations seems particularly desirable when receivers are appointed who have a duty under State law to carry hazard insurance during their period of custodianship. The insurance carried by the Veterans' Administration is of no practical value because it duplicates the receivers' insurance coverage.

The Deputy Administrator of Veterans' Affairs disagreed with our estimate of the amount of savings available and stated that the Veterans' Administration had made a study at 16 regional offices and, on the basis of the statistics gathered, was not satisfied that any loss of revenue had been shown. However, he stated that the Veterans' Administration planned to make a more comprehensive study at all applicable field stations and would reconsider its position at the conclusion of the study and reevaluation of its current policy.

We reviewed the information developed at 4 of the 16 regional offices included in the Veterans' Administration study and believe that the savings available were significantly understated, primarily because the study was not based on the earliest date that the insurance policies could have been canceled.

Since a large number of properties are being acquired by the Veterans' Administration annually, we believe that a substantial amount of savings would be available to the Veterans' Administration if prepaid hazard insurance policies were canceled promptly when the risk of loss passes to the Veterans' Administration or the receivers.

Accordingly, we are recommending that the Administrator of Veterans' Affairs require mortgage holders to cancel prepaid hazard insurance policies upon transferring risk of loss to the Veterans' Administration or the receivers. Also, because the regulations do not now provide the Veterans' Administration with the necessary authority to cancel the policies during redemption periods in States granting mortgagors redemption rights, we are recommending that the regulations be revised to provide such authority.

[Index No. 51—B-125037, Aug. 9, 1966]

POTENTIAL SAVINGS THROUGH IMPROVED CONTROLS OVER PER DIEM PAYMENTS TO MILITARY PERSONNEL, DEPARTMENT OF THE AIR FORCE

The General Accounting Office made a review of per diem payments made to Air Force military personnel deployed on an overseas airlift support mission in a noncombat zone.

We inquired into the management controls in effect and the possible need for strengthening the regulations when an apparent disparity between allowable per diem and lodging and subsistence costs came to our attention. We found that per diem allowances paid to military personnel deployed on a support mission exceeded their estimated

lodging and subsistence costs by about 200 percent. We believe that responsible military officials could have taken action to have the per diem reduced inasmuch as they had personal knowledge that the per diem substantially exceeded the lodging and subsistence expenses incurred by the individuals involved.

The Department of Defense agreed that per diem should be paid only as warranted and justified and that the findings discussed in our report had been brought to the attention of appropriate service officials. He stated further that action had been taken by all military departments to improve administrative control over travel per diem entitlements and that standardized internal audit programs would be examined and revised to direct attention to matters discussed in our report. Also the Joint Travel Regulations were revised, effective April 1, 1966, to make it clear that it is the responsibility of the local commander as well as the theater commander to initiate changes in the per diem rates when warranted.

Since October 1963, we have issued 10 reports to the Congress on unnecessary or illegal per diem payments in the military departments. The total dollar deficiency shown in these reports amounted to about \$10 million. Owing to the significant deficiencies found in our reviews, we believe that the area of per diem is one requiring special and continuing attention by top management personnel of the Department of Defense and the military services to overcome the problems involved. We plan to perform additional reviews of internal controls and of the effectiveness of the corrective actions taken or proposed by the military departments.

[Index No. 52—B-146948, Aug. 9, 1966]

REVIEW OF CHARGES TO DEFENSE CONTRACTS FOR USE OF COMPANY OPERATED AND CHARTERED AIRCRAFT, DEPARTMENT OF DEFENSE

The General Accounting Office reviewed charges to defense contracts for use of company operated and chartered aircraft.

The company aircraft operations included in our review generally have grown from small numbers of relatively inexpensive, piston aircraft to larger fleets of aircraft that include turbojet and pure jet types, the cost of which is in the millions of dollars. The number of pilots required to operate the aircraft and the cost of flight operations have increased accordingly. In addition, information supplied by the Department of the Air Force indicates that the Government's financial interest in contractor aircraft operations is vastly more than that shown in our review. According to the Air Force, companies in the United States, such as the defense contractors included in our review, are utilizing approximately 20,000 executive and business types of aircraft.

Reviews of nine defense contractors that extensively used company operated or chartered aircraft indicated that the cost of such aircraft use was substantially more than the cost of equivalent commercial air transportation.

For example, the cost of operating the five private executive aircraft of one contractor during the year reviewed was about \$1 million or about six times the cost of equivalent commercial air transportation.

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.

[Index No. 53—B-159135, Aug. 9, 1966]

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-

ness of proposed fees, and that contracting practices include negotiations with appraisers concerning fees and other matters after proposals are received.

The Assistant Attorney General, Lands Division, advised us that, in accordance with our proposals, the Lands Division would prepare and issue formal policies and procedures for negotiating with and selecting appraisers and that it was the Department's intention to adopt our proposal that appraisers be required to furnish cost data. He stated, however, that our proposal that negotiations be carried on with prospective appraisers presented a number of problems.

Although adoption and implementation of these measures should improve the contracting procedures for the employment of appraisers, we believe that additional improvements are needed. Accordingly, we are recommending that the Attorney General, to improve contracting activities, provide for periodic reviews of the contracting activities of the individual attorneys for determining whether prescribed policies and procedures are being effectively carried out at the operating level. We are recommending also that the Attorney General prescribe methods and criteria for guiding individual attorneys in determining the reasonableness of proposed fees. We are further recommending that the Attorney General, to afford the Department a better basis for determining that appraisal fees are reasonable, require contracting officials to negotiate with appraisers, on the basis of proposed costs or other information, after initial proposals are received.

In response to our request for all pertinent records, the Department denied us free access to such records applicable to 20 cases then in litigation and furnished us with only those records which, in its opinion, were needed for, or pertinent to, our review. Because the Department did not permit us to make the selection of the documents needed for our review, we were unable to make a completely independent review of the contracting activities. Consequently, we are not aware of any additional information in these files which might affect the matters discussed herein.

We are reporting these matters to the Congress because they show the need for the Department of Justice to strengthen its contracting procedures for employing appraisers to value Indian lands, which is especially important in view of the large number of future contracts which the Department has estimated will be required. Also, prior congressional interest in this area had been expressed by individual members of the Congress and by the Subcommittee on Departments of State, Justice, and Commerce, the Judiciary and Related Agencies Appropriations, Committee on Appropriations, House of Representatives.

[Index No. 54—B-159148, Aug. 9, 1966]

THE UTILIZATION AND DISPOSITION OF EXCESS BEDS AND RELATED BEDDING, DEPARTMENT OF DEFENSE

In 1963 and 1964 the Defense General Supply Center reported to Headquarters, Defense Supply Agency, that the Army beds and mattresses were in long supply and that the Center proposed to issue these beds to the Air Force and Navy in lieu of new procurement.

However, the Center was instructed by Headquarters, Defense Supply Agency, to comply with the request of the customer and not issue substitute items without prior concurrence of the requisitioning services. Consequently, action was taken to dispose of 521,700 excess Army beds valued at \$9.9 million. Meanwhile, 165,000 preferred beds and related bedding were procured at a cost of \$8 million.

Following our inquiries into this matter, 271,500 of the excess Army beds were withdrawn from disposal. These beds were subsequently requisitioned by the military services, including the Air Force and Navy, for use in southeast Asia and supporting areas, at a savings of about \$10.6 million. In our opinion, additional procurement savings of \$9.4 million could have been realized if the 250,200 beds previously disposed of had been used to fill Air Force and Navy requirements.

A similar matter was previously reported to the Congress on April 27, 1965, concerning the refusal of the military services to use excess 4,000-pound warehouse platform trailers to avoid procurement of similar equipment. The Deputy Assistant Secretary of Defense (Materiel Requirements) commented on our report by stating that significant disagreements between the services and the Defense Supply Agency should be referred to the Office of the Secretary of Defense. However, he did not agree with our proposal that the services be required to justify their refusals of substitutes in writing.

The Air Force and the Navy reasons for nonacceptance of the excess Army beds were not clearly documented and evidently were based on other than technical considerations, while the decision by Defense Supply Agency to acquiesce to the services' desires was based to a substantial degree on its desire to maintain good customer relationships. In view of the significant amount of potential savings, we believe that, had this matter been referred to the Secretary of Defense, a different decision might have been reached.

The Department of Defense expressed general concurrence with our findings. The Department further concurred in principle with our proposals that refusals by the military services to accept substitute non-tactical-type items be supported by written justifications in instances where significant potential savings can be realized and that acquiescence by the Defense Supply Agency to such refusals be documented showing the basis for such decisions.

[Index No. 55—B-114824, Aug. 10, 1966]

OPPORTUNITY TO REDUCE COSTS OF PROVIDING PROTECTION FROM HEAT AND COLD ON SHIPMENTS OF CERTAIN PERISHABLE COMMODITIES, COMMODITY CREDIT CORPORATION, DEPARTMENT OF AGRICULTURE

Our review disclosed that costs could be reduced by, and savings to the Government would result from the Corporation's eliminating excessive protection on shipments of butter and cheese without risking spoilage or deterioration of these commodities. We examined into past shipments made by the Corporation of butter and cheese and compared the protective services furnished with those which commercial firms would have furnished such shipments. On the basis of information developed in our review, we estimate that the

Corporation could have realized savings in rail transportation costs for butter and cheese of about \$219,000 during fiscal year 1964, if it had required protective services comparable to those which a commercial shipper would have required. We believe that additional savings may be available on shipments of other perishable commodities.

Guidelines prescribing the protection to be provided for the Corporation's perishable commodities during shipment were issued by the Department in 1958. Agency officials had not kept the details explaining the basis on which the guidelines had been developed, but these officials believed that the guidelines may have been based, in part, on a survey that had been made of commercial shipping practices. In our discussions with officials of four large distributors of dairy products, however, we found that the Corporation's guidelines generally required more protection than was then being required by commercial shippers.

The Executive Vice President, Commodity Credit Corporation, stated that he concurred with our suggestion that a comprehensive study would be desirable and that an evaluation of protective services required for protecting perishable commodities from damage or deterioration in transit would be made. He stated also that the requirements would be revised, where appropriate, to keep the cost of protective services at a minimum consistent with prudent management. He stated further that periodic evaluations would be made to review the adequacy of such requirements.

The Executive Vice President questioned, however, the practicality of adjusting the generally prescribed amounts of protection to be provided to take into consideration special weather conditions existing at the time of shipment. He also pointed out that shipments of print butter made by commercial firms are maintained at temperatures ranging from 35° F. to 42° F. and that the Corporation requires contractors to precool print butter to 20° F. before shipment. Our review disclosed, however, that the conditions pertaining to the Corporation's acquisition and storage of print butter had changed substantially from those existing at the time this requirement for precooling print butter had, some time prior to 1955, been established.

We believe that appropriate revisions to protective services requirements will result in savings in transportation costs. We believe also that, to obtain the maximum benefits from revising the protective services requirements, provisions would have to be made which would enable the Department to revise previously issued instructions if weather conditions upon which the previously issued protective services instructions had been based change substantially prior to shipment. We believe further that, in view of the changed conditions, consideration should be given to revising the requirement that print butter be frozen to 20° F. prior to shipment.

Accordingly, we are recommending that the Secretary of Agriculture require Department officials, as part of the evaluation of protective services requirements which they intend to make, to explore the opportunity for reducing costs by instituting procedures providing for revising protective services instructions when changed weather conditions prior to actual shipment would materially affect the amount of protection previously prescribed. We are recommending also that consideration be given to the feasibility of revising the requirements for freezing print butter prior to shipment.

[Index No. 56—B-125036, Aug. 10, 1966]

REVIEW OF REPORTING OF TAXABLE INCOME AND TAX WITHHOLDINGS OF MILITARY PERSONNEL, DEPARTMENT OF THE ARMY

The General Accounting Office made a review of the reporting to the Internal Revenue Service of taxable income and tax withholdings of military personnel by the Department of the Army.

We found numerous clerical and arithmetical errors in the pay records and forms W-2 prepared by the Army, which demonstrated the need for more aggressive and effective supervision and internal controls. On the basis of the number of errors we found, we estimate that the Armywide errors amounted to about \$16,000,000 in the reported members' income subject to income tax and to about \$2,280,000 in the reported income taxes withheld from members. We further estimate that these errors, unless detected and corrected by the individual members in filing their returns, may have resulted in significant underpayments and overpayments of income taxes for the period reviewed. These errors were primarily the result of the failure of the clerical personnel to satisfactorily perform their assigned tasks. In addition, we found that the errors went undetected or, when detected, were not properly corrected although there are numerous regulations and review programs in existence to prevent this.

In advising the Secretary of Defense of our finding in the review of tax information reported by the Army for calendar year 1963, we proposed that the Secretary of the Army (1) delay the filing of Forms W-2 for 1964, by arrangement with the Internal Revenue Service, until sufficient review could be made to ensure the reliability of the reported information, (2) require a complete review of Forms W-2 for 1963 so that necessary corrections could be made within the statutory time limitations, (3) issue instructions designed to emphasize supervision of base-level activities in order to minimize errors, and (4) ensure that procedures established for future reconciliation reviews are effectively carried out as intended.

By letter of July 1, 1965, the Deputy Assistant Secretary of the Army (Financial Management) forwarded Department of the Army comments made on behalf of the Secretary of Defense. The Army concurred in general in our finding and proposals. He reported that actions were being taken regarding the last two proposals and informed us of the planned institution of the Centralized Automated Military Pay System by 1968. With respect to the first two proposals, however, the Army was unable to take action because the Forms W-2 were not available. The Internal Revenue Service advised the Army and our Office that filing of the 1964 Forms W-2 could not be deferred, because the initial processing of forms for all taxpayers must be completed at the same time in order for the enforcement program to be effectively carried out and that, once the Forms W-2 are made available for use in field offices, there is no practicable means of identifying and reassembling those submitted except on a case-by-case basis.

In our previous report on errors in the reporting of tax information by the Air Force (B-125036, December 20, 1963), we had suggested that special reviews be made of Army and Navy reporting of tax information to determine whether similar deficiencies existed in those departments. We were advised by the Department of Defense that

the Army and Navy had procedures for verifying, on a test basis, the accuracy of information reported to the Internal Review Service and that, therefore, special reviews of prior years were considered unnecessary. We were advised, however, that special reviews would be made of information reported for 1963 to ensure the accuracy of the information as well as the effectiveness of the review procedures.

More recently, we reviewed tax information reporting by the Navy; and on February 18, 1966, we reported to the Secretary of Defense that we had found that incorrect tax data were being reported and that the Navy review generally would not identify these discrepancies. In April 1966 the Navy concurred in general in our findings and informed us of remedial measures being taken.

We recommended that, to provide an auditable record until the improved military pay system becomes effective, the Army Forms W-2 be prepared in sufficient number to provide a copy for retention and use in the individuals' Military Pay Records.

[Index No. 57—B-146551, Aug. 10, 1966]

REVIEW OF CERTAIN ACTIVE DUTY RETIREMENT BENEFITS FOR ARMY AND AIR FORCE RESERVE OFFICERS, DEPARTMENT OF DEFENSE

Many retired Army and Air Force Reserve officers are receiving active duty retirement pay based on a grade higher than the highest grade attained on active duty. This benefit is not available to either Reserve officers of the Navy and Marine Corps or Regular officers of all four military services, and it is doubtful that the Congress intended this special benefit.

The significance of this matter is demonstrated by the substantially higher retirement pay accruing to the Reserve officers who retired from active duty in fiscal years 1964 and 1965 in a grade higher than that in which they had served. These officers will, over the years remaining in their life expectancy, receive about \$100 million more in retired pay than they would if retirement had been limited to their highest active duty grade. Further, it appears that, unless the present retirement legislation is changed, there will be many among the 136,000 Army and Air Force Reserve officers on active duty at June 30, 1965, and among those later entering on active duty, who will retire with similarly increased benefits.

The described situation has developed as a result of the language of the Army and Air Force Vitalization and Retirement Equalization Act of 1948 (62 Stat. 1081) and the policy of the Army and Air Force which permitted many Reserve officers on active duty to be promoted to a permanent Reserve grade higher than the temporary grade held by them on active duty.

The act does not specifically require active duty service in the retired grade, whereas the legislative history, although inconclusive, indicates that the Congress expected Army and Air Force Reserve officers to have served satisfactorily in the grade on which active duty retired pay is to be based. Also, the policy of promoting Reserve officers on active duty to a higher rank on the Reserve officers' register, a policy initiated by the Secretary of War in 1946, was not intended as a basis for determining retirement pay. Instead, its

purpose was to assure Reserve officers on active duty that their rank and order of precedence on the Reserve promotion lists would not be jeopardized by their continued service on active duty. The combination of these two circumstances, however, led to the practice of retiring Reserve officers from active duty with retirement pay based on a Reserve grade in which they have never served.

We brought our findings to the attention of the Secretary of Defense and suggested that a separate and specific legislative proposal on this matter be developed and submitted to the Congress. In response, the Deputy Assistant Secretary of Defense (Manpower) indicated that the retirement grade and pay under active duty retirement laws should be directly linked with active duty service and pointed out that a provision to bring this about had been included in comprehensive officer personnel legislation submitted to the Congress. Regarding our suggestion that separate legislation be developed and proposed, he stated that, in the event the comprehensive proposal was not enacted, consideration could be given to a separate proposal.

As shown in our report, a provision to terminate the subject practice had, on two prior occasions, been included as part of comprehensive legislative proposals that were not acted on by the Congress.

[Index No. 58—B-114860, Aug. 15, 1966]

POSSIBLE SAVINGS BY DISCONTINUING THE PURCHASE OF PUBLIC LIABILITY INSURANCE COVERING ACQUIRED PROPERTY, FEDERAL HOUSING ADMINISTRATION, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Our review of premium costs and claims relating to public liability insurance purchased by property management brokers under contract to the Federal Housing Administration indicated that elimination of the requirement that brokers purchase this coverage could result in significant savings to the agency. Premium costs for this type of insurance covering bodily injury amounted to about \$340,000 a year, which was far in excess of the claims being paid under this coverage. For example, the agency records showed that only about \$9,200 in claims for bodily injury were paid over the 8-year period from January 1957 through October 1965. The annual amount of realizable savings cannot be realistically estimated in advance because the amounts of future claims cannot be predicted nor can the amounts of increases and decreases in administrative costs which would result from the agency's assumption of risk be readily determined at this time. However, in view of the agency's claim experience over a number of years, we believe that the overall long-term net savings which would result from elimination of premium costs of about \$340,000 a year would be significant.

