

The DOD comments on each of the 14 recommendations will be included in the final GAO report presented to this committee for consideration. Improving the accounting and control of Government-owned property in the possession of defense contractors is receiving our close attention. (See pp. 52, 153, 455.)

C. PROGRESS UNDER BUDGET BUREAU CIRCULAR No. A-76

Finally, we wish to report progress, Mr. Chairman, on our actions to implement Budget Circular A-76—"Acquiring Commercial or Industrial Products and Services for Government Use"—issued in March 1966.

Our original instructions were issued in March 1963, and we have reported to you on results of our earlier review in past hearings. In 1965 we launched a comprehensive survey of our base support services. In this review we conducted more than 40 detailed cost comparison studies covering 22 major classes of base support services.

As a result of this survey we discovered opportunities for savings not only by placing greater reliance upon commercial sources but also by discontinuing certain types of contractual arrangements which were more costly than in-house alternatives. Generally, these latter cases involved contracts for technical support services in which contractors assumed little if any risks and the Government necessarily retained primary management responsibility.

When Bureau of the Budget Circular A-76 was issued in March 1966, we adapted our existing procedures to include the new features in the circular. Implementing instructions were issued and each of the military departments and agencies assigned staffs to assure that the policies were being implemented. A small organization was also set up in my office.

The latest inventory indicates a total of 5,605 commercial or industrial activities in all of the services. We have classified these activities into 58 categories and have assigned priorities for completion of reviews for each of these categories. Reviews of 1,292 activities have been completed and are in process of final evaluation. Our goal is to complete the remaining reviews in all categories as rapidly as possible.

We have also implemented provisions of the circular which established additional controls of new starts. Our procedures provide that all proposed new starts shall be reviewed and approved in my office. Less than a dozen such proposals have been submitted to my office and we have approved about half of these. This is not a true measure of the value of this procedure, however, because it has caused reviews of proposals to be conducted in the offices of the military departments and agencies. The result of these departmental reviews is that some of the proposals are disapproved before they reach my office.

Attachment E to this statement, which follows, cites 10 recent examples of the application of the above policies.

ATTACHMENT E

RECENT ILLUSTRATIONS OF THE APPLICATION OF POLICIES PRESCRIBED BY BUDGET BUREAU CIRCULAR A-76

1. At Fort Huachuca, Arizona, several activities such as photographic and film processing services, building maintenance and repair, laundry and dry cleaning installations, bus services and other similar activities previously op-