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GOVERNMENT

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1st Session } JOINT COMMITTEE PRINT

BACKGROUND MATERIAL ON ECONOMY IN GOVERNMENT—1967

MATERIALS PREPARED

FOR THE

SUBCOMMITTEE ON ECONOMY IN GOVERNMENT

OF THE

JOINT ECONOMIC COMMITTEE

CONGRESS OF THE UNITED STATES

APRIL 1967

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RAY WARD, *Economic Consultant*

LETTER OF TRANSMITTAL

MAY 2, 1967.

To the Members of the Joint Economic Committee:

I am transmitting herewith for your use and other members of the Congress and the interested public, selected background material on economy in Government. These data have been prepared especially for hearings of the Subcommittee on Economy in Government scheduled for May 8, 9, 10, and 16, 1967.

This study was prepared by Mr. Ray Ward, temporary economic consultant to the subcommittee, and any findings and conclusions herein are the author's and are neither approved nor disapproved by the subcommittee.

Sincerely,

WILLIAM PROXMIRE,
Chairman, Joint Economic Committee.

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BACKGROUND MATERIAL ON ECONOMY IN GOVERNMENT—1967

INTRODUCTION

The Federal Government's bill for property management activities, real and personal, consumes a major part of the annual budget. In addition to the annual expenditures, the inventories of property held by the military and civilian agencies worldwide cost billions upon billions of dollars.

The selected background materials contained herein reveal the scope and diversity of these activities. The previous subcommittee hearings and reports, buttressed by hundreds of General Accounting Office reports, and those of other qualified sources, show that a most fruitful field for economy in government lies in the improved organization and management of these functions.

Scope of Federal Government Obligations

The continuous increase in the scope and cost of the Federal Government is revealed by the following analysis of obligations by object classes.

Object Class Analysis

BUDGET FOR FISCAL YEAR 1968

This analysis presents a summary by object class of the Federal obligations as shown in the budget appendix for 1968.

Object classes describe the nature of the particular service, article, or other item for which the obligations are incurred regardless of the purpose or program served. Thus, obligations for the procurement of an automobile are classified under object class 31, "Equipment," whether the procurement is for the purpose of national defense, law enforcement, or public works construction.

Object classes represent the type of products or services to be received by the ordering agency; therefore, while the price of the automobile may include charges by the supplier for transportation, or other items, the entire amount of the procurement is classified under object class 31, "Equipment."

A series of supporting tables presenting each major Government agency's obligations by object for the administrative budget and trust funds, respectively, is included in appendix 1, page 57. An overall summary of obligations by major object class covering both administrative budget and trust funds follows:

Table 1.—*Obligations for contractual services and supplies*

[In millions of dollars]

Description	1966 actual	1967 estimate	1968 estimate
Personal services and benefits	36,422	40,138	43,735
Contractual services and supplies	67,691	70,238	74,484
Acquisition of capital assets	33,343	37,521	37,712
Grants and fixed charges	65,303	75,135	80,384
Undistributed	2,162	11,994	10,556
Total obligations incurred	204,922	235,026	246,872
Deduct:			
Interfunds and intragovernmental payments	4,764	6,524	6,732
Reimbursements between accounts	28,127	32,490	29,865
Obligations to the public	172,031	196,012	210,275
Receipts from the public	19,807	22,204	25,873
Recoveries of prior-year obligations	1,538	1,168	1,136
Net obligations of the Government	150,686	172,642	183,267
Administrative budget	(120,477)	(138,883)	(143,170)
Trust funds	(33,568)	(38,783)	(45,417)
Intragovernmentals	(−3,359)	(−5,024)	(−5,320)

Source: Budget Bureau.

PERSONAL SERVICES AND BENEFITS

Obligations for personal services and benefits are estimated at about $43.7 billion in fiscal 1968. Object class 11, "Personnel compensation," consists mainly of direct payments for personal services rendered to the Government. It also includes payments to some non-Federal personnel (for instance, employees of the National Guard who are State employees).

Most of the obligations for object class 12, "Personnel benefits," represent contributions to Federal civilian employee trust funds and cash allowances paid to certain civilian and military employees. In 1968, for example, $1,140 million will be paid by employer agencies to the civil service retirement and disability fund; $189.1 million will be paid to the employees health benefits fund; and $62.4 million will be paid to the employees life insurance fund. These amounts are in addition to employee contributions.