In view of the past experience of the Federal Housing Administration, we believe that it would be more economical for the agency to adopt the Government's long-standing policy of self-insurance by assuming the risks covered by this type of insurance, as the agency has previously done with respect to hazard insurance risks on its acquired properties and general comprehensive liability risks in all contracts except those of management brokers.

Moreover, we believe that savings may be realized by adopting the self-insurance policy for other coverages provided for in management contracts, such as surety bonds and burglary insurance, if the agency's cost and claim experience is found to be similar to that related to public liability insurance.

The large number of properties being acquired by the Federal Housing Administration as a result of foreclosures under its mortgage insurance programs increases the importance of keeping costs and losses related to the management and disposition of such properties to a minimum.

The Federal Housing Commissioner informed us that the agency was favorably disposed toward the general premise of self-insurance and was studying our proposals, but that it needed more information and more time to evaluate the administrative and legal factors involved; to appraise more definitively the risks which would be assumed; to compare the risks with premium costs and additional administrative, investigative, and legal expenses which would be assumed; and to determine what effect the agency's becoming a self-insurer would have on brokers' bids for management fees. In view of this action and the agency's previous actions, which indicate its general acceptance of the principle of self-insurance, we are not making any recommendations at this time.

[Index No. 59—B-146778, Aug. 18, 1966]

NEED FOR INTERSERVICE ACTION WHEN MANAGEMENT POLICIES AND PRACTICES DIFFER FOR SIMILAR SUPPLY ITEMS, DEPARTMENT OF DEFENSE

The General Accounting Office reviewed the Department of the Navy's supply management of a rocket catapult used in an aircraft ejection seat for emergency ejection of a pilot from an aircraft. This review was directed primarily toward an evaluation of the Navy's practices in determining its need for these catapults and the decision to procure new catapults instead of rework available stocks of overage catapults. Our review also included inquiry into the exchange of information with the Department of the Air Force on a similar catapult which had been developed from the Navy's item.

There is a need for the individual military services to exchange and use information concerning the management and operating practices and policies of other services for the same or similar items in order that each might identify opportunities for improved management and potential savings. With regard to the aircraft ejection-seat rocket catapults, the application of such exchange would have disclosed to the Navy that the Air Force policies and practices were more economical. We estimate that, on the basis of requirements through fiscal year 1969, the adoption by the Navy of the Air Force policy and practices could reduce future Navy program costs between \$275,000 and \$800,000.

The Assistant Secretary of Defense (Installations and Logistics) by letter dated March 16, 1966, advised us that our findings had been reviewed by the Department of Defense and the Military Departments and that a preliminary evaluation indicated that the restoration

of overage aircraft ejection-seat catapults might result in a savings to the Government. We were advised that the Department of Defense concurred in our proposals that the Navy's decision not to restore overage catapults be evaluated and all overage catapults be held in stock until the evaluation was completed.

Many items of equipment used by one military department are either identical or similar to items used by another department. Our findings on the aircraft ejection-seat catapult program and our review of other equipment programs demonstrate that increased inter-service consideration by equipment managers of the different policies and practices within each of the military departments could result in the adoption of more effective and efficient management techniques. We therefore recommended to the Secretary of Defense that a program be established that will ensure the exchange and use of information between the individual military services with respect to the management and operating practices and policies of each for the same or similar items to identify opportunities for improved management and potential savings. We recommended further that this program emphasize the need for exchange of information during the entire life of the equipment programs to ensure that each using service is aware of pending or approved changes that would be of benefit to all users.

[Index No. 60—B-158959, Aug. 22, 1966]

MANAGEMENT OF SELECTED TIME COMPLIANCE TECHNICAL ORDERS REQUIRING MODIFICATIONS TO ENGINES FOR F-100 AIRCRAFT, DEPARTMENT OF THE AIR FORCE

The General Accounting Office reviewed the management of selected time compliance technical orders requiring modifications to engines for F-100 aircraft.

Aircraft engines of a given design frequently have undesirable but latent characteristics that are not detected until data on performance under actual operating conditions has been accumulated and evaluated. After a problem area has been identified and the means of solution determined, a time compliance technical order for modification of the engines is issued. These orders are directives used by the Air Force to provide information and instructions to maintenance activities for accomplishing modifications within a specified period of time. Such modifications are undertaken to eliminate safety hazards, to improve reliability, and to facilitate maintenance.

Our review indicated that there was a need for significant improvements in the management of time compliance technical orders to ensure their timely accomplishment. The technical order program for aircraft engines is a dynamic and complex program which requires constant attention by all levels of management during all phases of its operation. The Air Force has made certain improvements in the program; however, in our opinion, greater improvements are necessary to prevent loss of aircraft because technical orders were not accomplished in a timely manner.

Air Force records show that two F-100 fighter aircraft crashed and were destroyed because certain engine components which endangered the operation of the aircraft were not replaced. Prior to the loss of

these two aircraft, the Air Force had determined that the failure of these components had caused several F-100 aircraft to crash and had initiated special projects to replace these components. However, sufficient controls were not established to ensure that timely replacement of the defective components actually had been made by the various commands.

In May 1961 the Air Force established a special project to replace defective support weldments in engines for F-100 aircraft. Replacement of the components was not accomplished in a timely manner, however, and in March 1964 failure of a support weldment caused the crash of an F-100 aircraft.

The Air Force established another special project in November 1962 to replace defective fuel manifolds in engines for F-100 aircraft. Again replacement of the components was not accomplished in a timely manner, and in September 1963 failure of a fuel manifold caused the crash of another F-100 aircraft.

Absence of control over these projects continued to exist after the crashes. As late as February 1965 Air Force records showed that defective weldments and manifolds still were installed in a significant number of engines for F-100 aircraft. At the conclusion of our review in June 1966 the records showed that significant progress had been made and that the modifications necessary to remove the defective components had been completed on all but a small number of engines for F-100 aircraft.

The Air Force advised us that it acknowledged the difficulties experienced in the technical order program and cited a history of actions which had been initiated to improve technical order compliance. The Air Force also emphasized that, while its program was not perfect, discernible improvements in technical order compliance were a matter of record.

The Air Force has made many changes and improvements in its technical order management system in past years, but our review, as well as internal Air Force examinations, has shown that the operation of the system lacks sufficient controls to insure accomplishment of Air Force objectives. We believe that there has been recent improvement in the accuracy of engine management records, but still greater and continuing accuracy in such records and the reports based upon them will be critical to the future effectiveness of the technical order management system.

Because of the complexity of the technical order program and the various organizational elements involved, we recommended to the Secretary of the Air Force that technical order compliance be subjected to close and vigorous administration. We believe that the following areas require the immediate attention of Department of the Air Force officials.

1. Accuracy of records and reports relating to technical order actions.
2. Clarity of lines of authority and responsibility for implementation of required technical orders.
3. Adequacy of coordination between logistics and maintenance activities.
4. Adequacy of accountability for modification kits and control over modification scheduling.

[Index No. 61—B-158712, Aug. 23, 1966]

POTENTIAL REDUCTIONS IN COST OF AUTOMOTIVE TRAVEL BY FEDERAL EMPLOYEES WHERE USE OF GOVERNMENT-OWNED VEHICLES IS FEASIBLE

Many employees of the Federal Government drive their privately owned cars a substantial number of miles in the performance of their duties. Frequently, the official mileage traveled by employees is at or exceeds the level at which the cost of operating an interagency motor pool car is less than the reimbursement mileage rates established by the various Government agencies. Our review of travel procedures at 14 major Government agencies showed that agencies had not been furnished information on the cost of operating interagency motor pool cars at various mileage levels and therefore were not in a position to adequately consider the alternative of providing these cars to high-mileage drivers.

Our more detailed reviews at selected field offices of the Internal Revenue Service, the Federal Housing Administration, and the Federal Crop Insurance Corporation showed that the annual cost of reimbursing high-mileage drivers for official travel exceeded the cost of operating interagency motor pool cars by about \$245,000. If the mileage patterns observed were typical, the annual nationwide costs to these agencies of reimbursing high-mileage drivers for official travel exceeded the cost of operating interagency motor pool cars by about \$1.6 million.

An agency can obtain the benefits from the lower cost of operating an interagency motor pool car by furnishing employees with interagency motor pool cars or by establishing a reimbursement mileage rate that gives consideration to the relative cost of operating an interagency motor pool car if an employee prefers to use a privately owned car for his personal convenience.

We recognize that there are factors other than the operating cost of an interagency motor pool car that should be considered in determining whether the use of such cars is advantageous to the Government. We believe, however, that adequate consideration of all pertinent factors would result in substantial reductions in travel costs of many agencies throughout the Government.

We brought our findings to the attention of the Bureau of the Budget and proposed that it (1) revise the Standardized Government Travel Regulations to require that consideration be given to the relative cost of operating interagency motor pool cars, in determining whether the use of a privately owned automobile is more advantageous to the Government and in establishing the amount payable on a mileage basis when employees and others rendering services to the Government elect, for personal reasons, to use privately owned motor vehicles in the conduct of official business, and (2) periodically obtain and distribute to other Government agencies information on the cost of operating interagency motor pool cars at various mileage levels.

The Bureau of the Budget has agreed that additional guidelines, including data on the cost of operating interagency motor pool cars, should be provided to agencies for use in making determinations relating to the use of cars for travel of Federal employees. We believe that such guidelines will, if properly followed, result in substantial reductions of the Government's travel costs.

[Index No. 62—B-114874, Aug. 31, 1966]

REVIEW OF PROGRAM FOR REPLACEMENT AND PROCUREMENT OF MOTOR VEHICLES, POST OFFICE DEPARTMENT

On the basis of our review of the maintenance of selected motor vehicles at seven vehicle maintenance facilities in three postal regions, we believe that the Department could achieve substantial savings if action were taken to obtain more timely replacement of older vehicles. To accomplish these savings, it would be necessary for the Department to initiate vehicle procurement more expeditiously and to fully consider procurement lead time in establishing vehicle requirements.

Our analysis of the repair and maintenance costs of selected vehicles of $\frac{3}{4}$ -ton and 1-ton capacities showed that vehicles which were 6 or more years old had been substantially more costly to maintain than newer vehicles. We estimate that the cost for operating the overage vehicles at the facilities we reviewed was \$110,000 greater in calendar year 1964 than the cost would have been for operating newer vehicles the same number of miles. If the conditions found in the seven facilities we reviewed are typical of the conditions at other locations, substantial additional costs may be attributable to operating overage vehicles throughout the postal service.

Our review showed also that overage vehicles were much less dependable than newer vehicles to operate. For example, at two facilities vehicles less than 6 years old traveled an average 1,170 miles between unscheduled repairs, while overage vehicles traveled only an average of 560 miles between such repairs.

The Department had continued to operate vehicles beyond their scheduled replacement dates primarily because the ordering of new vehicles had been delayed and because, when vehicle requirements had been established, full consideration was not given to administrative and production lead time. We found that, although the Department generally had anticipated receiving new vehicles in the same fiscal year in which funds for these vehicles were made available, the Department had not received the vehicles when anticipated. Our analysis of procurement records for vehicles needed in fiscal year 1964 showed that from 3 to more than 9 months had elapsed after the beginning of the fiscal year before the Department had issued purchase orders for the vehicles to the General Services Administration and that from 21 to 29 months elapsed from the beginning of the fiscal year to acceptance of the last vehicle.

In February 1966 we brought these matters to the attention of the Postmaster General and proposed that the Department strengthen its procedures to provide greater assurance that vehicles are replaced when it is most economical to do so and that vehicles required for new service routes are obtained in a timely manner. We suggested specifically that the Department prepare its vehicle specifications and procurement requests in the period between the submission of its budget and the beginning of the new fiscal year so that the General Services Administration can request bids immediately after the Department's budget is approved by the Congress. We suggested also that the administrative and production lead time be included as a factor in determining new-vehicle requirements and that the current experienced lead time be reviewed to determine whether the procurement and delivery of new vehicles can be accelerated.

The Postmaster General, in his letter to us dated April 1, 1966, stated that the Department agreed that it should strengthen its program for replacement and procurement of motor vehicles. He informed us that, after our review, there had been an improvement through the earlier submission of requisitions to the General Services Administration. He stated also that the General Services Administration was devoting considerable effort to expediting contract awards and securing on-time contract performance. He further informed us that the Department would continue studies to reduce the time required to complete delivery of vehicles and that requests for funds would recognize reasonable production lead times.

[Index No. 63—B-159187, Sept. 7, 1966]

POTENTIAL SAVINGS THROUGH IMPROVED UTILIZATION OF SPACE
AVAILABLE ON ADMINISTRATIVE MILITARY AIRCRAFT, DEPARTMENT
OF THE AIR FORCE

The General Accounting Office made a review of the utilization of administrative military aircraft maintained for mission-support service at selected Air Force installations. Specific attention was directed toward ascertaining the extent to which commercial air service was procured for Air Force personnel when seats were available on these military aircraft.

Various Air Force transportation regulations provide that personnel on official duties should travel, to the extent possible, on military aircraft flights being made for mission-support purposes to the desired destinations. Several factors could limit utilization of available space on military flights. The factor over which the Air Force apparently has least control is the option of civilians to refuse military transportation if it is not a condition of their employment. However, civilian employees are encouraged to use military aircraft when space is available, in the interests of economy. During our review we found that transportation procedures followed did not provide sufficient control to attain optimum utilization of available administrative military aircraft. On the basis of our analysis of pertinent records at four installations during portions of fiscal years 1964 and 1965, we believe that substantial savings in expenditures for air travel could have been realized through more stringent control of travel authorizations.

We submitted a draft report on the results of our review at one major installation to the Secretary of Defense on March 26, 1965. In a letter dated January 20, 1966, the Department of the Air Force, commenting for the Secretary of Defense on our draft report, stated that, although it did not necessarily agree with our estimate of costs which might have been avoided, adjustments to the transportation request issuing procedure had been implemented to ensure more effective use of available Government airlift. On July 23, 1965, Headquarters, Department of the Air Force, issued a letter to its major commands, outlining the policies to be observed by all Air Force activities in utilizing passenger space available as a by-product of operation of the command support fleet.

We believe that the Air Force has initiated the necessary actions to increase utilization of its administrative aircraft and thereby reduce air travel costs.

[Index No. 64—B-133324, Sept. 19, 1966]

POTENTIAL SAVINGS THROUGH IMPROVEMENT IN THE MANAGEMENT OF MATERIALS HANDLING EQUIPMENT AND COMMERCIAL-DESIGN TRUCKS, U.S. MARINE CORPS, DEPARTMENT OF THE NAVY

The General Accounting Office found a need for increased attention to the established procedures and controls by management personnel at Marine Corps Headquarters and at the installations reviewed, to ensure that the quantities of equipment and trucks assigned for use were commensurate with the needs. Our review indicated that, as a result of the nonadherence to procedures and controls, unneeded vehicles valued at over \$1.6 million had accumulated at the three installations. If our findings are representative of the general situation throughout the Marine Corps, the accumulation of unneeded vehicles of these types could amount to as much as \$5 million.

The Department of the Navy's comments indicated that the Navy concurred, with reservations, in our findings on unneeded vehicles and advised us of the action that had been taken to revise the Marine Corps instructions which existed at the time of our review. The Marine Corps has improved and refined its procedures for identifying excess vehicles and, in addition, has emphasized the necessity for complying with existing instructions. We believe that the present procedures and controls, if effectively implemented, should help prevent recurrence of the type of deficiencies identified during our review.

[Index No. 65—B-159407, Sept. 19, 1966]

REVIEW OF THE MAINTENANCE OF COMBAT VEHICLES,
DEPARTMENT OF THE ARMY

The General Accounting Office made a review of the policies and practices of the Department of the Army with respect to the maintenance of combat vehicles, especially tanks of the M48 series.

We found that the Army was classifying combat vehicles as needing to be rebuilt, on the basis of visual inspections. As a consequence, virtually all major components of equipment classified as needing to be rebuilt were dismantled completely, repaired, and reassembled. We believed that substantial savings could be achieved if combat vehicles requiring maintenance were tested with available diagnostic equipment and other techniques as a means of determining the repair work actually necessary.

Our examination into the repair of certain major components of M48-series tanks showed that savings of more than \$1,760 could be achieved for each tank that did not actually require rebuilding. Since the Army has plans for expending \$147.6 million during fiscal years 1966 through 1969 for the depot repair of 10,848 combat vehicles, including 3,131 M48-series tanks, we believed that the savings that

could be achieved by strict adherence to the Army's stated policy of inspecting and repairing only as necessary would be very substantial.

We brought these matters to the attention of the Department of Defense and the Department of the Army on December 29, 1965. The Deputy Assistant Secretary of the Army (Installations and Logistics), in commenting on our draft report, stated that the Army, in general, agreed with our findings and that it had revised the applicable bulletin, Technical Bulletin ORD 245, on December 23, 1965. He informed us that the revised Bulletin stated, in part, that "Unnecessary disassembly of assemblies and sub-assemblies in or out of vehicles will not be accomplished." He advised also that the Bulletin provided that "To the fullest extent possible, test equipment will be used to determine assembly and sub-assembly reliability, quality and performance." Our review of the Bulletin showed that it specified that engines in combat vehicles having 1,500 miles or more be overhauled (rebuilt) and that engines, transmissions, transfer cases, and axles in tactical vehicles having 5,000 miles or more be overhauled. This language indicated to us that test equipment would not be used on vehicles meeting the above mileage criteria.

