

We are currently engaged in a detailed review of the whole area of disposals, surplus property, and redistribution of assets resulting from Operation FRELOC. The objectives of our review are to (1) determine specific types and quantities of material disposed of, (2) determine where the disposals took place, and the recipients, and (3) evaluate the propriety of the disposal actions by reviewing the adequacy of screening procedures utilized to ascertain if other Government agencies had a need for the material. We hope to complete this review by August 31, and to have a report available sometime in September.

With respect to the question of the adequacy of AID's procedures for screening, transporting, rehabilitating and putting into program use excess property made available to it as a result of FRELOC, we do have some work underway in Europe touching on this matter. However, within the time available to prepare our testimony on this subject, we do not have sufficient information here in Washington to discuss the matter adequately.

Our work in this matter covers all excess personal property being generated in Europe and is not limited just to FRELOC. It deals with (1) transportation of property to and from marshaling sites at Antwerp, Belgium; Livorno, Italy; Rota, Spain; (2) AID's functions in contracting for rehabilitation of excess property; (3) the use by AID of this property whether as a supplement to their usual program or whether it is being used in lieu of procuring new equipment; and (4) the utilization of excess property by the recipient country.

In connection with the subject of excess and surplus material, we believe there is one matter that should be brought to your attention at this time; namely, the Army's policy of retaining certain stocks that are in excess of their operating and war reserve requirements. Under the provisions of Army regulations, oversea commanders are permitted to retain in their inventories quantities of stocks equal to an 18-month supply over and above all computed operating and war reserve requirements. This situation comes about when, for example, computed requirements of an overseas command for a particular item decrease below the quantity of stocks already on hand. Instead of the oversea command reporting this material back to the inventory control point in the United States for possible redistribution, the excess stocks, up to an 18-month supply, are classified as economic retention stock and remain under the control of the oversea command for possible future needs. As a result, the inventory control point in the United States may be procuring the same item to meet the urgent requirements of other Army commands, other services, or the military assistance programs.

On April 10, 1967, we issued a report to the Congress on the availability of selected stocks of the U.S. Army in Europe for requirements of other commands, wherein we stated that repair parts and electronic components which exceeded requirements in Europe were not redistributed to meet urgent needs in other areas because of weaknesses in the Army's inventory reporting procedures and practices.

In our report, we suggested that all existing stocks of items that exceed current operating and reserve requirements should be routinely reported to the appropriate national inventory control points so that the availability of such stocks could be considered in arriving at de-