Object class 13, "Benefits for former personnel," covers pensions, annuities, and other benefits due former employees or their survivors paid directly from employing agency accounts to the beneficiary. Benefits paid from retirement trust funds financed from employer and/or employee contributions and premiums are classified under object class 42, "Insurance claims and indemnities."

These figures are not precisely the same as similarly labeled amounts in special analysis C (civilian employment in the executive branch) of the 1968 budget because (*a*) detailed object schedules are not provided in the budget appendix for items proposed for separate transmittal; (*b*) costs included in annexed budgets are not tabulated here; and (*c*) these figures include certain payments for non-Federal employees as noted above.

TABLE 1(a).—*Obligations for personal services and benefits*

[In millions of dollars]

Description	1966 actual	1967 estimate	1968 estimate
11 Personnel compensation:			
Department of Defense—Military:			
Military personnel	10,511	11,764	13,254
Civilian permanent positions	6,882	7,331	7,857
Other personnel compensation	823	926	915
Department of Agriculture	728	782	805
Department of Health, Education, and Welfare	722	815	872
Department of Interior	519	566	575
Department of Justice	308	329	336
Post Office Department	4,196	4,681	4,874
Treasury Department	687	745	759
National Aeronautics and Space Administration	353	380	388
Veterans' Administration	1,062	1,142	1,180
Other	3,197	3,545	3,764
Total, personnel compensation	29,988	33,006	35,579
12 Personnel benefits:			
Department of Defense—Military:			
Military	2,962	3,224	3,907
Civilian	572	628	680
Post Office Department	323	369	395
Veterans' Administration	158	207	210
Other	562	642	684
Total, personnel benefits	4,577	5,070	5,876
13 Benefits for former personnel:			
Department of Defense—Military	1,594	1,819	2,027
Department of Labor	98	61	60
Civil Service Commission	104	112	119
Other	61	69	74
Total, benefits for former personnel	1,857	2,061	2,280
Total, personal services and benefits	36,422	40,138	43,735
Distribution of total obligations:			
Administrative budget	35,689	39,336	42,892
Trust funds	733	802	843
To other accounts	4,577	5,070	5,876
To the public	31,845	35,068	37,859

CONTRACTUAL SERVICES AND SUPPLIES

Total obligations to be incurred in 1968 for contractual services and supplies will represent nearly one-third of the gross total of obligations incurred by the Federal Government in that year.

Object class 21, "Travel and transportation of persons," covers travel, per diem allowances, rental of passenger motor vehicles, and other similar items. Contractual charges for rental of trucks, movement of household goods, freight, parcel post, etc., are included in object class 22, "Transportation of things." Object class 23, "Rent, communications, and utilities," includes the rental of lands, structures, and equipment (other than passenger transportation equipment), communications services performed by contract, and utility services supplied by others. Interagency charges, such as printing performed by the Government Printing Office as well as contractual charges for

other duplicating services, are classified in object class 24, "Printing and reproduction." Object class 25, "Other services," comprises contractual services not otherwise classified. Object class 26, "Supplies and materials," is made up of all commodities (*a*) ordinarily consumed within a year after being put into use, or (*b*) which are converted in the process of construction or manufacture, or (*c*) which are used to form a minor part of equipment or fixed property.

Of the total obligations in 1968 for contractual services and supplies, the Department of Defense (military) will obligate—

Seventy-five percent of all obligations for object class 21, "Travel and transportation of persons."

Seventy-one percent for object class 22, "Transportation of things."

Fifty-seven percent for object class 23, "Rent, communications, and u ilities."

Forty-two percent for object class 24, "Printing and reproduction."

Fifty-six percent for object class 25, "Other services."

Seventy-nine percent for object class 26, "Supplies and materials."

Object class 26, "Supplies and materials," includes $3,554 million in commodities which will be sold or donated under foreign assistance or other programs.