Consequently, during April and July 1966, we performed a limited followup review at three of the Army's five maintenance depots; namely, Tooele, Red River, and Letterkenny. At Tooele, we found that the Bulletin had been fully implemented, with the exception of the mileage criteria not being applied literally. Instead, the depot was using diagnostic test equipment whenever possible, the mileage criteria being considered only as a guide. At Red River and Letterkenny, we found that the Bulletin had not been fully implemented; therefore we were unable to determine how these depots would have applied the mileage criteria. We learned, however, that the Army Tank-Automotive Center, Warren, Michigan, had requested all depots to submit specific comments and/or recommendations on the Bulletin by June 6, 1966. The Center stated that the comments and recommendations being requested were "for the purpose of final updating of TB ORD 245." We were advised by an Army official that revisions to Technical Bulletin ORD 245 were continually under consideration.

We believe that the actions which the Army has already taken in revising Technical Bulletin ORD 245 will result in substantial savings, regardless of how the mileage criteria are applied by depots other than Tooele.

[Index No. 66—B-114878, Sept. 20, 1966]

REVIEW OF PROCUREMENT AND UTILIZATION OF SECURITY COVERS FOR NUCLEAR WEAPONS, ATOMIC ENERGY COMMISSION AND DEPARTMENT OF DEFENSE

Our review indicates that savings could be achieved through reduced procurement of specially designed security covers. In 1960 the external dimensions of many types of nuclear weapons were declassified by a change in the Atomic Energy Commission-Department of Defense Classification Guide, thus, eliminating the need for security covers under certain conditions. However, in evaluating the con-

tinued need for security covers in 1960 and 1961 in recognition of the change in the Classification Guide, the Commission and the Department, in our opinion, did not adequately consider the reduced requirements of the military services in their determination of future procurements of covers. Consequently the Commission continued to provide security covers in the same manner as before the external dimensions of the weapons were declassified.

Between January 1961 and March 1965, the Commission expended about \$650,000 in the continued procurement of security covers for the four types of weapons included in our review. During visits to two Strategic Air Command bases where two of the four weapons systems were represented, we were advised that the security covers were not needed for any on-base activity and that they represented a storage problem.

In July 1964 we discussed this matter with officials of the Commission. Shortly thereafter, the Commission and the Defense Atomic Support Agency reviewed their security cover procurement policies, with particular emphasis on the needs and requirements of the using military services, and they concluded that the ratio of security covers to weapons delivered to certain military services could be reduced. As a result, the remaining production of security covers for two of the weapons included in our review was canceled, with an estimated saving of about \$16,000, and procedures were established to evaluate the requirements of the military services in determining future procurement of covers. Since production of security covers was complete, or essentially complete, for the two remaining weapons included in our review, reductions in procurement of security covers for these weapons were no longer possible.

In April 1966 we were advised that action had been initiated to authorize the Department to dispose of certain security covers which had been determined to be no longer of use in the weapons program. Security covers for the four weapons which we reviewed were included on the proposed surplus list.

In our opinion, had the Commission and the Defense Atomic Support Agency adequately considered the need for security covers by the military services in their initial evaluation of procurement requirements, a substantial portion of the approximately \$650,000 spent for security covers between January 1961 and March 1965 for the four systems included in our review could have been avoided.

We believe that the revised procedures established by the Commission and the Department for determining the requirements of all users prior to providing covers, if effectively implemented, should eliminate future procurements of unneeded security covers and result in worthwhile economies.

[Index No. 67—B-114878, Sept. 20, 1966]

POTENTIAL SAVINGS TO THE GOVERNMENT THROUGH INCREASED PURCHASING FROM GENERAL SERVICES ADMINISTRATION SUPPLY SOURCES BY CONTRACTORS WHICH OPERATE FACILITIES OF THE ATOMIC ENERGY COMMISSION

All the contractors whose activities we reviewed utilized the General Services Administration in varying degrees as a source of procurement of common-use items. However, even in those cases where the

contractors were making substantial use of the General Services Administration as a source of supply, we identified additional common-use items which could have been purchased through the General Services Administration.

Our review showed that savings to the Government amounting to about \$309,000 might have been achieved during the period extending from fiscal year 1963 through the latter part of fiscal year 1965 if these items had been procured through General Services Administration rather than directly from commercial suppliers.

We believe that within the Commission's policies and procedures there exists an appropriate framework which should promote the maximum use of General Services Administration as a procurement source and that, through its periodic evaluations, the Commission should have been in a position to examine into the contractors' effectiveness in relation to this matter. We found, however, that the emphasis placed on this aspect had varied considerably among operations offices, with the result that additional costs were being incurred, in some cases quite substantial, which could well have been minimized.

Accordingly, we proposed that the Commission's General Manager reemphasize to the operations office officials the importance of making thorough reviews of operating contractors' practices and procedures relating to the use of General Services Administration as a procurement source. Also, we proposed that the General Manager instruct the operations offices to require the contractors to include in their records written documentation in support of decisions to purchase from sources other than those of the General Services Administration, common-use items for which there is a continuing need. The Commission has advised us that it will implement our proposals.

Corrective actions also were taken by the contractors after we brought our findings to their attention. One contractor revised its policy to place emphasis on increased procurement from General Services Administration supply sources. Other contractors, in implementation of existing policies, made changes in practices, to procure certain items from General Services Administration sources in the future or obtain certain items from the General Services Administration to use and evaluate on a trial basis to determine whether the items would be satisfactory for their needs.

We believe that the actions taken or to be taken by the Commission and the contractors should promote a more effective use of General Services Administration sources of supply by the operating contractors. However, we plan, as part of our continuing review of Commission operations, to evaluate the effectiveness of these actions in subsequent reviews.

[Index No. 68—B-146876, Sept. 20, 1966]

REVIEW OF THE POLICY OF LEASING MOTOR VEHICLES FOR USE BY GOVERNMENT CONTRACTORS, DEPARTMENT OF DEFENSE

The General Accounting Office made a review of the policy of leasing motor vehicles for use by Government contractors. This report presents our findings together with information on the action (1) which the Department of the Air Force has already taken and plans to take by February 1967 to discontinue leasing vehicles for use

of contractors at Vandenberg Air Force Base and (2) which the Department of Defense plans to take to modify regulations and policies in the Departments of the Army, Navy, and Air Force with respect to the interpretation of 5 U.S.C. 78.

Because of problems that arose from having many contractors making independent arrangements for their own intrabase transportation, beginning in August 1962 the Air Force Systems Command—through its Ballistic Systems Division and Space Systems Division—awarded contracts to firms for leasing vehicles for the use of contractors in performing Government contracts at Vandenberg Air Force Base. We estimate that savings of about \$800,000 could have been realized over the 3-year period of the current contracts if the Government had purchased the vehicles and furnished them to the contractors for their use on the base.

It has been the opinion of the Department of Defense that it is the intent of the Congress to control the purchase of passenger vehicles by the Department of Defense, regardless of whether the vehicles are to be used by Government or contractor personnel, and that 5 U.S.C. 78 precludes acquisition by the Department of Defense of vehicles other than those specifically authorized by the Congress in the annual Department of Defense Appropriation Acts. In our view, the restrictions on procurement of vehicles included in 5 U.S.C. 78 pertain only to vehicles to be procured for use by Government agencies and departments. We believe, for example, as stated in our report dated October 2, 1964 (B-146876), that funds appropriated for procurement of missiles can be used to purchase vehicles needed by contractors in the performance of contracts financed with such funds and that it is not necessary for the Air Force to obtain congressional approval to purchase vehicles for use of contractors to perform work under Government contracts.

In commenting on our report, the Deputy Assistant Secretary of Defense (Logistics Services) advised us that the Air Force in March 1965 initiated a program to replace with Government-owned vehicles, to the maximum feasible extent, the vehicles then leased for contractor use at Vandenberg Air Force Base. The Deputy Assistant Secretary stated that 101 of the 425 vehicles discussed in our report were programmed for replacement in 1966 and that the Air Force was attempting to program procurement of the remaining 324 vehicles so that they would be on hand when the leasing contract for vehicles for Vandenberg expired in February 1967.

With respect to 5 U.S.C. 78, the Deputy Assistant Secretary indicated that, although he still felt that this legislation was intended to impose rigid congressional control over the acquisition of passenger vehicles for use of both agency and contractor personnel, he recognized that potential savings might be realized in certain circumstances by procuring rather than leasing such vehicles and he was accepting our interpretation that the statute applied only to vehicles acquired for use by agency personnel. He stated that a memorandum to the Assistant Secretaries of the Army, Navy, and Air Force for Installations and Logistics was being issued, requesting that applicable regulations and policies be modified as soon as possible to include the revised policy. We believe that this revised policy should make it possible to realize savings in transportation costs at other military installations where substantial numbers of passenger vehicles and trucks may be leased for extended periods for use by Government contractors.

[Index] No. 69—B-156818, Sept. 20, 1966]

LONG-TERM LEASING OF BUILDINGS AND LAND BY GOVERNMENT CONTRACTORS

The General Accounting Office review of the long-term leasing of buildings and land by one contractor, the Lockheed Missile & Space Company disclosed that this method of acquiring facilities is more costly to the Government than would be the case if the contractor had constructed and retained ownership of the property for use on Government work. We believe that current provisions of the Armed Services Procurement Regulation provide an incentive for contractors to rent and should be reconsidered by the Department of Defense.

Lockheed entered into noncancelable leases on property which cost about \$27 million, for a 25-year period, which committed it to pay total rentals of about \$46 million. Although the cost of the land and interest expense on the contractor's investment in buildings and land would not have been reimbursable under the Government cost-reimbursement contracts in effect, the contractor, through the long-term leasing arrangements, is being reimbursed for all costs of the property. If the use of the facilities continues almost exclusively for negotiated Government work over the initial 25-year period of the leases, the Government will pay, through reimbursement of rental payments, about \$19 million more than the cost of the buildings, which would be the amount chargeable to Government contracts as depreciation if the contractor owned the property.

Under these conditions, however, the contractor will save during this same period a substantial amount, which we estimate at about \$10 million, in interest expense which it would have incurred to finance ownership of the facilities. Also, the higher leasing costs are included in the cost base in establishing fees or profits on Government contracts. Furthermore, under the current Armed Services Procurement Regulation guidelines for establishing the source of resources portion of the contract profit allowances, a contractor is allowed the same profit or fee consideration for furnishing the facilities whether they are owned, and the contractor absorbs the financing costs, or whether they are rented, and the contractor passes the rental costs, which would include the owner's financing costs, on to the Government.

In commenting on a draft of this report, both Lockheed and the Department of Defense emphasized the risk that Lockheed took by entering into the 25-year noncancellable leases without the assurance that its work under Government contracts would continue during the entire period.

However, the Department agreed with our position that the risk is substantially the same whether the contractor purchases the facilities or acquires them through long-term leasing arrangements. The Department stated that it was aware of the magnitude of the leasing costs and that it was not precluded by the Armed Services Procurement Regulation from considering the reasonableness of the costs of leasing in any current or future negotiations. Further, the Department stated that the Armed Services Procurement Regulation Committee would be requested to review the rental cost principle, particularly under noncancellable, long-term leases. The Department also advised that consideration of revisions to the weighted guidelines, which

are used in the establishment of profits and fees, would be possible after sufficient data had been obtained under a Department of Defense Profit Review Study.

We recommended to the Department of Defense that, in its review of the rental cost principle, it consider the alternatives discussed in this report; that is, either to consider the costs of rented buildings and land used by defense contractors to be allowable to the extent that they do not exceed the costs of ownership or to provide a clear distinction between owned and rented facilities in establishing profits or fees. We recommended also that, in conjunction with consideration of these alternatives, the Department review the matter of a requirement for disclosure of contemplated actions involving special or unusual costs to be incurred by defense contractors.

[Index No. 70—B-132989, Sept. 30, 1966]

FOLLOW-UP REVIEW OF THE MANAGEMENT OF AIRCRAFT ENGINES USED IN GROUND TRAINING PROGRAMS, DEPARTMENT OF THE AIR FORCE

The General Accounting Office made a follow-up review of management of aircraft engines used in ground training programs. The review was made for the purpose of evaluating the effectiveness of actions taken by the Air Force to correct the deficiencies cited in our November 1962 report to the Congress titled "Management of Jet Aircraft Engines by the Air Training Command in its ground training programs for the Department of the Air Force" (B-132989).

Our follow-up review showed that the Air Training Command had made significant improvements in its procedures for establishing requirements for engines and for controlling the use and disposition of engines acquired for training purposes. We found, however, that certain of the improved procedures had not been adequately implemented at the Command's technical training centers. As a result, the maximum benefits attainable from the improved procedures were not being realized.

In our earlier report we noted that, in its training courses, the Air Training Command was using engines that were needed by other commands for operational use, although older series engines, suitable for training purposes, were available from long supply in the Air Force inventory. In commenting on our report, the Air Force informed us that it had established procedures for the exchange of supply-status information between the Air Training Command and the Air Force Logistics Command which, in conjunction with other changes in Air Force management programs, were expected to result in a significant improvement in engine management. As a result of the various improvements, such as the consolidation of training courses so that engines and related equipment could be used in more than one course, the Air Training Command during fiscal years 1963 and 1964 took action to release or eliminate requirements for engines and equipment valued at about \$12,400,000 that, in many cases, were needed for operational use by other commands.

We found, however, that the technical training centers were not making proper use of the engine supply-status information furnished

by the Air Force Logistics Command. Consequently, available substitute engines were still not being utilized to the maximum extent possible in order to release engines needed by other commands. When we brought this to the attention of Air Training Command officials, 37 engines valued at about \$3,100,000 were released by the Air Training Command for use by other commands.

In commenting on our report in a letter dated July 6, 1966, the Air Force stated that some shortcomings had existed in the program and that our follow-up review had generated a revitalization of its procedures so that effective management could be achieved. In addition, the Air Force stated that the Air Force Inspector General would include in his inspections the matter of control and utilization of aircraft engines by the technical training centers to ensure that effective management procedures would be followed.

[Index No. 71—B-146876, Sept. 30, 1966]

PROCUREMENT OF THRUST VECTOR CONTROL NOZZLES FOR THE
MINUTEMAN MISSILE PROGRAM, DEPARTMENT OF THE AIR FORCE

The General Accounting Office reviewed the procurement of thrust vector control nozzles used in the production of first-stage motors of the MINUTEMAN intercontinental ballistic missile by the Department of the Air Force.

In our review of selected components procured by prime contractors for the weapon system, we found that, in establishing a firm price for thrust vector control nozzles purchased by Thiokol Chemical Corporation for use in producing first-stage MINUTEMAN missile motors under negotiated purchased order P62-08432, Arde-Portland, Inc., (1) had not advised the contractor that it had received lower price quotations from, and had placed orders at lower prices with, suppliers of certain components and (2) had used direct labor cost data which, in our opinion, were unrealistic. In our opinion the costs incurred for the purchased components were about \$592,800 less than the amount that had been estimated in negotiating the purchase order price due to reductions in price that had been obtained by Arde-Portland prior to definitizing the purchase order but which it had not made known to Thiokol. Also, the lack of realistic cost data for production labor had resulted in the costs' having been overestimated by an indeterminable amount.

Thiokol, by requests included in several teletypes sent to Arde-Portland during September and October 1962, attempted to determine the new prices that Arde-Portland had obtained from its suppliers for the components it proposed to purchase. Arde-Portland's response to the effect that it had incurred increases of substance in these costs was apparently interpreted by Thiokol to mean that Arde-Portland's costs for obtaining the components had increased relative to the estimated costs considered in the initial price negotiations held in August 1962. In actuality, however, Arde-Portland's reply was not responsive, for, as a result of its negotiations with its suppliers during the period September 7 to October 15, 1962, Arde-Portland had negotiated subcontracts with its suppliers for virtually all of its requirements and had been quoted prices for the small remaining balance of its require-

ments, which, in almost every case, were substantially lower than the estimated prices that had been considered in the initial price negotiations. We estimate that, as a result, Arde-Portland's costs for subcontracted items were about \$592,800 less than the estimated costs it had included in its initial price proposal.

In our view, the overestimating occurred because Thiokol and the Air Force did not obtain or review the latest available evidence of the estimated costs that Arde-Portland expected to incur in performing its contract with Thiokol. The Air Force advised us on August 17, 1965, that:

Since August 1964, in addition to an Air Force committee review, an audit is required on all fixed-price subcontract proposals received by Thiokol in excess of \$250,000 when the price is to be based on an analysis of a cost estimate.

The Air Force also stated that, to avoid a recurrence of the situation dealt with in our report, Thiokol had incorporated these instructions in its internal procedures, reorganized its purchasing department and made extensive personnel changes and that a subsequent survey made by an Air Force Western Contract Management Region Purchasing Methods Analysis Team had showed that all deficiencies previously found in Thiokol's pricing and negotiating areas had been corrected.

As the result of a meeting held on December 7, 1965, pertaining to the findings included in our draft report, Arde-Portland, Thiokol, and Air Force representatives negotiated supplemental agreement 36 to contract AF 04(694)-133. This agreement reduced the amount of the contract by \$266,375, in final settlement of the overestimated material and labor costs of more than \$592,000 disclosed by our review. We recommended to the Secretary of Defense that he bring the facts of this procurement to the attention of contracting officials, to emphasize that attempting to obtain recovery after contract performance is not a satisfactory substitute for obtaining, during contract negotiations, reasonable evidence of the estimated costs that subcontractors expect to incur.

[Index No. 72—B-118634, Oct. 19, 1966]

REVIEW OF POLICIES AND PROCEDURES FOLLOWED IN DETERMINING THE SIZE OF THE NEW SECOND LOCK AT SAULT STE. MARIE, MICH., CORPS OF ENGINEERS (CIVIL FUNCTIONS) DEPARTMENT OF THE ARMY

On the basis of our review, we estimated that the cost of designing and constructing the New Second Lock was increased by about \$651,000 because the Corps of Engineers decided to increase the authorized size of the New Second Lock without first adequately establishing the maximum-size ships that could be expected to use the new lock during its economic life. Shortly after construction started and after the design work was substantially completed, shipping interests expressed concern over the adequacy of a proposed 1,000- by 100-foot lock. As a result, the Corps stopped construction and design work, restudied the proposed lock size, and decided to increase the size of the lock to 1,200 by 110 feet. In our opinion, the data upon which the decision was made to increase the lock size to 1,200 by 110 feet was basically the same as the data available at the time the Corps decided to build the 1,000-foot lock.

