

recognized the problem of determining allowability of bidding and related costs when such determination is based on a subjective review of the reasonableness of the contractor's classification of the technical effort for which he is claiming reimbursement. For the past several years, the Department of Defense had been in the process of amending the procurement regulations to deal with all types of contractor's independent technical efforts as a package and to provide certain limitations on the charging of such costs to Government contracts.

The Department of Defense informed us that a study would be made to develop an appropriate remedy for effective management of bid and proposal costs charged to Government contracts. Both the Department of Defense and the National Aeronautics and Space Administration stated that it would not be feasible to issue interim guidance, as we had proposed, with respect to allowability of bid and proposal costs.

We recognize that the many facets of the bid and proposal problem deserve intensive consideration before revised procedures are established. However, we are concerned that, in the meantime, contracting and auditing officials will continue to be faced with the need to interpret the procurement regulations in the areas covered by this report. In our opinion, the planned study should be expedited.

We therefore recommended that the Secretary of Defense give the proposed study of bidding and related costs a high priority and that he establish goals to insure the earliest possible completion of required revisions to the procurement regulations.

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MANAGEMENT OF HI-VALU AERONAUTICAL PARTS BY PACIFIC AIR FORCES BASES, DEPARTMENT OF THE AIR FORCE

The General Accounting Office has made a review of the management by Pacific Air Forces bases of certain high-cost aeronautical parts included in the Air Force hi-valu program, a program which provides close control over significant items through selective management techniques.

We found that the five Pacific Air Forces bases covered by our review had accumulated hi-valu aeronautical parts and components valued at about \$16 million, which were excess to the bases' requirements. Additional unneeded hi-valu parts valued at about \$19.9 million were on order from depots in the United States. For a selected number of the excess items on hand, we estimated that transportation costs of about \$381,000 were incurred to ship the unneeded materiel to Pacific bases. Also, much of this unneeded materiel was shipped by air transportation at a time when there was a shortage of such transportation to handle high-priority cargo shipments to the Pacific.

The excess parts and components were accumulated or ordered because base supply personnel did not effectively implement or follow established Department of the Air Force supply-management procedures. We found that these personnel (1) circumvented the controls that had been established to prevent ordering unneeded parts, (2) did not follow prescribed Air Force supply procedures that had been designed to identify unneeded orders which should be canceled, (3)