

allocation of funds to support the ordering of economical quantities of such material.

The Assistant Secretary of Defense (Installations and Logistics) commented on our report in a letter dated April 13, 1967. Regarding the limited funds problem mentioned in our report, it is the position of the Department of Defense that funding has been adequate. However, it was also stated that at times available funds at lower levels have been strained for a variety of reasons. In summary, the Department of Defense is in general agreement with our report, fully supports the economic ordering quantity concept which has been expressed as Department of Defense policy, and has stated it will take additional steps to obtain more complete compliance with that policy.

ACTIVITIES OF THE DEFENSE CONTRACT ADMINISTRATION SERVICES, DEFENSE SUPPLY AGENCY

The Defense Contract Administration Services was established in June 1964, under the Defense Supply Agency, to eliminate duplicate efforts among the various Defense Agencies that were performing contract administration and to establish a single Defense organization as the sole representative in dealing with a contractor. At June 30, 1966, the organization had a Headquarters office and 11 regional offices with a staff of 21,500 personnel providing contract administration for 180,750 contracts at 17,500 contractor plants.

In our survey we observed a number of areas which we believe warrant management attention. Management was aware of some of the problems we noted and corrective action was being taken to achieve improvements.

ASSIGNMENTS OF CONTRACT ADMINISTRATION

Although the Department of Defense has the responsibility for making plant assignments for contract administration services and has established criteria for this purpose, it had not performed periodic reviews to ensure that its criteria had been met.

Under the criteria a military department may be assigned a plant for contract administration responsibility where contracts being performed at the plant are for a major system of such critical military importance that the program manager needs to retain close technical direction. Of the 508 plants assigned to the military departments 48 plants involved contracts for major systems.

In our tests at two of these plants located in Michigan, we found that the Army program managers were not performing the contract administration services but had delegated these functions to other Army components. Under the Department of Defense criteria, these plants should have been assigned to the Defense Contract Administration Services.

Further, under the Department of Defense guidelines, a procuring agency, at its option, may retain certain contract administration functions at plants assigned to the Defense Contract Administration Services. We observed differences and inconsistencies among and within military departments in retaining such functions. We found that a procuring agency in the Chicago area retained administration of contracts with seven contractors that could have been assigned to the Defense Contract Administration Services. At five of the contractors' plants the Defense Contract Administration Services was also performing services for other contracts. At these locations, therefore, two different organizations were responsible for similar contract administration functions.

PAYMENT OF CONTRACTORS' INVOICES AND LOST DISCOUNTS

As of November 30, 1966, the regional offices reported that they had on hand about 85,000 unpaid invoices, which included about 20,000 invoices on hand for 30 days or longer. Our survey at the Philadelphia office indicated that invoices were on hand for 30 days or longer principally because inspection reports evidencing acceptance of supplies had not been received. Other reasons were delays in receipt of contract documents and internal delays in processing invoices for payment.