The Department of the Army, in commenting on the matters presented in this report, generally disagreed with our findings and conclusions. The Department stated that three principal changes in conditions occurred between 1959, when the decision was made to increase the length of the lock to 1,000 feet, and 1962, when the decision was made to increase the length of the lock to 1,200 feet. The changes referred to by the Department relate primarily to technological changes in ship construction and in processing of low-grade ores and to improvements in the Great Lakes connecting channels. Although these principal changes would probably affect the date at which larger Great Lakes ships would be placed in service, we believe that sufficient information was available in 1959 to place the Corps on notice that these changes would occur during the economic life of the lock and we believe that the Corps should have considered the effect of these changes in determining the size of the New Second Lock.

These and several additional comments by the Department have been considered in our report and are included as appendix II.

Existing regulations and procedures provide general guidelines to be used in the planning and designing of locks, and we are not recommending that these be revised or that more detailed guidelines be established because we recognize that numerous factors are involved in determining the size of a lock and that these factors vary depending on the type of vessels and traffic which will use the lock. Because the decision as to the size of each lock to be constructed—as in the case of the New Second Lock—involves the exercise of judgment, we believe that it is particularly important that the information compiled during the lock-size studies and the recommendations made by the district engineers based on these studies be critically reviewed and evaluated by responsible officials in the division and in the Office of the Chief of Engineers.

Accordingly, we are recommending that, in order to minimize the possible occurrence of similar situations, the Chief of Engineers bring this report to the attention of all district engineers to stress the importance of conducting thorough studies before building new locks. We are recommending also that the Chief of Engineers bring this report to the attention of the division engineers and officials in the Office of the Chief of Engineers to demonstrate the need for more critical evaluations of representations and proposed actions of the district engineers to ensure that the representations and actions are in line with current and forecast lock-size requirements.

[Index No. 73—B-133394, Oct. 31, 1966]

REVIEW OF SELECTED ASPECTS OF SCHEDULING FOR DESIGN, INTEGRATION, AND TEST OF NIMBUS SPACECRAFT, NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

The primary objective of the Nimbus project at its outset was to develop a meteorological satellite system which would be capable of meeting operational, as well as research and development, needs of the nation's atmospheric and weather services. We undertook a review of selected aspects of the management of the Nimbus project,

after noting that project cost estimates had been substantially exceeded and that launch schedules had not been met, to consider the need for strengthening the Space Administration's management practices relating to research and development projects.

We noted that, in the early stages of the Nimbus project, the Space Administration's Goddard Space Flight Center required the Nimbus spacecraft integration contractor to work on prototype spacecraft design and test planning when only tentative design information was available about the spacecraft subsystems. These subsystems—integral parts of the spacecraft—were being designed and fabricated by other Space Administration contractors for integration into the spacecraft. The Goddard Center subsequently authorized the integration contractor to give recognition to delays in completion of the spacecraft subsystems. The integration contractor, however, had to perform substantial reanalysis, redesign, and rework relating to integration and spacecraft testing at an estimated cost of about \$1.1 million because much of the tentative subsystem design information it had used in meeting the requirements or the integration schedule proved to be inaccurate.

On the basis of our review, we believe that this situation occurred because the Goddard Center did not give timely recognition to the effects of expected delays in delivery of subsystem hardware on the integration effort at the time these delays became known. Also, we believe that the Goddard Center did not assure itself at that time that any benefits which might have been expected from adhering to outmoded schedules would have offset the added costs which could have resulted from using tentative design data. In our opinion, postponement of the start of spacecraft design and test planning would have evidenced a recognition of the situation as it existed at that time; that is, undertaking spacecraft design and test planning based on tentative design data involved the unnecessary risk of increasing project costs.

Because accounting records normally maintained for the performance of cost-type research and development contracts do not contain this type of information, a reasonable approximation cannot be made of costs that might have been avoided by a more timely adjustment of the integration schedule. We believe, however, that the magnitude of the expenditure of about \$1.1 million subsequently made for reanalysis, redesign, and rework indicate that substantial costs might have been avoided.

The Space Administration, whose comments are included in the report, did not agree with our finding regarding the need for more timely adjustment of schedules under the circumstances that existed. In this regard, we noted that the Space Administration recently issued a new agencywide policy directive for the planning, approval, and conduct of future major research and development projects. This policy, known as Phased Project Planning, was evolved because of the undesirable results that occurred in the form of increased costs over those predicted, and delays or slippages in established schedules, when major research and development projects were allowed to proceed almost directly from feasibility studies to full-scale hardware development.

The new policy directive provides that future research and development projects similar to Nimbus will normally be conducted in four

sequential phases—Advanced Studies, Project Definition, Design, and Development/Operation—with each phase a specifically approved activity to be undertaken only after review and analysis of the preceding effort by agency top management. Under this system final hardware design, development, and fabrication will not be undertaken until necessary design work relating to critical systems and subsystems has been performed to provide reasonable assurance that milestone schedules for the final or development phase can be met. In contrast, milestone schedules for the delivery of advanced state-of-the-art hardware for integration and testing in the Nimbus project were established at the outset and, in our opinion, were adhered to unnecessarily after the Space Administration learned that these schedules were virtually unattainable because of typical developmental problems.

In this regard the Space Administration's policy directive, issued in October 1965, to improve the management of research and development projects would, if adequately implemented, eliminate the likelihood of a recurrence of this situation. The directive contemplates an orderly approach to the management of research projects. However, the tenor of the Space Administration's comments to us, 1 month after issuance of the directive, indicates that, under circumstances similar to those cited in this report, Space Administration management would again make the same decision. Therefore, we plan to examine into the implementation of the new policy as part of our continuing review of the management of Space Administration research and development projects.

[Index No. 74—B-156760, Oct. 31, 1966]

MANAGEMENT CONTROL OF NIKE-HERCULES MISSILE LAUNCHING AND HANDLING RAILS

The Army's management control over the computation of requirements, the procurement, and the accountability of major items of NIKE-HERCULES missile ground support equipment was inadequate in that the Missile Command was unable to account for substantial quantities of costly missile system equipment. The inability to account for this equipment was a result of an inadequate record-keeping system which did not provide sufficient data on which to base requirement computations. Requirements were computed on the basis of new deployments, authorization of increased number of missiles assigned, and individual users' requests, less the quantity of rails shown to be on hand in depots and on order. The total quantity already available at users' locations and the condition thereof were not considered in the requirement computation.

At the time of our review, the Missile Command had obtained authorization of funds and was in process of procuring 149 NIKE-HERCULES missile launching and handling rails, at a cost of about \$1.3 million, which were in excess of actual requirements. After we suggested that it reevaluate overall requirements, an Army-wide review was initiated, which resulted in a decision to cancel the planned procurement of 149 rails.

The problems associated with the management control of NIKE rails are not unique. We have previously found and reported on a number of instances where procurement actions were initiated because stock already in the Army supply system was not adequately accounted for by using organizations and because the Army did not have adequate procedures for verifying asset data received from using organizations with procurement and issue information. We have found also that these conditions were due primarily to the lack of adequate accounting control over inventories, particularly at the time of delivery and extending in greater or lesser degree to all echelons of the supply system.

The Deputy Assistant Secretary of the Army (Installations and Logistics) has advised us that the Army concurred generally with our findings and agreed that the records transferred to the Missile Command by the Major Item Supply Management Agency were not adequate to provide inventory control on the rails previously issued to users. The Army noted, however, that certain actions had been taken which it believed would provide supply commodity managers with current, accurate, and reliable worldwide asset information.

The Army is engaged in an overall program for developing a central control of assets and requirements for major items and certain significant spare parts. We believe, however, that the improvements that might result from the Army's actions will depend to a great extent on the performance of the individuals responsible for establishing and reviewing requirements and authorizations.

[Index No. 75—B-159072, Oct. 31, 1966]

POTENTIAL SAVINGS THROUGH GREATER USE OF AVAILABLE GOVERNMENT GASOLINE OUTLETS, GENERAL SERVICES ADMINISTRATION

We found that greater use of Government gasoline outlets is feasible and that substantial savings can be achieved if responsible General Services Administration officials will take action to more effectively control credit-card purchases of gasoline from commercial service stations. In our report dated July 15, 1966 (B-159072), we reported a similar finding on our review of credit card purchases of automotive gasoline for vehicles of the Departments of the Army, Navy and Air Force.

The General Services Administration annually purchases an estimated 25 million gallons of gasoline from commercial service stations. The cost of gasoline purchased with credit cards is from about 7 cents to 19 cents a gallon higher than the cost of gasoline obtained from Government outlets. Our reviews at selected interagency motor pools showed that about 27 percent of the gallons of gasoline purchased at commercial service stations could have been purchased at Government gasoline outlets at substantial reductions in cost. If the feasibility of using Government gasoline outlets that we observed is typical for all motor pools, we estimate that the Government could save about \$600,000 annually by using available Government gasoline outlets to the maximum extent practicable.

We apprised the Administrator, General Services Administration, of our findings and suggested that certain actions be taken to obtain

maximum use of Government gasoline outlets for vehicles of the General Services Administration. The Assistant Administrator for Finance and Administration informed us in his letter dated June 28, 1966, that several problems were being encountered but that the General Services Administration was in general agreement with the objective of our suggestions. He advised us of a number of actions that would be taken.

As part of our continuing review of the motor vehicle operations of Federal agencies, we plan to look into the effectiveness of the actions taken by the General Services Administration to obtain greater use of Government gasoline outlets.

[Index No. 76—B-159271, Oct. 31, 1966]

REVIEW OF PROCUREMENT OF DETACHABLE HELICOPTER GROUND HANDLING WHEEL ASSEMBLIES, DEPARTMENT OF THE ARMY

We found that, as of November 1964, the Army had procured more ground handling wheel assemblies than were needed to support its total planned inventory of UH-1 helicopters. The overprocurement was caused by the fact that Army procedures did not require using units to report accessories or components of major items of equipment which were unnecessary, oversophisticated, or furnished in quantities greater than needed and did not specify that this factor be considered in requirement computations. After we discussed this condition with Army officials, action was initiated to establish more realistic requirements for these assemblies. As a result, procurement orders for 117 wheel assemblies or 58.5 sets costing approximately \$43,700 were canceled and the need for possible future procurement of an additional 2,400 sets costing about \$2.1 million was eliminated.

The Assistant Secretary of Defense subsequently advised us that the Department of Defense concurred in our finding and stated that the Army's revised criteria for wheel assemblies should preclude further overstatement of needs. The Assistant Secretary of Defense further advised that, on the basis of planned procurement of UH-1B/D helicopters through fiscal year 1967, the Army would be able to utilize all the UH-1B/D wheel assemblies in the system and probably would have to procure additional ones. The only wheel assemblies which would then be excess to the Army's needs would be 172 sets for the UH-1A helicopter, valued at \$176,000, which could not be used for the UH-1B/D helicopter. The increased requirement for UH-1B/D wheels was due to the fact that the Army had greatly increased its planned procurement of UH-1B/D helicopters since the date of our review. We believe that, in view of this increase, savings on future procurement of ground handling wheel assemblies resulting from the Army's revised criteria should be even greater than \$2.1 million.

The Assistant Secretary of Defense also advised us that the Office of the Secretary of Defense and the Department of the Army concurred in our proposal that procedures be established to provide for using units to report to higher authority all items received with or furnished on major items of equipment that are unnecessary, oversophisticated, or in excess of actual needs. He said that the Army would make a study to determine the form and scope of these procedures.

[Index No. 77—A-90545, Nov. 28, 1966]

PROCUREMENT OF PRINTING OF TECHNICAL MANUALS FROM EQUIPMENT CONTRACTORS, DEPARTMENT OF DEFENSE

We made a review of the opportunity for savings by the Department of Defense in the procurement of the printing of technical manuals from equipment contractors. We conducted this review in cooperation with the Joint Committee on Printing, Congress of the United States, which, as part of its overall study of the Federal printing program, had requested us to review the practices followed by the military departments in the procurement of printing. On the basis of our review, we believe that, in most cases, the military departments can achieve significant savings by procuring the printing of technical manuals from commercial printers under formally advertised contracts awarded by the Government Printing Office in lieu of procuring such printing from the manufacturers of equipment.

The Joint Committee on Printing, as part of its authority under title 44 of the United States Code, promulgates and publishes the Government printing and binding regulations. The regulations state that, when printing is authorized as part of an equipment contract, the cost thereof must be identified in the contract and a record of the cost thereof must be maintained for review.

Our examination covering the fiscal year ended June 30, 1964, disclosed that (1) information on the total expenditures for printing technical manuals procured from equipment contractors was not maintained by the military departments and (2) costs for printing technical manuals generally were not identified in the individual equipment contracts. Therefore, we made a review of Government expenditures for the printing of technical manuals at selected contractor locations. Our detailed examination of the contractors' records disclosed that the cost to the Government for printing technical manuals furnished to the military departments under equipment contracts held by these contractors amounted to approximately \$2.2 million in fiscal year 1964. Also, we obtained from the Government Printing Office estimates of the prices that could have been obtained for printing certain manuals furnished by these contractors if the printing had been procured from commercial printing sources under contracts awarded by the Office. On the basis of data obtained from the contractors and the Government Printing Office, we estimate that the military departments could have saved about \$770,000, or 35 percent of the \$2.2 million.

On the basis of our limited test, we estimated that, during fiscal year 1964, the military departments spent between \$25 million and \$30 million for printing manuals procured through equipment contractors and that the military departments could save about 35 percent of such costs annually.

For fiscal year 1964, this savings could have amounted to about \$8 million. In our opinion, adequate cost information would have furnished a sound basis on which the military departments could have determined the most economical method of procurement and thereby realized significant savings.

In reply to our draft report on this matter, the Department of Defense concurred with our findings that information on the total

costs incurred by the military departments for the printing of technical manuals procured from equipment contractors was not available and that costs for printing technical manuals generally were not identified in the individual equipment contracts. Further, the Department concurred with our recommendation that the Secretary of Defense take the necessary action to ensure maximum procurement of printing of technical manuals through the Government Printing Office consistent with cost economy and operational effectiveness. We were also advised that the military services had underway accelerated programs for obtaining the printing of their manuals through contracts established by the Government Printing Office. These actions should result in significant savings to the Department of Defense in the procurement of technical manuals.

[Index No. 78—B-133127, Nov. 29, 1966]

REVIEW OF COORDINATION BETWEEN PROCUREMENT OF TECHNICAL EQUIPMENT AND ITS ULTIMATE UTILIZATION, FEDERAL AVIATION AGENCY

On the basis of our review, we believe that there was a need for the Agency to achieve better coordination between the procurement of air navigational and traffic control equipment and its ultimate installation at field facilities. We noted that the Agency had accumulated sizable overstocks of such equipment because it had procured the equipment without having firm plans for the installation of the equipment. We noted also that, because of the inadequacy of its procedures for determining stock availability, the Agency had purchased equipment from commercial sources, at a cost of about \$136,000, when similar equipment stocked at its Oklahoma City depot was in excess of reasonably current needs. We noted evidence that procurement actions had been expedited in an apparent effort to obligate funds before the end of the fiscal year.

The overstocks and unnecessary or premature purchases resulted in (1) large stocks of some items becoming obsolete because of technological advances after the items were purchased, (2) the manufacturers' warranties on many of the items in storage substantially or completely expiring, and (3) the premature investment of Government funds in inventories when these funds might have been used for other more essential purposes. Also, these factors tended to result in additional interest, storage, and handling costs.

We proposed that the Agency (1) establish definitive procedures for determining the amount of air navigational and traffic control equipment to be purchased, (2) discontinue the practice of procuring air navigational and traffic control equipment on the basis of budget estimates and tentative plans, and purchase such equipment as near as possible to the date of actual need for the equipment on specific approved projects, and (3) identify equipment excess to the Agency's reasonably current needs for approved or firmly planned projects, and report excess stocks to the General Services Administration so that they may be made available to other Government agencies.

In a letter to us dated May 10, 1966, the Administrator of the Federal Aviation Agency stated that he agreed with our findings and our proposals for corrective action. He informed us that the Agency had issued, during the past 2 years, three directives designed to provide stopgap corrective action until such time as more comprehensive system improvements could be implemented. The Administrator informed us also that, on November 2, 1965, the Agency issued the more comprehensive system improvements for the management of project material, which would be fully implemented in the Agency by December 31, 1966, and would provide for the constant comparison of requirements and assets, the reassignment of assets to meet changing requirements, and the early identification and prompt disposal of excesses to ensure their availability to other Government agencies.

The Administrator added that (1) an Agency directive would be issued to give formal status to informal instructions now in existence which provide for miscellaneous construction supplies to be procured on a more realistic basis, (2) every effort was being made to buy equipment nearer to the actual need date, and (3) Agency internal audit follow-up and future management reviews would determine the effectiveness of all the corrective actions taken.

We believe that the comprehensive system improvements, when they are fully in effect, should significantly enhance the coordination between the purchase and ultimate use of equipment. In the interim, however, we believe that, for effective management of project material now on hand, definitive criteria are needed as to when material reserved for a future project may be considered available for current use on another project with an earlier start date, and we are recommending that such criteria be included as an amendment to the Agency's November 1965 directive.

[Index No. 79—B-146700, Nov. 29, 1966]

SAVINGS ATTAINABLE IN THE USE AND PRICING OF CERTAIN NON-PERISHABLE FOODS, DEPARTMENT OF DEFENSE

The General Accounting Office has made a review of certain aspects of the use and pricing of specification nonperishable foods within the Department of Defense.

We believe that significant savings will be realized by the military services in the future through maximizing the use of food items packaged in large-size containers. We believe also that significant savings will be achieved by the services, in connection with the sale of food items to military commissary stores, as a result of establishing prices for food items on the basis of their actual cost in each size of container rather than on the basis of the average cost in all container sizes. In this connection, our review indicated that, during fiscal year 1964, annual savings of as much as \$2 million could have been realized had maximum use been made of foods packaged in large-size containers and had food items sold to commissary stores been priced at actual cost.

At the time of our review, policies and procedures had not been established to determine and/or encourage the use by military services of the most appropriate size or type of container of food. In

addition, the Defense Subsistence Supply Center, which managed food items for the Department of Defense, had taken the position that its responsibility was limited to furnishing food items in the manner prescribed by the military services.

