

"On March 9, 1966, the Army awarded a contract valued at almost \$150,000 to a prime contractor for 879 filters for use on a helicopter. This noncompetitive award was made on the basis that it was impossible to draft adequate specifications for the part in time for the procurement.

"However, we found that adequate technical data to support a competitive procurement was on hand. When we advised the contracting officer of this fact, he canceled the contract and solicited bids from three companies of which two responded. In August 1966 a new contract was awarded at a price of about \$81,000 or at a savings of about \$69,000 when compared with the initial sole-source price obtained from the prime contractor in March 1966 for the same number of filters."

Other principal reasons given by the centers for awarding contracts without competition, although not nearly as predominant as inadequate technical data, included critical manufacturing techniques, urgency of the requirement, and administrative expediency relative to awards of \$2,500 and under.

Mr. Chairman, we turn next to a discussion of certain work we have performed in the civilian agencies, in which we believe the committee has a strong interest. The first subject concerns the progress being made in the development of a national supply system. This was the first recommendation in the subcommittee's report last year.

NATIONAL SUPPLY SYSTEM

An important step toward the development of a national supply system was taken with the transfer of about \$65 million worth of handtool and paint stocks from the Department of Defense to the General Services Administration. The transfer was substantially completed in 1966.

The management responsibility for 52 other Federal Supply Classifications is scheduled for transfer in July 1967.

We reviewed handtool and paint inventories at the Defense Department depots after management responsibility had been assumed by GSA and found that there were significant quantities of GSA-owned stocks on hand which were not recorded on the GSA inventory records. As a result, these stocks were "lost" to the supply system.

After we brought this situation to the attention of Defense and GSA officials, complete physical inventories were taken at the Defense depots and about \$4 million worth of stocks were found which had not been—but which should have been—recorded on the GSA inventory records. During the period when the stocks were unrecorded, GSA purchased about \$1.1 million worth of stocks that were identical to the unrecorded stocks.

In our opinion, the transfer difficulties would have been largely avoided if:

1. Defense inventory records had been accurate when the stocks were transferred.
2. Effective controls had been maintained over GSA-owned stocks in Defense depots after the transfers.
3. GSA and Defense had cooperated more closely in solving their mutual problems.