For the 12-month period ended November 30, 1966, Defense Contract Administration Services regional offices reported lost discounts totaling about $2.3 million.

We were advised that the Defense Supply Agency internal auditors expected to complete a review of lost discounts at all regional offices by the fall of 1967, and to identify causes and determine whether recommended corrective actions have been taken to minimize lost discounts in the future. On the basis of their findings at one regional office, the lost discounts may be considerably higher than the $2.3 million reported.

QUALITY ASSURANCE

Our survey of quality assurance activities was performed at the agency's Detroit regional office, having responsibility at about 800 contractors' plants. Generally, the agency relies on selective inspection based on the effectiveness of the contractors' procedures for controlling product quality and tests of the acceptability of supplies and services.

However, at 47 of the plants in the Detroit Region, the procuring officials had imposed specific mandatory inspection requirements and the agency's records indicated that about one-third of all inspection man-hours was expended on these mandatory inspections. Agency inspection personnel considered that certain requirements imposed by the procuring officials could be eliminated. Some of their recommendations have been adopted. It appears that continued evaluations of the need for mandatory inspection requirements and relaxation of such requirements could result in savings in inspection mapower.

DELINQUENT DELIVERIES

The Defense Contract Administration Services' industrial specialists are responsible for analyzing contract performance to anticipate and correct circumstances that may result in delinquent deliveries. As of August 1966, the agency was administering about 17,200 contracts, of over $5,000 each, which were classified as delinquent because supplies had not been delivered as of the date specified in the contract.

Our survey at the Chicago office, which reported about 2,200 delinquent contracts, indicated that delivery delinquencies may be caused by material and personnel shortages, engineering and quality problems, poor production planning, and unrealistic delivery schedules. Our tests indicated that during 1966 the number of such contracts had increased. As a result the specialists were doing little work to anticipate and head off additional delinquencies and apparently were devoting their main efforts to correcting existing delinquencies.

Furthermore, we found that corrective actions being taken by the industrial specialists were not properly documented so that management could determine whether adequate action had been taken.

TECHNICAL EVALUATIONS OF PRICE PROPOSALS

Technical personnel of the Defense Contract Administration Services and other components of the military departments are requested by contracting officials to evaluate various technical aspects of contractors' price proposals, including the need for types and quantities of material and labor.

We found in our survey of the agency's Chicago office, technical evaluations of contractors' price proposals were not adequately supported by records of work performed and conclusions were not supported in the reports. Similar deficiencies were noted in another review of 101 contracts awarded under the provisions of Public Law 87-653 where technical evaluations were performed by personnel of the military components, as well as the Defense Contract Administration Services. Since the Defense Contract Administration Services plays a major role in performing technical evaluations, it may be feasible to have it establish uniform requirements for these evaluations to be used throughout the Department of Defense.

We recognize that the establishment of a consolidated contract administration agency for the military services is a tremendous undertaking. Much has been accomplished in a relatively short period. However, as indicated by our survey findings, there is a need for improvement in the agency's operations.