In advising the Department of Defense of our findings, we also proposed that the Secretary of Defense establish a program for the periodic review of subsistence items used by the military departments to identify uneconomical practices and that he initiate the necessary corrective action.

The Deputy Assistant Secretary of Defense (Materiel Requirements), by letter dated June 21, 1966, concurred with our findings and conclusions and, in regard to our proposal, identified recent steps taken by the military departments and the Defense Personnel Support Center which provide the means for continuous review of subsistence items used by the military departments. These steps are (1) issuance of military departmental regulations requiring the utilization of large-size containers, (2) implementation on January 1, 1966, of Defense Personnel Support Center policy establishing separate prices for each size container of food, and (3) distribution to the services of Defense Personnel Support Center usage reports to provide the capability of determining and controlling the container sizes of food being used by their installations.

In addition, the Deputy Assistant Secretary advised us that the Secretary of Defense had recently authorized, and would establish on or about July 1, 1966, a focal point Directorate of Food Services Management Systems within the Office of the Deputy Assistant Secretary of Defense (Materiel Requirements). Responsibility for the continuation and improvement of the program to identify uneconomical practices and to initiate corrective action will be assigned to that Directorate.

The action by the military departments and the Defense Personnel Supply Center was taken after our review was completed and our findings brought to their attention. Effective central control over the program, in our opinion, would likely have resulted in earlier identification of the uneconomical practices so that corrective measures could have been taken by management officials. In this regard, we believe that the plan of the Secretary of Defense to establish a focal point Directorate of Food Services Management Systems will likely provide the central control needed to efficiently manage the subsistence program.

[Index No. 80—B-159210, Nov. 30, 1966]

UTILIZATION OF MOTOR VEHICLES IN THE CAPE KENNEDY INTER-AGENCY MOTOR POOL; GENERAL SERVICES ADMINISTRATION, NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

Because of continuing congressional interest in efficient and economical motor vehicle operations in the Government, we are reporting on these matters to inform the Congress (1) of the corrective actions taken by the General Services Administration and the National Aeronautics and Space Administration and (2) of the opportunity to improve utilization of interagency motor pool vehicles by establishing

vehicle rental rates that should discourage the use of motor vehicles for unusually low mileage requirements and, at the same time, recover the actual cost of owning and operating vehicles on the basis of usage by each agency.

Prior to our review the National Aeronautics and Space Administration renewed certain long-term lease contracts with a commercial leasing firm. Our review showed that, if the General Services Administration and the National Aeronautics and Space Administration had coordinated their efforts in determining the best means of providing motor vehicle support, substantial economies could have been achieved by obtaining transportation support from the General Services Administration.

Before the expiration of these leases and without a proper determination as to whether the leases could be terminated without penalty to the Government, the General Services Administration established a motor pool at Cape Kennedy, Florida, and purchased additional vehicles to provide transportation support to the National Aeronautics and Space Administration. As a result, the number of Government owned and leased vehicles on hand in the Cape Kennedy area substantially exceeded the number needed.

Our detailed review of vehicle utilization records covering a 9-month period during fiscal year 1965 showed that the number of vehicles assigned to the National Aeronautics and Space Administration by the Cape Kennedy motor pool continued to substantially exceed the number of vehicles required to efficiently and economically satisfy automotive needs.

Our review showed also that the General Services Administration motor vehicle rental rates, which were in effect throughout the country, did not recover the full cost of owning and operating vehicles assigned to meet low-mileage requirements. We believe that, if the General Services Administration would establish a rental rate structure designed to recover vehicle costs on the basis of usage by each agency, vehicle utilization would be improved on a nationwide basis. Such action should also provide the necessary degree of correlation between the rates charged and the cost to the Government to enable and encourage the consideration of such costs by vehicle users in their decisions as to how their transportation needs should be met.

We brought our findings and proposals for corrective action to the attention of the General Services Administration and the National Aeronautics and Space Administration. In their written comments on these matters, neither agency agreed fully with our findings, but both agencies informed us of substantial degrees of corrective action that had been taken.

To improve utilization of vehicles and recover vehicle costs on the basis of usage by each agency, we are recommending to the Administrator of General Services that motor vehicle rental rates be revised to provide for a flat rate to cover the fixed costs that are incurred by the passage of time plus a mileage rate to cover the variable costs that are related to the miles driven.

[Index No. 81—B-159206, Dec. 5, 1966]

REVIEW OF PRICE INCREASES UNDER SHIPBUILDING CONTRACTS,
DEPARTMENT OF THE NAVY

The General Accounting Office has examined into the propriety of certain price increases under shipbuilding contracts.

The Department of the Navy agreed to reimburse prime shipbuilding contractors for price adjustments paid to their supplier of marine propulsion equipment and turbine generator sets on the basis of increases in the supplier's catalog prices for designated commercial items. Within 3 months after the award of the related subcontracts, the supplier increased the catalog prices for the designated commercial items and claimed and was paid price increases of more than \$1.7 million for items purchased by the Government.

The record shows, however, that, with respect to certain of these items, there were no commercial sales of the items designated by the supplier as the nearest commercial equivalent upon which to base price adjustments. Also, for the remaining items, increases in the commercial selling prices were not proportionate to the increases in the supplier's catalog prices. In fact, in some instances, even though the catalog prices were increased, the commercial selling price remained the same.

The Department of the Air Force resident auditor responsible for all Department of Defense activities at the supplier's plants requested the supplier to furnish information on its commercial selling prices and other pertinent data concerning the price increases prior to the time the Navy reimbursed the prime contractors for the \$1.7 million discussed in this report. The requested information was not furnished by the supplier. The prime contractors and the supplier advised us, in substance, that the price increases were in accordance with contractual arrangements.

The Armed Services Procurement Regulation in effect at the time of negotiations did not specifically require the agency or the prime contractors to establish that catalog prices were bona fide commercial prices before agreements were reached to pay price increases based upon increases in catalog prices. In accordance with the provisions of Public Law 87-653, the procurement regulation has been revised to require that catalog prices for designated commercial equivalents be verified to ensure that they represent actual prices of commercial items sold in substantial quantities to the general public. Further revisions are being considered by the Armed Services Procurement Regulation Committee.

In addition, we were advised that our findings on certain of these items suggested a possible breach of contract and that the Navy would make a detailed evaluation. Department of the Navy officials advised us also that, in the study indicates a basis for recovery, the Navy will evaluate the remaining items discussed in this report as well as other items purchased under other Government prime contracts and subcontracts awarded under conditions and terms similar to those discussed in this report.

[Index No. 82—B-156269, Dec. 14, 1966]

REVIEW OF DETERMINATIONS OF WAGE RATES FOR CONSTRUCTION
OF CARTERS DAM, GA., DEPARTMENT OF LABOR

Our review showed that the wage rates determined by the Department as prevailing, thereby becoming minimum rates payable for construction of the Carters Dam project, increased an average of about 63 percent during the period March 20, 1963, to January 28, 1965. We estimated that, as a result of the wage-rate increases, the contract value of phase II work—about \$15.4 million—included about \$1.7 million in extra direct labor costs which we believe were considered by the contractors in their bids and accordingly increased the project cost to the Government.

The higher minimum wage levels were largely based on wages paid by contractors for the diversion tunnel and the main dam, phase I, which were relatively small contracts of \$601,265 and \$1,827,045, respectively. The contractor for the diversion tunnel paid premium wages principally because of the hazardous and specialized nature of his work. We believe that these high rates for unusual work should not have been carried forward, as was done by the Department, as minimum wage rates for more ordinary work.

By agreements with local unions, the contractor for the main dam, phase I, paid wages at increased rates on only the last part of the phase I construction. These increased wage rates were accepted by the Department as being the prevailing wage levels in the area and, as of January 28, 1965, were determined to be the minimum wage rates payable by the contractor on the main dam, phase II, the \$15.4 million contract.

We believe that lower minimum wage rates would have been determined had appropriate consideration been given to (1) the wage rates prevailing on similar heavy and highway construction work in the area, instead of using as a basis the wage rates determined and paid for prior work of a specialized and hazardous nature at the dam; (2) the wage rates paid during the representative peak payroll periods on similar work in the area, instead of using the rates paid only during the last few weeks of just prior work on the dam; and (3) the wage practices of other contractors in the area, instead of using the higher rates negotiated by an outside contractor for a small part of his work on the dam.

By letter dated January 11, 1966, the Assistant Secretary for Administration, Department of Labor, informed us that the Department had no specific comments on our findings except to say that all the information available to the Department at the time of issuance of the determinations was considered and it is believed that the rates predetermined were proper for the type of construction involved. The Assistant Secretary also stressed that this opinion was concurred in by the Wage Appeals Board in its decision of March 1, 1965.

In a second letter, dated March 8, 1966, the Assistant Secretary for Administration commented on why the Department did not consider highway and road projects in its determination of prevailing wages for Carters Dam construction. His pertinent comments and our evaluation are included in the body of the report.

This report is for the information of the Congress because we believe the Department's wage determinations are not in accordance

with the intent of the Davis-Bacon Act which is that its administration should not be used to exert either an inflationary or a deflationary effect. We believe that it was not intended that the Government be put in the position of fixing or of anticipating wage levels or that wage determinations be used to establish high wage rates for Government-financed projects in areas where lower rates actually prevail, but that the wage determination requirement was intended to protect comparable wage levels in the area prevailing before beginning of the construction contract.

[Index No. 83—B-153129, Dec. 27, 1966]

REVIEW OF POLICIES AND PROCEDURES USED IN DETERMINING THE
ADMINISTRATIVE OFFICE SPACE TO BE PROVIDED IN MAJOR POSTAL
FACILITIES, POST OFFICE DEPARTMENT

Our review indicated a potential for substantial savings to the Government through (1) planning the office space in new postal facilities on the basis of standards comparable to those established by the General Services Administration for use in determining the office space needs of other Federal agencies and (2) subleasing office space in leased postal facilities, which is in excess of current requirements.

The Department's space standards provide for administrative offices which, in the 10 facilities that we reviewed, averaged about 32 percent larger than would have been provided under General Services Administration standards. We believe that, in most cases, the administrative operations of postal facilities could be carried out without loss of efficiency in offices of the sizes authorized under the General Services Administration's standards which were developed, with the cooperation and concurrence of more than 60 Federal agencies, on the basis of studies made to determine the amounts and types of space required for efficient operations.

We estimated that, if the 10 major leased facilities covered by our review had been planned on the basis of the General Services Administration standards for administrative office space, the savings in rentals might have amounted to as much as \$88,000 annually, or \$2,580,000 over the lives of the leases. As the Department currently has about 90 major facility projects under development and has a continuing program for constructing new facilities to meet its expanding needs, we believe it reasonable to conclude that substantial savings to the Government would result if the office space for new postal facilities were planned on the basis of standards comparable to those established by the General Services Administration.

The Post Office Department has sole responsibility for planning facilities to be acquired under the lease-construction program, but a question exists as to the agency responsible for establishing standards for the administrative office space to be occupied by the Department in federally owned buildings. The Post Office Department and the General Services Administration are in disagreement as to which of the two agencies has this responsibility. Although the General Services Administration generally has not required compliance with its space standards with respect to Post Office Department office

space in federally owned buildings, it has disagreed in the past with the Department's requests for office space in several such buildings. Some of these disagreements had not been resolved at the time of our review.

In commenting on our findings, the Postmaster General advised us that the Department proposed to adopt new administrative office space standards more in line with current needs and the General Services Administration's allowances.

While the adoption by the Department of new standards for administrative office space should result in improvement of the conditions found in our review, we believe it to be desirable to have a consistent Government-wide policy with respect to administrative office space, and we found in our review no sound reasons for exempting the Post Office Department from the general policy of having the General Services Administration responsible for establishing or approving office space standards for Government agencies. We also believe it to be desirable to remove the uncertainty which now exists as to which agency has the responsibility for determining the amounts of office space to be provided to the Department in federally owned buildings.

We are recommending that the Congress give consideration to enacting legislation which would make the General Services Administration responsible for either establishing or approving the standards to be used in planning space for the Post Office Department's administrative activities in both leased facilities and federally owned buildings.

The Department usually plans the administrative office space for major lease-construction projects on the basis of estimates of the requirements 20 years in the future, with the result that most new facilities contain substantial amounts of unneeded office space during the first few years after the facilities are constructed. We believe that, with adequate advance planning, much of the excess office space in new leased facilities could be consolidated in one area so as to facilitate subleasing until the space is needed, which would result in savings to the Government. In view of the Post Office Department's continuing program for constructing new facilities to meet its expanding needs, we believe that the savings resulting from subleasing could be substantial.

We estimated that, for 8 of the 10 leased postal facilities involved in our review, the Government could realize annual savings in rental costs of about \$147,500 by subleasing the planned excess office space to other Government agencies which lease office space from private lessors. A portion of these savings would be offset by moving and partitioning costs that would not otherwise be incurred. In cases where excess office space could not be subleased to other Government agencies, the Department could sublease to non-Government users.

The Department concurred with our proposal that office space in postal facilities be subleased to the maximum extent practicable and stated that it would establish appropriate procedures to implement this policy.

[Index No. 84—B-125053, Dec. 29, 1966]

NEED TO RESOLVE DIFFERENCES IN PROCEDURES USED BY FEDERAL
TIMBER MANAGEMENT AGENCIES IN APPRAISING TIMBER OFFERED
FOR SALE, FOREST SERVICE, DEPARTMENT OF AGRICULTURE; BU-
REAU OF INDIAN AFFAIRS, BUREAU OF LAND MANAGEMENT, DE-
PARTMENT OF THE INTERIOR

There are three principal timber-selling agencies in the Federal Government: the Forest Service, Department of Agriculture, and the Bureau of Land Management and Indian Affairs, Department of the Interior. Each of these agencies uses the analytical appraisal method to calculate appraised values representing the minimum acceptable selling prices of timber. Under the analytical appraisal method, the value of a given amount of standing timber is considered to be the residual value after deducting the estimated processing costs and an allowance for profit and risk from the estimated selling value of the timber end products.

The procedures used by the three agencies to appraise timber in the States of Oregon and Washington have differed in significant respects in regard to (1) determining the estimated selling values of wood products and by-products, (2) estimating the cost of producing wood products, and (3) establishing the allowance for profit and risk. Therefore, because of their varying procedures regarding these factors, the three agencies could compute significantly different appraised values for like stands of timber.

We believe that it is important, when different agencies are selling timber, for the responsible management officials to coordinate their activities to help ensure that the policies and procedures for the appraisal and sale of this timber are uniform and equitable to both the Government and timber purchasers.

We found that certain of the valuation procedures followed by the agencies did not recognize the full value of timber end products. We estimate that, if, in each such instance, the more appropriate procedures of one agency had been used by the other agencies, the appraised value of timber offered for sale in fiscal year 1963 and part of fiscal year 1964 could have been increased by more than \$3.1 million. The inaccuracies causing the underappraisal resulted from (1) not considering the value of sawlog chips, a wood by-product, (2) using inappropriate lumber pricing data, and (3) using outdated veneer prices in establishing selling values for peeler logs (logs suitable for the production of veneer sheets).

Competitive bids accepted from purchasers for part of this timber were sufficiently above the appraised amounts to offset about \$1.5 million of the \$3.1 million understatement of appraised values. If the remaining timber had been offered for sale and sold at appraised values adjusted by the underappraisals disclosed by our review, the Government would have obtained nearly \$1.6 million in additional revenue.

For other differences in procedures identified in our review that contributed to the calculation of different appraised values for like stands of timber, we were unable to determine which agency's procedures were the more appropriate. Consequently, we were unable to estimate what the effect on the appraised values of each agency would

have been if the agencies, in each such instance, had utilized the most appropriate of the different appraisal procedures.

As discussed in this report, the Federal timber management agencies have taken action to eliminate some of the differences in their appraisal procedures. However, officials of the Department of Agriculture and the Department of the Interior have not resolved other differences although there was a statement of congressional intent in 1956 that the Federal timber-selling agencies should have uniform policies, methods, and procedures and although, in 1959, the Bureau of the Budget requested both Departments to achieve consistency in these areas.

Interagency committees that were assigned responsibility in 1961 for developing uniformity in the agencies' timber appraisal procedures have not submitted their recommendations on this subject to either Department. However, a joint study of appraisal procedures recently conducted by the Department of the Interior and the Department of Agriculture for the Bureau of the Budget should provide information on the differences and relationships between the agencies' appraisal procedures, that could be useful for instituting appropriate uniform appraisal procedures.

In commenting on these matters, both the Department of the Interior and the Forest Service, Department of Agriculture, agreed that it would be desirable to attain a higher degree of uniformity in the appraisal procedures used by the Federal timber-selling agencies. They did not accept our estimates of the underappraisals and revenue losses.

An official of the Bureau of the Budget informed us in December 1966 that the aforementioned joint study was still under review. This official advised us that the Bureau of the Budget was deferring specific comment on the matters discussed in our report, pending completion of this review. In connection with this consideration of the joint study, we are recommending that the Director, Bureau of the Budget, take the necessary action to ensure that the agencies jointly develop and apply the most desirable set of appraisal procedures that will resolve the existing differences, discussed in this report as well as any other differences disclosed by the study.

[Index No. 85—B-160410, Jan. 10, 1967]

SAVINGS AVAILABLE BY PURCHASING RATHER THAN LEASING COMMERCIAL TWO-WAY RADIO EQUIPMENT, DEPARTMENT OF DEFENSE

The General Accounting Office has made a review of the costs incurred by the military services for leasing commercial two-way radio equipment.

As of June 30, 1965, the military services were leasing commercial two-way radio equipment from three manufacturers at an annual cost of about \$9.5 million. This type of equipment has a generally accepted useful life of 5 to 7 years and has not been subject to frequent technological obsolescence. On the basis of our review, we estimate that, by purchasing rather than leasing the equipment, the Department of Defense could save about \$2.5 million a year, or about

\$12 million over a 5-year period, the minimum estimated useful life of the equipment.

