

(1) strengthening of DSA's supervisory role; (2) implementing a uniform cost accounting system; (3) establishing an improved reporting system; and (4) validating the propriety of disposal expenses through internal audit. With regard to the first suggestion, DSA's role as the property disposal program manager was strengthened by Deputy Secretary of Defense memorandum dated November 27, 1964, subject: "Implementation of Secretary of Defense Project 26 as it Relates to the Management of the Department of Defense Property Disposal Program" and was further strengthened by the December 9, 1965 revision of DSA's basic charter. We believe that sufficient guidance has been provided to enable DSA to manage and administer the disposal program. With regard to the other suggestions, the Defense Comptroller will shortly issue a comprehensive DoD instruction which will establish a uniform cost accounting and reporting system for property disposal operations. The information available to me indicates that we are not utilizing surplus sales proceeds for any purpose other than to meet expenses directly related to disposal operations.

RELIANCE ON PRIVATE INDUSTRY

The DoD is committed to a basic policy of relying upon private enterprise for the products and services it requires to the maximum extent consistent with effective and efficient accomplishment of our programs. We believe proper application of this policy not only is in the national interest but that it also supports the specific interests and objectives of the DoD. By relying upon commercial sources for products and services, we can free ourselves from day to day responsibilities of managing and operating such activities in order to devote more time to other programs. In many instances we can also avoid the costs of constructing and maintaining facilities and the risks of obsolescence of facilities and equipment.

This basic policy was established on a Government-wide basis by the Bureau of the Budget about 13 years ago and was reaffirmed about a year ago when the Bureau issued its Circular No. A-76. The DoD participated in development of that Circular and we are now proceeding to carry out its provisions. Overall responsibility for implementing the Circular within the DoD was assigned by Secretary McNamara to the Assistant Secretary of Defense (Installations and Logistics), but responsibility for conducting the specific reviews and maintaining the inventories and controls required by the Circular are assigned to the head of each Military Department and Defense Agency. These assignments of responsibility and general procedures for applying them were provided in DoD Directive 4100.15 dated July 9, 1966. More detailed procedures were provided in a comparison instruction. Copies of the directive and the supporting instruction are available for the Committee's use or for inclusion in the record.

Circular No. A-76 provides that:

Each executive agency will complete and maintain an inventory of the commercial and industrial activities which it manages and operates.

Existing Government-operated commercial and industrial activities are to be reviewed once each 3 years to determine whether the products and services involved should continue to be furnished by the Government directly or if commercial sources should be relied upon.