

The role of the General Accounting Office does not involve policy determinations as to the volume or purposes of Government spending. As you know, our function, briefly stated so far as is pertinent here, is to evaluate the manner in which Government agencies carry out their authorized programs and to report our findings and recommendations to agencies and to Congress. Included in this duty is the responsibility for determining that financial transactions are carried out within the laws enacted by the Congress. It is our function also to prescribe proper principles and standards to be employed by executive agencies in accounting for the Government's financial and physical assets.

Refunds, collections, and other measurable financial savings or additional revenues resulting from the recommendations of the General Accounting Office in fiscal year 1965 amounted to \$186,780,000 and in fiscal year 1966, \$130,637,000. Of the totals, actual refunds and collections made by or through our efforts during 1965 amounted to \$24,949,000 and in 1966, \$17,192,000. Substantial amounts of the savings or additional revenues are recurring in nature and will continue in future years. The principal area in which the greatest measurable financial savings were realized occurred in supply management of Government-owned materials.

The audit and review work we are discussing today was performed by three of our operating divisions—the Civil Division, the Defense Division, and the International Division. The International Division is our newest. Organized in 1963 it has the responsibility for audit of State Department programs and the oversea program of all agencies and departments. The Civil Division is responsible for the audit of domestic programs and operations of all other Agencies of Government except the Department of Defense; the Defense Division covers that Department and the three military departments.

To save time we have included as attachments to my statement much of the detail on some of the subjects we will cover today, as well as other subjects not actually discussed in the text. We have furnished copies of this material for each member in advance of the hearings so they might identify areas of interest.

We have conducted several special surveys and reviews during the past year covering Department of Defense activities in which your subcommittee has expressed particular interest. I will discuss the results of that work first.

RESPONSIVENESS OF THE MILITARY SUPPLY SYSTEMS IN MEETING OPERATIONAL NEEDS

The U.S. military supply systems involve the greatest diversity of items and the largest inventories to be found in any organization in the world. Approximately 4 million different items are classified, identified, and cataloged within the Department of Defense. Inventories on hand are valued at about \$37 billion, excluding aircraft, ships, and supplies and equipment in the hands of using units.

Last year, we advised you of our plans to undertake a broad long-range defensewide survey of supply system's responsiveness to military needs. Our survey was conducted at various military installations and activities in the continental United States as well as overseas. The