Department of Defense policy on rental of equipment, as set forth in the Armed Services Procurement Regulation, provides that the decision to lease rather than purchase be made on a case-by-case basis and that leasing be used only when it is more economical. We found that such decisions have not always been made in accordance with this policy. Our review disclosed that, while all the military services use the same type of commercial two-way radio equipment and acquire it from the same manufacturers, the Department of the Air Force leases such equipment almost exclusively but the Departments of the Army and Navy purchase the greater part of their equipment.

Of the total annual leasing costs of about \$9.5 million being incurred by the Department of Defense, about \$8.6 million was for Air Force equipment and about \$0.9 million was for Army and Navy equipment. Information we obtained on equipment purchased by the services subsequent to 1960 showed that Air Force purchases amounted to about \$0.3 million worth of this type of equipment compared with Army and Navy purchases which amounted to about \$3.7 million.

Since the equipment has similar application in the three military services it appears to lend itself to procurement by a single procurement office. Vesting responsibility for purchasing the equipment in a single procurement office would permit consolidation of requirements, with a view to obtaining more favorable prices on volume purchasing, and would promote effective cross-service utilization of the equipment.

Accordingly, we proposed to the Secretary of Defense that the Department (1) give consideration to the need for issuing instructions to the military services to ensure that their determinations to lease or purchase commercial two-way radio equipment, including equipment in use, were justified on the basis of the criteria enumerated in the Armed Services Procurement Regulation, (2) designate a single procurement office to consolidate requirements for two-way radio equipment, since it is common to all services, and (3) give consideration to purchasing the equipment on an incremental basis when funds to finance the purchase of all equipment needed to fill the total requirements are unavailable.

The Department of Defense advised us on November 1, 1966, that it concurred in our conclusion that significant savings could be realized by the outright purchase of commercial two-way radio equipment. The Department advised us further that action was being taken to implement the proposals.

[Index No. 86—B-39995, Jan. 16, 1967]

NEED FOR IMPROVING ADMINISTRATION OF THE COST OR PRICING
DATA REQUIREMENTS OF PUBLIC LAW 87-653 IN THE AWARD OF
PRIME CONTRACTS AND SUBCONTRACTS, DEPARTMENT OF DEFENSE

During fiscal years 1957 through 1966, we submitted to the Congress 177 reports disclosing that Government costs on negotiated prime contracts and subcontracts were increased by about \$130 million. The increased costs resulted primarily from the failure of contracting officials in negotiating contract prices to obtain accurate, current, or

complete cost or pricing data upon which to establish fair and reasonable prices. As a result of certain of these reports, the Congress enacted Public Law 87-653 to provide safeguards for the Government generally where competition is lacking.

We examined into the extent that agency procurement officials were requiring prime contractors and subcontractors to submit cost or pricing data and a certificate prior to the award of negotiated contracts as required by Public Law 87-653 effective December 1, 1962. Our examination covered 242 negotiated prime contracts and subcontracts awarded to 85 prime contractors and 89 subcontractors after October 1964. This examination was performed at 18 military procurement agencies and 31 prime contractor plants during the period April 1965 to June 1966.

We found that 185 of the 242 procurements were awarded under requirements of the law and the procurement regulations for submission of cost or pricing data and a certificate that the data submitted were accurate, complete, and current. However, in 165 of these awards, we found that agency officials and prime contractors had no record identifying the cost or pricing data submitted and certified by offerors in support of significant cost estimates.

As a result it appears that the certificate is not wholly effective since it may be impracticable to establish whether the offeror had submitted inaccurate, incomplete, or noncurrent data in instances where he had not identified the data he had certified. Further, the Government's rights under the defective-pricing-data clause required by the law to be included in these contracts may be impaired since in such cases it may be impracticable for the contracting officer to establish that erroneous data were relied on the negotiation if data were not submitted or made a matter of record by the offeror.

We also found that, in the remaining 57 of the 242 procurements examined, agency and contractor records of the negotiation indicated that cost or pricing data were not obtained apparently because the prices were based on adequate price competition or on established catalog or market prices of commercial items sold in substantial quantities to the general public.

Public Law 87-653 waives the requirement for obtaining certified cost or pricing data under such circumstances. However, the records of these awards did not contain an explanation by the contracting officials of why cost or pricing data were not required and the reasons for determining that the prices were based on adequate price competition or on catalog or market prices of commercial items. As a result, it could not be ascertained whether the bases for these determinations were consistent with criteria established in the Armed Services Procurement Regulation.

We found that prime contractors also had no record identifying the cost or pricing data submitted by subcontractors in support of significant cost estimates even though agency contracting officials were required, under negotiated prime contracts other than firm fixed-price type, to ascertain that such data were being obtained. Therefore, there also appears to be a need for thorough reviews by agency administrative contracting officials to ensure that prime contractors are obtaining adequate cost and pricing data, where appropriate, in the award of subcontracts.

We found that agency officials in awarding prime contracts were not requiring prime contractors to use a new Contract Pricing Proposal Form (DD Form 633) dated December 1, 1964. This form contains instructions to offerors which, if properly implemented, could, in our opinion, go a long way toward achieving compliance with the procurement regulations implementing the law. The Department of Defense has now taken steps to correct this matter. However, during our review of subcontracts, we found that prime contractors were not being required to use the new form in obtaining proposals from their subcontractors.

We proposed that the Department of Defense clarify its procurement regulations to provide that, where cost or pricing data are required in the award of prime contracts and subcontracts, agency officials and prime contractors be required to obtain from offerors written identification of the cost or pricing data, as defined in the regulations, in support of cost estimates along with certificates specifically covering the identified data and to retain such records in procurement files.

We proposed also that the prescribed certificate be revised to require the contractor to certify that a written identification of the cost or pricing data, as defined in the regulation, provided or otherwise made available to the contracting officer or his representative in support of the proposal, has been submitted and that such data are accurate, complete, and current as of the date agreed upon by the parties (which shall be as close to the date of agreement on the negotiated price as is practicable).

Further, we proposed that the Department of Defense take appropriate actions to emphasize and clarify certain existing requirements dealing primarily with the application of Public Law 87-653 to the award of subcontracts and to ensure that agency and contractor officials are complying with them.

The Deputy Assistant Secretary of Defense (Procurement) advised us that a special group had been appointed under the guidance of his office to study all the material contained in our report. He assured us that the necessity of providing additional guidance on the subject of submittal and retention of data or identification in lieu of submittal will be considered.

[Index No. 87—B-146778, Jan. 18, 1967]

REVIEW OF PROCUREMENT OF FOREIGN PRODUCED AIRCRAFT EJECTION-SEAT SYSTEM, DEPARTMENT OF DEFENSE

Our review of the procurement or the ejection-seat system for installation in F-4C type of aircraft shows, in our opinion, that the selection of a domestically produced seat system instead of the foreign-produced seat system could have resulted in potential savings of about \$4.4 million in procurement, maintenance, and supply support costs for fiscal years 1964 through 1969. Our estimate of potential savings was based on the selection of the domestically produced seat system installed in the Department of the Air Force F-105 type of aircraft. (This review was made in response to a request dated September 16, 1963, from the Chairman, Committee

on Appropriations, House of Representatives, to perform cost studies of the F-4 type of aircraft.)

One of the factors considered in the selection of the foreign-produced seat system to be installed in the Department or the Navy version of the F-4 aircraft was the assumption that savings were obtainable through the use of identical seat systems in both versions of the F-4 aircraft. At the time procurement of F-4C type of aircraft for the Air Force began, however, a less costly comparable seat was in use in Air Force fighter aircraft, and we believe that this seat system could have been used with minor modifications in the F-4C aircraft.

The Navy's ejection-seat system was produced by a foreign manufacturer who claimed proprietary rights for this item. Consequently, in addition to the cost differential mentioned above, the use of this seat system in Air Force F-4C type of aircraft involved a number of factors which, in our opinion weighed against its procurement. Among these factors were (1) the effect that a lack of a domestic source of supply would have on mobilization capability in time of national emergency, (2) the inherent disadvantage to the procuring party in attempting to negotiate favorable terms with a sole-source producer, compounded by the location of that producer in a foreign country, and (3) the additional tax revenues and employment opportunities which the use of an ejection-seat system manufactured in the United States would generate.

The Deputy Assistant Secretary of Defense (Materiel Requirements) advised us that the Department did not agree that savings could have been realized through selection of the domestically produced ejection-seat system installed in Air Force F-105 type of aircraft, or that the F-105 aircraft seat system could have been modified in time to be installed in the first F-4C type of aircraft. In addition, we were advised that the foreign-produced seat system was selected because it possessed safety features which made it superior to the domestically produced F-105 seat.

We have carefully considered the position of the Department of Defense in light of the information of record and are of the opinion that the circumstances surrounding the continued procurement of a foreign produced seat system would be of interest to the Congress.

Although the Department of Defense has established a Cost and Economic Information System for use by management in (1) performing feasibility and predesign studies, (2) making choices among competing development or production alternates, and (3) negotiating systems and development contracts, we do not believe that the implementation of this system will provide the Department of Defense with the type of information necessary to fully evaluate the type of problem highlighted in our report. In this connection we were advised that the Cost and Economic Information System was not designed to identify individual items of equipment, such as ejection seats, already in the supply system that offer significant cost reduction and/or increased efficiency through alternate sources of supply but was designed only for analyses of total new weapon systems and new major components such as aircraft engines.

We recommended, therefore, that the Secretary of Defense either through expansion of the Cost and Economic Information System or through a subordinate system provide for appropriate analysis of

individual items or equipment such as ejection seats, radar systems, and communications equipment that are not included in the present system. In this regard, the system should provide for (1) the identification of alternate items of equipment and related costs for consideration by appropriate levels of management and (2) the continuous review and surveillance or procurements, particularly those made on a sole-source basis, in an effort to establish when cost savings may be realized on alternate sources of supply.

[Index No. 88—B-158469, Jan. 23, 1967]

REVIEW OF METHODS USED TO PROVIDE TELEPHONE SERVICE TO
MILITARY FAMILY HOUSING OCCUPANTS, DEPARTMENT OF DEFENSE

The General Accounting Office has made a review of the methods used to provide telephone service to military family housing occupants with a view to determining the reasons why different policies and procedures exist within the three military departments. We also examined into the economy of the methods of providing telephone service.

Congressional policy, as expressed in the United States Code (10 U.S.C. 2481), has not permitted the military departments to sell certain utility services unless it has been determined that the needed services were not available from another local source. Notwithstanding this policy, we found that the Departments of the Army, Navy and Air Force sold telephone service to a substantial number of the military family housing occupants although commercial service was available. We believe that this situation results in large part because the military departments differ in their interpretation of the law and because the Department of Defense has not provided definitive guidance to the military departments to ensure uniform interpretation and compliance with the law.

In a letter dated July 20, 1966, commenting on our findings, the Deputy Assistant Secretary of Defense (Logistics Services) stated that the Army, Navy, and Air Force had not been in accord in their interpretation of the law and that Government-operated telephone systems would be utilized only where commercial service was otherwise unavailable and when it was determined that it was "in the interest of national defense or in the public interest" to provide such service. He stated also that our proposal regarding the uniform application of the statute by all the military departments was accepted by the Department of Defense and would be implemented.

Under the procedures that the Department of Defense plans to follow, there is a potential for savings through the elimination of telephone lines, leased at Government expense, presently required where telephone service to housing occupants is provided through telephone company switchboards rather than directly through military installation switchboards. The Deputy Assistant Secretary of Defense stated that the Department of Defense, in order to secure the maximum economic advantage within the existing framework of the law, intends to examine in detail the possibility of allowing commercial companies to connect their systems serving base housing to the Government-controlled administrative systems. We agree that this

proposal has merit and should be studied further for the purpose of attaining economies.

[Index No. 89—B-133188, Jan. 25, 1967]

REVIEW OF GEODETIC SURVEYING ACTIVITIES WITHIN THE FEDERAL GOVERNMENT, BUREAU OF THE BUDGET, DEPARTMENT OF THE INTERIOR, AND DEPARTMENT OF COMMERCE

The General Accounting Office has made a review of the geodetic surveying activities of selected agencies of the Federal Government. Our findings and recommendation with regard to the economies available through improved coordination of these activities are summarized in this letter and described in more detail in the accompanying report.

Geodetic surveys are basically land surveys made for the purpose of determining the precise position of specific points on the earth's surface in terms of latitude, longitude, and elevation. Once the positions are identified and monuments are established to mark the positions, the area is considered to be under geodetic control. This report is concerned primarily with horizontal control which identifies positions of known latitude and longitude. The Environmental Science Services Administration, Department of Commerce, has the responsibility for establishing a nationwide network of geodetic control points, and the Bureau of the Budget has the responsibility for coordinating geodetic surveying activities in the Federal Government.

Other Federal agencies—including the Geological Survey, Department of the Interior, in its national mapping program and the Bureau of Public Roads, Department of Commerce, in its highway programs—also establish geodetic control points. These geodetic control points generally are established, however, only to standards required for individual program needs and, for the most part, do not meet the standards of accuracy required to extend the national network. Consequently, the Environmental Science Services Administration plans to resurvey most of the same areas to establish geodetic control points that will meet the standards of the national network.

We believe that, if the initial surveys could be made to national network standards, substantial savings in effort and cost would result, because it would not be necessary for the Environmental Science Services Administration to resurvey the same areas. On the basis of data available during our review, we estimated that past or planned expenditures for geodetic surveys which would not contribute to the national network of geodetic control by the Bureau of Public Roads under its highway programs would total about \$30 million and by the Geological Survey under the topographic map program would total about \$15 million.

The Bureau of the Budget, in June 1966, agreed that it should continue to press for improved coordination and efficiency in the conduct of the Government's geodetic control activities but doubted that it was either desirable or possible to ensure that all geodetic control work would extend the national network. Subsequently, in September 1966, the Bureau of the Budget advised us that the Geological Survey and the Environmental Science Services Administration had entered into an agreement whereby horizontal geodetic control to

national network standards would be achieved as a part of the Geological Survey's topographic map program.

The agreement provides that, where other requirements are equal, preference in the authorization of mapping will be given to an area which has been basically controlled over an area which does not contain basic control. The Geological Survey will continue to advise the Environmental Science Services Administration of its mapping plans so that it may accomplish as much of the basic control as possible. In situations where a portion of a large uncontrolled area must be mapped, however, the Geological Survey will establish horizontal control to national network standards, with proper connections to existing control points.

We believe that this agreement is an important step in the right direction. In our opinion, however, a more economical arrangement may be possible by requiring Geological Survey to perform all the basic control required for those areas which are presently uncontrolled and which it plans to map under its current mapping program. Such an arrangement would result in only one field operation by the Geological Survey, whereas, if the Environmental Science Services Administration performs the control prior to the time the Geological Survey does its mapping, two field operations would be required—one by the Environmental Science Services Administration to establish the control and one by the Geological Survey to identify and utilize the control for mapping purposes.

The various agencies, in commenting on this matter, did not indicate that any specific action would be taken to improve the coordination of the geodetic surveying activities of the Bureau of Public Roads and other Federal agencies with those of the Environmental Science Services Administration. In our opinion, geodetic control surveys should be performed to national network standards whenever such surveys are performed in an area where they will fit into the overall nationwide geodetic control plan and whenever such control would eliminate the need for the Environmental Science Services Administration to resurvey the same area.

Accordingly, we are recommending that the Director, Bureau of the Budget, determine whether the geodetic surveying activities conducted by Federal agencies and under programs administered by Federal agencies are of such a nature and scope that it would be economically feasible to have such surveys, when undertaken in uncontrolled areas, performed to standards which would extend the national network of geodetic control. This recommendation contemplates that the Environmental Science Services Administration will continue to provide for the direction and coordination necessary for establishment of a national network of geodetic control and that consideration will be given to having it fund the additional costs incurred by other Federal agencies to bring their surveys up to the national network standards.

[Index No. 90—B-157421, Jan. 31, 1967]

PROCUREMENT OF LOCOMOTIVES FOR THAILAND UNDER THE MILITARY
ASSISTANCE PROGRAM, DEPARTMENT OF DEFENSE

The General Accounting Office has examined into the Department of the Army's procurement of locomotives for Thailand under the

military assistance program. Our findings are summarized in this letter add described in more detail in the accompanying report.

We found that the Department of the Army had incurred costs of about \$1 million to buy for and deliver to Thailand, locomotives which were unable to meet Thailand's specific requirements for main-line use, the purpose for which furnished. We found also that Department of the Army officials had not obtained clarification of contradictory technical requirements but, instead, had prepared a purchase description and initiated procurement of the locomotives before ascertaining whether the locomotives would be able to perform the function for which they were intended. Therefore the locomotives procured, which are adequate only for switching and yard work, are being replaced with main-line locomotives costing about \$2,305,000. The replacement locomotives were expected to be delivered to Thailand in December 1966.

In our opinion, locomotives which were unsuitable for the specific needs of the user would not have been procured if Department of the Army officials had obtained clarification of the contradictory technical requirements. We believe that such clarifications would have been facilitated by management procedures requiring the user's review and approval of a purchase description for complex nonstandard items prior to the award of a contract.

In view of significant unnecessary costs that could be incurred in similar cases throughout the Defense establishment, we proposed that the Secretary of Defense require the military departments to establish procedures requiring that purchase descriptions for complex equipment be submitted to interested review and user activities for comment and approval prior to procurement. We proposed also that the Secretary of Defense direct the Department of the Army to consider using the locomotives now in Thailand, which are adequate only for switching and yard work, for satisfying potential requirements or, in the absence of such valid requirements, to consider selling the locomotives to Thailand.

The Department of the Army, on behalf of the Department of Defense, advised us that then-current policies and procedures within the Defense establishment were responsive to our proposals, and that applicable Army Regulations direct that supplying agencies correspond directly with military assistance advisory groups and unified commands when clarification is essential for ensuring that the equipment to be procured will meet the user's requirements. As discussed in this report, however, even though direct contact had been established between the requisitioning and procuring activities, locomotives were procured that were not suitable for performing the passenger and freight-hauling functions required.

Accordingly, we are recommending that the Secretary of Defense require the military departments to establish procedures providing for user activity review and approval of a purchase description for complex nonstandard equipment when there is doubt as to the exact nature of the intended equipment. This review should be made prior to the award of a contract for the equipment and should be documented in the contract file covering such procurement.

