

The law under which the corps awards contracts for dredging stipulates that appropriated funds shall not be used to pay for any work done by contract if the contract price is more than 25 percent in excess of the estimated cost of the Government's doing the work with its own equipment and crews (in-house). Our review disclosed that the corps generally does not prepare in-house estimates, but rather awards contracts for dredging to the contractor whose bid price is low and is not more than 25 percent in excess of the corps' estimate of fair and reasonable cost to a contractor, exclusive of profit.

We examined dredging costs incurred under 32 contracts for one large dredging project and compared these with our estimates of the costs that the corps would have incurred if it had done the same work in-house. We believe that 11 of the contracts were awarded at prices which were about \$2.1 million in excess of the statutory limitation. We believe also that these contract prices were about \$4.4 million in excess of the costs that would have been incurred if the work had been done by the corps itself.

We recommended that the Secretary of the Army direct the Chief of Engineers to revise the corps' regulations to require that the corps award future dredging contracts in compliance with the law.

The Department of the Army has disagreed with our findings and stated that present policies and practices of the corps are in accordance with the policies and intentions of both the Congress and the administration, that civil works projects are being conducted in a manner most economical and advantageous to the Government, and that the longstanding practical interpretation and application by the corps of the law should not now be overturned.

We brought our finding to the attention of the Congress in the event that it wished to express its views regarding present policies followed by the corps in awarding contracts for dredging. If the Congress should determine that the corps' present policies and procedures applicable to its dredging operations are to be continued, we suggest that consideration be given to revising or repealing section 624 of title 33, United States Code.

[Index No. 24—B-139011, Aug. 30, 1967]

SAVINGS FROM MORE ECONOMICAL USE OF COMMUNICATION FACILITIES BETWEEN ALASKA AND THE U.S. MAINLAND, DEPARTMENT OF THE AIR FORCE, ALASKA COMMUNICATION SYSTEM

The General Accounting Office has made a review of the use of submarine cable and microwave communication facilities leased by the Alaska Communication System—a unit of the U.S. Air Force—to provide public and private telephone service between Alaska and the 48 States on the mainland.

Our review indicated that, as early as January 1961, the Alaska Communication System was aware that a microwave facility, which served Alaska, was more economical to use than the cable facility. Savings could have been attained by using the cable facility in a different manner and, at the same time, by making greater use of the microwave facility.

It was not until mid-1965, after we discussed this matter with Alaska Communication System officials, that the necessary actions were taken to attain these savings.