

ment Center, from lists of such property declared excess to the needs of the Department of Defense and other Government agencies. As of June 30, 1966, the National Industrial Equipment Reserve inventory was valued at about \$86 million, of which about \$17,325,000 was on loan to nonprofit educational institutions and training schools for use in vocational training programs as provided by the law.

A recent study of the management of industrial plant equipment within the Department of Defense, conducted by the Defense Supply Agency with the approval of the Assistant Secretary of Defense (Installation and Logistics) identified the duplicate nature of the National Industrial Equipment Reserve and the reserves maintained by the Department of Defense. The report on this study which was issued in December 1966, pointed out the benefits and cost savings available from the elimination of duplicate management functions and reduction of facilities. It recommended that the Assistant Secretary of Defense (Installations and Logistics) initiate negotiations with the General Services Administration to merge the National Industrial Equipment Reserve with the Department of Defense industrial equipment reserves under Department of Defense management. We intend to follow this subject closely and particularly the action taken on this recommendation.

The National Aeronautics and Space Administration does not maintain any reserve of industrial plant equipment. Government-owned equipment held by contractors awarded contracts by various National Aeronautics and Space Administration centers is declared excess at the time it is no longer needed by that contractor. A list of such equipment is then circulated to the other National Aeronautics and Space Administration centers and if the equipment is not needed it is declared excess and disposed of through the General Services Administration.

REQUISITIONING OF SMALL QUANTITIES OF LOW-VALUE MATERIAL FROM THE DEFENSE SUPPLY AGENCY

Last year we told the Subcommittee that we were looking into the practice of the services ordering small quantities of low-cost material on a repetitive basis. We have since issued a letter report to the Secretary of Defense on the results of our examination at four Defense Supply Agency supply centers—the Construction, Electronics, General, and Industrial Supply Centers.

We estimated on the basis of our review that about 60 percent of the requisitions processed by these four centers during fiscal year 1965 were \$10 or less in amount. About 6.6 million requisitions fell into this category. From information given to us by the military services and the Defense Supply Agency, we estimated that about \$6 per requisition was expended in preparing, processing, and controlling requisitions and in handling material at the support depot and receiving activity.

Our review of requisitioning practices at three installations in each of the military services indicated that this large volume of low value requisitions was due, in large part, to the practice of the services of repetitively requisitioning small quantities of low value items instead of submitting less frequent requests for larger, more economical quantities. We were informed that fund limitations at the user levels have contributed to the lowering of stock levels for Defense Supply Agency material. In the interest of conserving funds, the services limited or reduced their ordering levels which, in turn, prevents the requisitioning of economical quantities.

For example, during an 8-month period, one location submitted 9 requisitions to the Defense Supply Agency for a total of 21 insulators costing 55 cents each, at a total cost of \$11.55. The average amount of the 9 requisitions was only \$1.28. At another location, during a 9-month period, 8 requisitions were submitted to the Defense Supply Agency for a total of 470 bolts costing four cents each, at a total cost of \$18.80. The average amount of the 8 requisitions was only \$2.35.

On the basis of our review, we believe that significant costs are being incurred by the military services and the Defense Supply Agency as a result of repetitive requisitioning of small quantities of low-value material from the Defense Supply Agency. We, therefore, recommended to the Secretary of Defense that he examine into the practices being followed by the military services in requisitioning low-value material from the Defense Supply Agency giving special emphasis to the