The Department of the Army also advised us that it was exploring potential outlets for the locomotives which were unsuitable for the purposes for which provided. We intend to inquire further into the

disposition of or uses made of the switching locomotives by United States activities.

[Index No. 91—B-39995, Feb. 15, 1967]

**SURVEY OF REVIEWS BY THE DEFENSE CONTRACT AUDIT AGENCY
OF CONTRACTORS' PRICE PROPOSALS SUBJECT TO PUBLIC LAW
87-653**

Since July 1965, contract audit work in the Department of Defense has been performed by the Defense Contract Audit Agency, a new agency formed at the direction of the Secretary of Defense by consolidating various contract audit staffs formerly assigned to the three military departments.

We made a survey of the Agency's reviews of contract pricing proposals negotiated without the safeguards of competition. These reviews, which are made prior to negotiation with the contractor, constitute a substantial portion of the Agency's workload and are accorded the highest priority. Our survey included work at Agency audit sites at 20 plants of private companies generally among the top 100 defense contractors in the United States.

The Agency is making significant progress. But our survey showed that, in order to operate more effectively with its workload of many thousands of contract pricing proposals totaling over \$40 billion annually, improvements are needed in four areas, as summarized below.

1. Prices of most defense procurement contracts are based largely on estimated costs in proposals submitted by contractors as a basis for negotiation. Nationwide and individual reviews in recent years by military procurement and audit organizations—as well as current surveys by the Defense Contract Audit Agency—have disclosed a need for major contractors to improve and incorporate into a formal system their estimating methods and procedures. This would provide greater management control over the estimating processes used in preparing price proposals, and facilitate review and negotiation.

We brought this problem to the attention of top Defense officials in a preliminary report and in a special briefing. In January 1967 the Department released a Defense Procurement Circular, effective immediately, designed to attain a number of improvements, including—

Policy guidance to procurement officials and auditors.

Criteria for acceptable cost estimating systems.

Reasons why these systems benefit industry as well as Government.

Steps to be taken to correct present deficiencies.

This action by the Department is important and commendable. We recommended some steps to help out the new directive.

2. In a number of instances defense auditors did not review significant cost estimates in price proposals. This was due in part to a carryover of practices followed by former audit organizations when responsibilities for reviews of proposals were less than those currently specified in procurement regulations. The Department told us that actions are underway—or are planned—to

correct this situation. We recommended that the Secretary of Defense review these corrective efforts within the next year.

3. Defense auditors ordinarily were not receiving information from procurement officials on the usefulness of their audits in negotiations or on ways that their services could be more effective in future negotiations. The Department has acted on our proposal to provide this type of "feedback" to its auditors.

4. Defense auditors have experienced difficulties, when reviewing proposed contract prices, in obtaining what they considered to be sufficient access to contractors' records. The Department informed us that new guidelines had been issued to help resolve these access-to-records problems. If this action is supported by continuous assistance from procurement officials, at all levels, it should improve the situation.

In a prior report to the Congress (E-158193, February 1966), we recommended that the Defense Department establish a regularly scheduled program to administer the defective pricing provisions required in certain types of negotiated contracts by Public Law 87-653—"The Truth in Negotiation Act." This law provides for price adjustments in favor of the Government when it is found that established prices have been increased significantly because of defective data used in negotiations. A program for these reviews was established by the Defense Contract Audit Agency during 1966.

[Index No. 92—B-118654, Feb. 23, 1967]

POTENTIAL SAVINGS THROUGH CONSTRUCTING RATHER THAN LEASING HOUSING AT BREWERVILLE, LIBERIA, UNITED STATES INFORMATION AGENCY

The General Accounting Office has examined into the economical aspects of the construction of housing rather than the planned and current leasing of housing by the United States Information Agency at Brewerville, Liberia.

We believe that savings of upwards of \$2 million would have been obtainable over the period of the 33-year country-to-country agreement if the United States Information Agency, at the appropriate time, had sought and obtained from the Congress the necessary funds and had constructed houses required at Brewerville, Liberia, rather than leasing from private owners. Although the total potential savings are diminishing each year, we believe that substantial savings are still possible by constructing housing. Moreover, the potential savings could be much higher if the Agency African Program Center in Brewerville, Liberia, is staffed to the level that the Agency has planned and if the number of houses constructed are increased to meet the full level of planned staffing.

The Agency requested funds from the Congress in its fiscal year 1964 budget to construct the African Program Center, but no information was furnished to the Congress as to how the Agency planned to meet housing needs for employees required to operate this facility. The Agency did not request funds for construction of housing in either its fiscal year 1964 or fiscal year 1965 budget submissions,

although the Agency was already well aware of the desirability of constructing its own housing rather than leasing. We were informed that the Agency subsequently attempted to request funds for housing construction in its fiscal year 1966 submission but that this request was deleted by the Agency from the budget submission to the Congress when the Bureau of the Budget required the Agency to reduce the total budgetary funds being requested. No request for funds for this purpose appeared in the fiscal year 1967 budget submission to the Congress.

We submitted a draft report on this subject to the United States Information Agency. The Agency's response indicated general agreement with the facts presented in our report.

[Index No. 93—B-133118, Feb. 23, 1967]

POTENTIAL SAVINGS IN THE PROCUREMENT OF SPARE AIRCRAFT PARTS FOR OUTFITTING AIRCRAFT CARRIERS, DEPARTMENT OF THE NAVY

The General Accounting Office has examined into the noncompetitive purchase of spare parts by the Department of the Navy for use on aircraft placed aboard aircraft carriers.

The purchase of parts competitively or directly from parts manufacturers whenever feasible is a stated policy of the Department of Defense. We found, however, that spare parts for the initial support of certain aircraft weapon systems were being purchased by the Navy from the airframe manufacturer on a sole-source basis although the majority of the parts were manufactured by other sources from which the Government could have obtained the parts at a significant reduction in price. We were informed that the Navy purchased the parts from the airframe manufacturers because sufficient time was not available to permit purchase of the parts competitively or directly from parts manufacturers.

With adequate advance planning, we believe that this problem can be overcome and that the Navy can realize the savings obtainable by purchasing from other sources. For example, we estimate that savings of as much as \$2.3 million on the RA-5C and A-6A types of aircraft might have been realized if the procurement method we are advocating had been followed in the outfitting of certain aircraft carriers. We estimate also that future savings of about \$1.5 million can be obtained on the A-7A type of aircraft by adoption of this procurement method before the carrier outfittings and that comparable savings can be realized on other aircraft to be purchased in the future.

On the basis of the information obtained during our review, we believe that it is practicable to buy a substantial portion, if not all, of the parts for carrier outfittings from parts manufacturers on a competitive or direct basis instead of through the airframe manufacturer on a sole-source basis. This is exclusive of those parts manufactured in whole or significant part by the airframe manufacturer itself.

Therefore, we proposed that the Secretary of the Navy take the necessary steps to increase the quantities of parts that will be purchased competitively or directly from parts manufacturers for carrier outfittings. In this connection, we proposed that the Navy identify

and purchase those parts which have a procurement lead time short enough to permit competitive or direct procurement from the parts manufacturers in time to meet carrier outfittings schedules. For the remaining parts, those having a relatively long procurement lead time, we proposed that a study be made to determine whether, with adequate planning, it is also practicable for the Navy to assume procurement responsibility for some, if not all, of those parts.

The Department of the Navy in a letter dated September 27, 1966, expressed agreement with our proposal and stated that it would take such steps as are necessary to increase purchase of aeronautical spare parts in support of carrier outfittings on a competitive basis or directly from parts manufacturers. On December 28, 1966, the Department also advised us that it plans to purchase more than 46 percent of the total value of spare parts required for support of A-7A type of aircraft on a competitive or direct basis.

[Index No. 94—B-160419, Feb. 23, 1967]

SAVINGS AVAILABLE THROUGH EXPANDED USE OF REGIONAL CONTRACTS FOR THE REPAIR AND MAINTENANCE OF SELECTED OFFICE MACHINES, GENERAL SERVICES ADMINISTRATION

The General Accounting Office has made a review of the General Services Administration program for obtaining repair and maintenance services for selected Government-owned office machines. The review showed that opportunities existed for savings on the repair and maintenance of office machines through the use of contracts with local repair firms instead of through the use of national Federal Supply Schedule contracts with machine manufacturers. Our findings are summarized in this letter and described in detail in the accompanying report.

The General Services Administration makes available repair and maintenance services for office machines to Federal agencies through national contracts negotiated with the office machine manufacturers and published in Federal Supply Schedules and through regional contracts awarded on a competitive bid basis to local repair firms. The national and regional contracts generally provide several basic plans for servicing office machines, including repairs and services made on a per-call basis at an hourly charge, and maintenance inspections and services, including any necessary replacement parts, at a fixed annual fee.

Our review showed that the prices paid for repair and maintenance services for adding machines, calculators, comptometers, and electric typewriters under the national contracts were higher than the prices charged for the same types of services under regional contracts and under separate arrangements made by Federal, State, and local government activities, and commercial concerns with selected local repair firms.

On the basis of our review, we believe that the services furnished under regional contracts and under separate arrangements were satisfactory and that the price differences were not justified by service considerations. We estimate that Federal agencies could have saved up to \$1.2 million during fiscal year 1965 for repair and maintenance

services of the selected office machines through the use of local repair firms instead of the Federal Supply Schedule contractors.

Our review also showed that, although Government and independent studies indicated that the per-call basis was the least expensive method for obtaining services, most of the Federal expenditures had been for the more costly maintenance inspections and services at a fixed annual fee. The General Services Administration had, in July 1965, encouraged Federal agencies to study and analyze their office machine servicing needs as part of a project to establish Government-wide guidelines for obtaining service for office machines. However, because of the lack of agency responses, the General Services Administration had taken no further action.

In a letter dated August 15, 1966, the Deputy Administrator advised us that the General Services Administration was in accord with our proposals to (1) expand the use of regional contracts for servicing office machines and aggressively stimulate their use by Government agencies and (2) review the status of the project to establish criteria and guidelines to assist Government agencies in determining the best method to be used in obtaining services for office machines. The Deputy Administrator stated that, to give additional impetus to the regional contract program, it now appeared that a scheduled phaseout of the use of the national contracts in selected areas, especially where sufficient contractor capability was known to exist, was warranted. He stated also that the agency expects to have regional contracts in effect in all regions by June 30, 1967.

The Deputy Administrator advised us also that a revision to the Federal Property Management Regulations concerning the relative advantages and disadvantages of the per-call and annual maintenance contracts would be published and that more definite criteria and guidelines would be issued to Federal agencies at a future date. The first revision to the Federal Property Management Regulations was effective on November 4, 1966.

We believe that the proposed actions should result in a greatly expanded regional contract program with significant savings to the Government. We believe also that participation by the Department of Defense in the General Services Administration regional contract program, to the maximum extent possible, will result in the lowest overall prices to the Government.

Appendix 6

G.S.A. SELECTED STATISTICS, JULY 1, 1956-JUNE 20, 1966

SOURCE OF DATA

This publication contains selected financial and operating statistics covering GSA's operations and growth for the fiscal years 1957 through 1966. These statistics are presented for each GSA "service" by major program activity.

Financial data and related operating statistics, where applicable, are based on actual year data contained in budget justifications submitted to the Bureau of the Budget. Data not contained in budget submissions are based on other official published financial and operating reports.

Data have been adjusted for the more significant changes to reflect comparability irrespective of the date of establishment of organizational or funding entities (e.g., Transportation and Communications Service, Property Management and Disposal Service, Data Processing Working Fund) and of the realignment of functions among the Services and Staff Offices.

Public Buildings Service

[All dollars in millions]

	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966
Operating expenses, PBS:										
Appropriation (adjusted).....	\$118.4	\$132.9	\$143.9	\$154.6	\$167.6	\$179.9	\$194.0	\$218.8	\$225.3	\$238.3
Obligations.....	\$117.6	\$132.9	\$143.1	\$154.2	\$164.6	\$179.5	\$193.6	\$217.1	\$225.2	\$247.8
Expenses, U.S. courts:										
Appropriations.....								\$1.0	\$1.0	\$1.6
Obligations.....								\$.9	\$.9	\$1.4
Repair and improvement:										
Appropriations.....	\$55.2	\$65.0	\$75.0	\$80.0	\$88.0	\$98.0	\$65.0	\$75.0	\$80.0	\$87.5
Obligations.....	\$46.8	\$76.0	\$75.9	\$83.1	\$81.2	\$82.6	\$68.8	\$76.0	\$80.7	\$88.4
Workload (millions of net square feet).....	111.2	114.4	114.4	115.6	121.4	128.5	114.1	156.3	163.7	173.4
Buildings management fund:										
Income by source:										
Operating expenses, PBS.....	\$113.2	\$125.3	\$130.1	\$137.2	\$151.5	\$163.2	\$176.3	\$197.1	\$210.5	\$222.8
Repair and improvement.....	10.2	28.0	24.1	14.0	14.2	15.6	15.9	17.5	17.4	19.1
Other GSA appropriations and funds.....	9.5	8.0	9.5	8.7	8.8	10.1	11.6	11.0	11.5	11.6
Other agencies.....	39.5	42.5	56.3	66.4	67.7	70.9	61.4	62.6	63.7	75.8
Rental of future building sites.....			.8	1.4	1.1	.7	.6	1.1	1.2	1.1
Construction and alteration program.....							10.4	33.1	22.7	49.5
Total.....	172.4	204.8	221.0	227.7	243.3	260.5	276.2	322.4	327.0	379.9
Expenses by function:										
Government-owned space.....	62.6	71.2	78.4	85.3	97.5	102.3	106.9	115.9	129.5	139.9
Leased space.....	66.4	73.2	80.4	86.9	88.5	96.1	113.0	129.1	133.6	143.1
Maintenance repairs.....	13.5	10.3	11.3	10.2	14.2	14.5	16.1	13.7	16.1	17.8
Job orders work.....	29.5	49.5	49.9	43.1	42.6	40.1	28.4	26.9	23.5	26.9
Operation of future building sites.....			.1	.3	.2	.1		33.1	22.7	49.5
Construction and alteration program.....							10.4			
Total.....	172.0	204.2	220.1	225.8	243.0	259.1	273.8	320.9	325.6	377.2
Expenses by kind:										
Labor.....	74.7	85.8	991.3	85.6	93.9	96.2	99.8	109.1	117.0	126.4
Supplies and material.....	6.7	8.1	10.0	9.1	10.0	11.2	11.3	11.4	11.4	12.9
Utilities and fuel.....	16.4	17.4	18.8	23.1	23.1	31.2	28.8	31.6	33.5	36.1
Rent.....	51.2	56.6	63.5	70.2	71.2	80.0	96.3	111.7	116.5	126.0
Other.....	23.0	36.3	36.5	37.8	44.8	40.5	37.6	57.1	47.2	75.8
Total.....	172.0	204.2	220.1	225.8	243.0	259.1	273.8	320.9	325.6	377.2

Public Buildings Service—Continued

	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966
Space management workload (million average net square feet):										
Government-owned space—financed by:										
Operating expenses, PBS	\$54.9	\$54.9	\$55.1	\$57.7	\$62.9	\$69.2	\$73.5	\$78.6	\$83.5	\$87.5
Other agencies and other GSA funds	14.6	19.3	22.9	26.0	29.9	35.5	40.1	46.5	50.3	54.2
Total	69.5	74.2	78.0	83.7	92.8	104.7	113.6	125.1	133.8	141.7
Leased space—financed by:										
Operating expenses, PBS	\$20.5	\$21.4	\$22.0	\$22.1	\$22.0	\$24.0	\$25.9	\$30.6	\$30.4	\$29.5
Other agencies and other GSA funds	13.5	14.4	14.5	14.0	13.9	13.0	14.0	12.8	13.2	14.3
Total	34.0	35.8	36.5	36.1	35.9	37.0	40.9	43.4	43.6	43.8
Total all space	103.5	110.0	114.5	119.8	128.7	141.7	154.5	168.5	177.4	185.5
Number of occupants of buildings	461,054	473,110	472,492	489,946	486,841	532,971	548,006	576,157	593,101	623,473
Construction:										
GSA direct:										
Construction:										
Appropriation	\$0.5	\$3.9	\$173.1	\$95.7	\$166.0	\$215.4	\$182.4	\$167.6	\$164.7	\$133.6
Obligations	5.5	4.1	55.0		127.4	79.4	243.2	125.6	167.2	133.3
Sites and expenses:										
Appropriation	5.0	20.0	39.9	25.0	21.0	24.9	30.5	40.0	20.1	10.5
Obligations	13.2	7.9	30.3	8.8	18.9	14.5	36.2	33.8	23.4	23.5
Payments, purchase contracts:										
Appropriation	.2	1.3	.3	1.7	4.0	5.2	5.4	5.2	9.9	3.4
Obligations		.1	.1	1.3	3.7	4.7	5.0	5.2	9.8	3.4
Additional court facilities:										
Appropriation						4.5	8.5	4.1	1.5	.4
Obligations						1.3	2.3			
Transfer to GSA:										
Appropriation	65.4	43.5	133.4	24.3	53.3	56.1	51.8	84.5	61.6	69.6
Obligations	59.5	39.6	85.8	46.6	62.6	49.3	41.2	69.9	44.0	64.4
Construction services fund:										
Income by source:										
Operating expenses, PBS				\$0.2	\$0.3	\$0.5	\$0.7	\$0.8	\$1.1	\$0.9
Sites and expenses	1.0	1.1	1.3	1.1	1.6	1.7	2.4	3.7	4.0	5.1
Repair and improvement	.2	.2	.2	4.2	4.3	4.0	4.0	4.5	4.8	6.4
Other GSA funds	.3	.5	.8	2.3	1.1	3.1	4.2	5.2	5.1	3.3
Other Government agencies	.1	.1	.1	2.3	2.9	3.3	4.3	5.2	5.9	5.5
Total	1.0	1.9	2.4	7.9	9.2	9.6	11.6	14.4	15.9	18.2

