

tion, we are in the process of implementing an improved cost accounting and reporting system for all disposal activities. This system will assist DSA in performing the above mentioned responsibility.

We appreciate your concern in the above matters and are grateful for your assistance in their resolution.

Sincerely,

PAUL H. RILEY

*Deputy Assistant Secretary of Defense (Supply and Services).*

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE,  
Washington, D.C., February 14, 1967.

HON. THOMAS B. CURTIS,  
*House of Representatives.*

DEAR MR. CURTIS: Enclosed, on behalf of the Secretary of Defense, are two copies of the letter that has been sent to GAO concerning the Comptroller General's report of March 18, 1966 to the Congress on "Sales of surplus property and disposition of proceeds," B-140389 (OSD Case #2430).

Copies of any supplemental comments, which are sent to GAO concerning this report, will also be sent to you.

Sincerely,

J. L. BREWER, Jr.

(For George W. Bergquist, Deputy Assistant Secretary of Defense).

OCTOBER 21, 1966.

HON. ELMER B. STAATS,  
*Comptroller General of the United States,  
General Accounting Office Building,  
Washington, D.C.*

DEAR ELMER: I am very much interested in your excellent Report on Cost of Sales of Surplus Property and Disposition of Proceeds—Department of Defense (B-140389, dated 3-18-66).

To my mind this report indicates a situation which appears to be growing whereby an agency is permitted to create its own appropriation through the disposition of federal receipts which should be deposited to the general fund and then appropriated by regular process. The instant case, so-called "Punkin" fund merely illustrates a rather widespread situation.

In order that we may take a broader look at the problem at the next session of Congress as a part of the work of the Subcommittee on Procurement and Regulation, I would appreciate it if your office could compile for me a complete list of programs under which agencies utilize receipts to create working capital funds. Included in this listing would be stock funds, industrial funds, so-called Section 32 funds, etc. I recall there was a listing some years ago of so-called "back-door" financing which should be included in your general listing also. I would suggest that this information be made available to me by February 15, 1967.

With best wishes,

Sincerely,

THOMAS B. CURTIS.

ASSISTANT SECRETARY OF DEFENSE,  
Washington, D.C., May 5, 1967.

MR. C. M. BAILEY,  
*Associate Director, Defense Accounting and Auditing Division,  
General Accounting Office, Washington, D.C.*

DEAR MR. BAILEY: Reference is made to our letter of February 8, 1967 in which we stated we would advise you of the results of the Defense-wide audit of personal property disposal activities and of any actions pertaining thereto (OSD Case #2430).