Number of employees, EOP.....	19, 148	19, 365	19, 251	19, 374	19, 851	20, 232	20, 587	22, 066	22, 626	22, 663
Buildings management fund.....	17, 844	17, 983	17, 856	17, 983	18, 343	18, 567	18, 652	20, 013	20, 598	20, 607
Construction services fund.....	19, 904	19, 978	19, 963	19, 905	19, 102	19, 129	19, 341	19, 452	19, 437	19, 396
O.E.P.B.S.....	387	372	366	355	367	500	553	559	549	528
Sites and expenses.....	13	32	36	31	39	36	41	42	42	42
Central office.....	403	474	487	455	480	434	465	475	452	395
Field:										
General schedule.....	5, 200	5, 200	5, 223	5, 276	5, 474	5, 513	5, 882	6, 187	6, 415	6, 390
Wage board.....	13, 545	13, 601	13, 541	13, 643	13, 807	14, 285	14, 240	15, 404	15, 759	15, 878

Federal Supply Service
[Dollars in millions]

	1967	1968	1969	1960	1961	1962	1963	1964	1965	1966
Operating expense (obligations):										
Appropriated funds:	\$19.1	\$21.9	\$24.6	\$25.0	\$28.3	\$34.1	\$30.8	\$47.8	\$62.5	\$50.0
Advances and reimbursements:	\$2.0	\$2.8	\$3.5	\$3.5	\$4.1	\$3.8	\$4.1	\$5.7	\$7.7	\$13.5
General supply fund:										
Salaries by agency:										
Stores sales:										
Depot (including fuel)	\$116.4	\$120.7	\$145.5	\$154.3	\$183.2	\$220.6	\$259.7	\$287.8	\$343.9	\$422.8
Direct delivery	\$14.7	\$17.5	\$25.0	\$20.5	\$22.7	\$38.1	\$32.4	\$36.3	\$38.3	\$40.2
Nonstores sales	\$67.4	\$67.3	\$90.4	\$94.9	\$112.7	\$135.9	\$154.9	\$108.9	\$211.0	\$104.5
Sales by customer agency	\$108.5	\$105.5	\$269.9	\$269.7	\$318.6	\$403.6	\$447.0	\$493.0	\$593.2	\$666.5
Military	95.1	105.3	157.1	159.9	199.9	229.0	249.6	280.4	374.9	454.8
Civilian	103.4	90.2	112.8	109.8	148.7	174.6	107.4	206.6	218.3	211.7
Items paid directly by using agency	\$77.9	\$80.1	\$74.4	\$55.3	\$44.3	\$62.7	\$59.0	\$61.0	\$61.5	\$50.4
Federal supply schedule purchases	\$373.7	\$411.3	\$411.7	\$540.2	\$644.8	\$697.1	\$782.0	\$865.5	\$962.0	\$1,019.7
Number of line items shipped (millions)	3.1	3.2	3.7	4.1	4.7	5.4	5.9	6.6	7.9	8.4
Inventories, EOP	\$37.1	\$41.1	\$53.1	\$55.5	\$66.3	\$94.8	\$105.6	\$182.7	\$188.1	\$190.0
Accounts receivable, EOP	\$34.8	\$37.5	\$34.0	\$55.7	\$48.8	\$80.0	\$70.4	\$82.0	\$116.0	\$135.6
Working capital:										
Appropriated	\$62.0	\$74.5	\$95.8	\$95.8	\$115.8	\$120.2	\$107.8	\$197.8	\$197.8	\$197.8
Donated assets (net)	\$3.3	\$5.1	\$6.3	\$5.4	\$9.9	\$10.9	\$14.2	\$56.2	\$60.9	\$81.3
Advances from other agencies	\$12.4	\$7.8	\$21.8	\$23.1	\$28.8	\$42.9	\$64.9	\$54.6	\$77.6	\$145.2
Number of employees, EOP	1,993	2,036	2,145	2,188	2,570	3,144	3,429	3,972	4,357	5,309
Regular programs	1,953	1,986	2,061	2,061	2,399	2,884	3,072	3,462	3,727	4,302
Reimbursable	40	50	90	127	171	260	357	510	630	1,007
Central offices	415	476	483	498	595	730	720	813	863	923
Field	1,578	1,560	1,662	1,690	1,975	2,414	2,709	3,159	3,494	4,386

National Archives and Records Service

	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966
Operating expenses, NARS (millions of dollars):										
Appropriation (adjusted).....	6.9	7.8	9.2	9.4	14.3	14.0	14.4	14.7	15.8	16.6
Obligations (including reimbursable).....	7.0	8.0	9.2	9.4	14.3	14.1	14.5	14.9	16.1	17.2
Records centers.....	4.0	4.2	4.9	4.9	8.8	8.1	8.6	8.6	9.1	9.4
Other activities.....	3.0	3.3	4.3	4.5	5.5	5.7	5.9	6.3	6.7	7.2
Historical publications grants (millions of dollars):										
Appropriations.....									0.35	0.35
Obligations.....									0.31	0.33
Records centers:										
Accessions (thousand cubic feet):										
Regional centers.....	629	581	692	688	694	741	735	771	761	750
National personnel records centers.....	14	16	13	13	50	78	126	64	70	74
Disposals (thousand cubic feet):										
Regional centers.....	325	346	405	411	570	537	555	542	552	556
National personnel records centers.....	6	5	5	5	17	13	6	28	10	12
Inventory, EOP (thousand cubic feet):										
Regional centers.....	3,186	3,301	4,677	5,301	5,362	5,438	5,784	5,994	6,129	6,475
National personnel records centers.....	436	449	457	463	1,373	1,512	1,661	1,695	1,778	1,913
Reference services: (thousands):										
Regional centers.....	1,663	1,944	2,621	2,946	2,972	3,110	3,125	3,104	3,106	3,597
National personnel records centers.....	685	559	530	453	1,842	1,764	1,690	1,640	1,673	1,860
Number of employees, EOP.....	1,009	1,125	1,190	1,203	1,885	1,891	1,848	1,800	1,852	1,902
Operating expenses, NARS.....	991	1,096	1,156	1,108	1,846	1,848	1,795	1,739	1,781	1,806
National Archives:										
Federal records centers.....	247	250	331	339	353	347	367	355	348	363
Personnel records centers.....	350	455	443	458	461	447	439	437	512	509
Presidential libraries.....	240	255	215	197	849	859	796	735	696	709
Federal Register, etc.....	13	24	12	25	29	36	35	49	54	53
Federal Register, etc.....	141	112	155	149	154	159	158	163	171	172
Trust and gift fund.....	18	29	34	35	39	43	53	61	71	96
Reproduction and microfilm:										
Presidential libraries.....	12	21	24	24	29	32	41	41	43	48
Historical publications.....	6	8	10	11	10	11	12	13	13	24
Historical publications.....								7	15	24
Central office.....	380	378	464	476	499	496	533	539	570	592
Field (includes departmental personnel payrolled in the field).....	629	747	726	727	1,386	1,395	1,315	1,261	1,282	1,310

Number of employees, end of period:												
Appropriation:												
Central office.....												
	143	157	132	129	147	172	206	200	214	218		
Field.....	92	119	110	136	157	172	184	173	188	177		
Total.....	235	276	251	265	304	344	390	373	402	395		
DPA, CCC, and CD warehousing, etc.:												
Central office.....												
	50	57	61	36	18	18	17	21	22	14		
Field.....	6	6	6	33	11	11	11	4				
Total.....	56	63	67	69	29	29	28	25	22	14		
Interagency motor pool:												
Central office.....												
	284	338	375	16	14	12	12	14	14	15		
Field.....				449	485	502	535	681	794	849		
Total.....	284	348	387	465	499	514	547	695	808	864		
Federal telecommunications fund: ²												
Central office.....												
	3 1,100	3 1,100	1,162	1,173	1,189	1,274	1,366	1,488	1,469	1,441		
Field.....												
Total.....	3 1,100	3 1,100	1,162	1,173	1,189	1,274	1,366	1,500	1,497	1,515		
Total, transportation and communications service:												
Central office.....												
	193	224	205	181	179	202	235	247	278	321		
Field.....	1,482	1,563	1,662	1,791	1,842	1,959	2,096	2,346	2,451	2,467		
Total.....	1,675	1,787	1,867	1,972	2,021	2,161	2,331	2,593	2,729	2,788		

² Estimated.¹ Established in fiscal year 1962.² Activated July 1, 1963.

Property management and disposal service—Stockpile management

	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976
Inventories, end of period (acquisition cost): ¹										
National stockpile.....	6,041.8	6,169.0	6,246.2	6,153.5	6,107.2	6,049.6	5,916.5	5,677.3	5,304.6	4,913.5
Supplemental stockpile.....	216.6	201.0	604.1	734.2	959.6	1,141.1	1,276.1	1,358.2	1,306.5	1,407.6
Defense inventory.....	678.6	1,140.1	1,308.2	1,448.7	1,482.9	1,493.8	1,409.5	1,463.6	1,307.9	1,181.3
Commodity Credit Corporation.....	143.6	226.5	98.5	119.1	108.8	99.9	57.4	15.3	10.1	18.0
Other.....	27.1	32.5	9.5	9.5	9.5	9.5	9.5	9.5	9.5	20.2
Total.....	7,103.6	7,860.0	8,206.5	8,485.0	8,650.0	8,785.4	8,649.5	8,514.4	8,131.1	7,540.6
Number of storage locations.....	223	216	217	215	213	208	195	158	152	152
Commercial.....	136	129	130	125	123	119	79	73	67	67
Government:										
Military agencies.....	65	65	62	53	58	57	53	52	47	44
Civilian agencies.....	22	22	25	32	32	32	33	33	38	41
Disposals (sales value): ¹										
SCM.....					42.2	47.7	80.5	127.1	343.3	808.9
DPA.....					27.1	29.2	30.0	40.0	80.2	198.5
Other.....						10.6			9.0	20.7
GSA/GD depots:										
Warehouses in operation.....	21	24	23	22	22	21	21	18	17	16
Storage locations, fallout shelter supply.....							40	34	24	14
Inventory, end of period ¹	85.0	96.2	99.5	99.5	100.8	117.5	208.9	216.6	228.8	213.9

Property management and disposal service—Excess and surplus property
[Dollar amounts in millions]

	1967	1968	1969	1970	1961	1962	1963	1964	1965	1966
Real property:										
1. Excess reported:										
(a) Number of properties.....	536	790		890	863	825	880	814	969	1,009
(b) Acquisition cost.....	\$119	\$357		\$887	\$640	\$606	\$891	\$469	\$658	\$1,547
2. Utilization transfers:										
(a) Transfers to Federal agencies:										
(1) Number of properties.....	102	90	70	87	63	44	62	53	71	63
(2) Acquisition cost.....	\$5	\$21	\$7	\$0	\$70	\$87	\$114	\$101	\$158	\$102
(b) Withdrawn by holding agencies:										
(1) Number of properties.....	65	80	76	102	59	55	66	49	65	83
(2) Acquisition cost.....	\$7	\$10	\$14	\$24	\$8	\$10	\$31	\$77	\$84	\$233
3. Sales:										
(a) Number of properties.....	165	278	339	336	275	260	253	208	202	365
(b) Acquisition cost.....	\$27	\$80	\$81	\$320	\$413	\$442	\$360	\$340	\$260	\$416
(c) Appraised fair market value (AFMV).....	\$10	\$31	\$27	\$71	\$72	\$71	\$75	\$86	\$42	\$80
(d) Selling price.....	\$12	\$40	\$31	\$78	\$72	\$70	\$78	\$90	\$46	\$125
(1) Percent of acquisition cost.....	43	50	38	24	17	18	22	26	18	22
(2) Percent of AFMV.....	119	120	113	100	100	110	104	106	111	118
4. Other surplus transactions:										
(a) Donations, etc.:										
(1) Number of properties.....	200	215	221	247	203	236	254	217	227	295
(2) Acquisition cost.....	\$37	\$41	\$38	\$96	\$143	\$191	\$122	\$171	\$221	\$305
(b) Disposal action by holding agency:										
(1) Number of properties.....	257	354	407	522	468	440	401	494	466	346
(2) Acquisition cost.....	\$58	\$69	\$54	\$58	\$48	\$86	\$72	\$55	\$56	\$42
5. Properties on hand at end of year:										
(a) Excess property:										
(1) Number of properties.....	152	168	181	132	156	169	191	153	154	171
(2) Acquisition cost.....	\$76	\$94	\$215	\$331	\$360	\$408	\$442	\$328	\$313	\$236
(b) Surplus property:										
(1) Number of properties.....	480	416	346	251	249	256	261	295	380	513
(2) Acquisition cost.....	\$292	\$338	\$577	\$520	\$520	\$765	\$879	\$822	\$865	\$1,541
(c) Total excess and surplus:										
(1) Number of properties.....	632	584	527	403	405	415	452	448	540	684
(2) Acquisition cost.....	\$368	\$462	\$800	\$1,208	\$1,186	\$1,173	\$1,321	\$1,160	\$1,168	\$1,777

Analysis of staff employment

	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976
Office of Administration:										
Staff direction										
Program and policy planning										
Procurement regulations		6	9	12	14	13	16	8	7	48
Presidential commission liaison										
Financial services	1,024	1,010	1,003	918	892	935	945	940	929	941
Supervision	31	33	34	31	31	44	33	43	42	40
Budget	99	99	101	102	98	101	104	100	99	100
Credit and finance	43	48	47	40	51	53	40	49	51	38
Accounting	851	839	821	736	712	737	750	748	737	754
Manpower and management	431	449	454	418	445	429	400	473	409	529
Supervision	17	21	22	16	17	20	34	13	17	4
Management evaluation	16	32	32	20	24	20	20	26	26	27
Administrative services	201	203	203	186	188	169	180	180	200	282
Personnel	197	193	197	196	216	220	247	245	248	266
Investigative services	153	164	161	158	162	163	162	151	167	155
Audit	93	97	93	91	92	93	83	83	86	79
Compliance and security	69	67	68	67	70	70	69	71	71	76
Other (nonrecurring)	28	28	32	43	45	40	40	34	59	48
Accounting automation project										
GSA Institute (interagency)										
Systems and procedures (regions)	28	28	32	43	45	40	39	34	44	23
Office of General Counsel	117	125	126	131	125	134	138	135	130	124
Staff employment by fund:										
Presidential commissions fund	1,763	1,791	1,785	1,680	1,683	1,714	1,824	1,794	1,841	1,851
Administrative operating fund	149	171	177	275	315	456	489	495	495	600
Working capital fund (disseminating plant)	127	140	145	166	185	251	316	379	400	446
Salaries and expenses, Office of Administrator	100	101	104	103	112	131	133	131	128	135
Total employment:						265	236	1,291	1,463	2,152
Presidential commissions, small agencies										
Total GSA:	27,410	27,891	27,946	28,213	29,044	31,519	32,650	34,807	36,092	37,244
Regular programs										
Youth opportunity campaign										
Relational, administrative support to total:										
Direct administrative support	1,725	1,763	1,753	1,637	1,638	1,674	1,775	1,760	1,782	1,803
Total program employment	27,410	27,891	27,946	28,213	29,044	31,784	32,886	36,188	37,555	39,396
Ratio	6.29	6.32	6.27	5.80	5.47	5.27	5.40	4.80	4.75	4.58

NOTE.—The arrangement of functional classifications is in accord with current organization (December 1966), and the data has been adjusted for changes in funding policy during the 10-year period. Employment data comprises both permanent and other positions.

Savings and economies to the Government as a result of GSA operations, fiscal years 1965 and 1966

[In millions of dollars]

Selected statistics	1966	1965
1. Savings through improvement of operating procedures and techniques and increased productivity in supply, transportation, and communications operations:		
a. Savings from large volume buying of supplies and materials for distribution through the GSA supply system and FSS schedule purchasing by using agencies	363.1	307.0
b. Reduction in freight costs of GSA and other Government agencies through consolidation of shipments, negotiation of rates with carriers, etc.	31.9	31.0
c. Reduction in public utilities and communications costs through operation of the Federal Telecommunications System, consolidation of switchboards, execution of areawide contracts, negotiation and representation before regulatory bodies, etc.	12.4	24.0
2. Savings and economies from more effective utilization of Government resources and improvement of consolidated services:		
a. Reduction in costs by evacuation of high cost Government and commercial storage facilities, through greater use of lower cost Government facilities, and by avoidance of costs through extension of the rotation cycle	.1	.4
b. Avoiding rental of office space by increased emphasis on moving dead or inactive records to GSA records centers to release substantial quantities of office space for reuse, and filing equipment, steel shelves and transfer cases put back into active use, thus avoiding new procurement of similar items. Fiscal year 1966 also includes savings of \$10,900,000 from provision by GSA of records management assistance to agencies (data for prior year not available)	15.7	5.0
c. Increased emphasis on better space utilization, the conversion of warehouse and other special use space to office space, and the conversion of excess military and post office installations to office space, have avoided the leasing of space to house the Federal establishment; also economies from the conversion of manual operations by use of mechanical devices for elevators, boilers, protection and cleaning, etc.:		
(1) Conversion of special use and excess space to office space		8.1
(2) Conversion of manual operations by use of mechanical devices	.4	1.1
d. The expansion of the motor pool program (activated in 1954) as compared with prepool operations by agencies continues to pay dividends to the Government—annual savings	.2	16.0
e. The transfer of excess personal and real property among Federal agencies and the rehabilitation of personal property affords maximum possible use of available Government-owned property and thus minimizes expenditures for new property. Efforts of GSA's Property Management and Disposal Service have contributed to the continued growth of these programs and also resulted in an increased return on sales:		
(1) Property put to further Federal use (acquisition cost)	952.0	918.6
(2) Proceeds from sales of:		
(a) Personal property	13.0	11.3
(b) Real property	125.0	46.3
(3) Rehabilitation of personal property and distribution of such property through the GSA supply system (acquisition cost)	90.0	73.6
f. Automatic data processing sharing exchanges	26.0	
3. Through constant attention to improving our organization, making maximum use of automatic data processing techniques, expansion of common services for use by other agencies, and improvement of our operating procedures, we have made savings which may be termed "administrative improvements"	1.6	.6
Total	1,631.4	1,443.0