TABLE 1 (b).—*Obligations for contractual services and supplies*

[In millions of dollars]

	Description	1966 actual	1967 estimate	1968 estimate
21	Travel and transportation of persons:			
	Department of Defense—Military	1,249	1,271	1,470
	Other	425	449	481
	Total, travel and transportation of persons	1,674	1,720	1,951
22	Transportation of things:			
	Department of Defense—Military	2,871	2,988	3,476
	Department of Agriculture	374	267	253
	Post Office Department	776	820	858
	Other	280	276	277
	Total, transportation of things	4,301	4,351	4,864
23	Rent, communications, and utilities:			
	Department of Defense—Military	1,249	1,271	1,470
	Post Office Department	151	165	184
	General Services Administration	241	262	266
	Other	642	684	727
	Total, rent, communications, and utilities	2,293	2,486	2,759
24	Printing and reproduction:			
	Legislative branch	91	107	113
	Department of Defense—Military	135	140	172
	Other	112	117	128
	Total, printing and reproduction	338	364	413

TABLE 1(b).—*Obligations for contractual services and supplies*—Continued

[In millions of dollars]

Description	1966 actual	1967 estimate	1968 estimate
25 Other services:			
Department of Defense—Military	14,736	15,941	17,085
Department of Defense—Civil Corps of Engineers	500	603	568
Department of Health, Education, and Welfare	438	654	748
Atomic Energy Commission	1,898	2,048	2,103
National Aeronautics and Space Administration	4,193	4,081	4,093
Civil Service Commission	708	774	860
Other	5,056	4,943	5,159
Total, other services	27,529	29,045	30,616
26 Supplies and materials:			
Department of Defense—Military	24,276	24,433	26,641
Funds appropriated to the President:			
Military assistance	373	424	437
Economic assistance	484	444	474
Department of Agriculture	3,927	4,441	3,848
General Services Administration	694	771	784
Other	1,802	1,759	1,697
Total, supplies and materials	31,556	32,272	33,881
Total, contractual services and supplies	67,691	70,238	74,484
Distribution of total obligations:			
Administrative budget	66,257	68,568	72,602
Trust funds	1,434	1,670	1,882
To other accounts	19,342	20,943	20,294
To the public	48,349	49,295	54,190

ACQUISITION OF CAPITAL ASSETS

The largest timelag between obligations and expenditures occurs when the Government acquires various tangible capital assets. The timelag may be as much as several years, as in the case of naval ships and military aircraft.

Object class 31, "Equipment," includes the purchase of durable personal property which will provide services for a number of years in the future, such as aircraft, ships, certain heavy armored equipment, trucks, and automobiles. Object class 32, "Lands and structures," comprises real property.

The Department of Housing and Urban Development will obligate one-third of all obligations for object class 33, "Investments and loans," in 1968 including—

$330 million for loans to construct housing for colleges and hospitals.

$431 million for planning advances and loans for initial financing of urban renewal projects.

$1,337 million in the secondary market operations trust revolving fund for the purchase of FHA and VA insured loans by FNMA in order to provide for limited liquidity of Government-insured mortgages and to improve the distribution of investment capital available for mortgage financing.

$656 million for loans for low-rent public housing.

TABLE 1(c).—*Obligations for acquisition of capital assets*

[In millions of dollars]

	Description	1966 actual	1967 estimate	1968 estimate
31	Equipment:			
	Department of Defense—Military	14,601	14,264	15,991
	Funds appropriated to the President: Military assistance	956	1,155	1,344
	Post Office Department	94	124	152
	National Aeronautics and Space Administration	244	262	227
	Other	829	1,003	1,025
	Total, equipment	16,724	16,808	18,739
32	Lands and structures:			
	Department of Defense—Military	1,700	1,526	1,628
	Department of Defense—Civil Corps of Engineers	813	753	811
	Department of Housing and Urban Development	710	736	739
	Department of the Interior	363	427	417
	General Services Administration	164	216	206
	National Aeronautics and Space Administration	239	116	85
	Other	683	787	984
	Total, lands and structures	4,672	4,561	4,870
33	Investments and loans:			
	Funds appropriated to the President:			
	International financial institutions	354	374	124
	Economic assistance	1,211	1,137	1,375
	Department of Agriculture	3,160	3,665	3,628
	Department of Housing and Urban Development [1]	3,724	4,334	3,731
	Veterans' Administration	464	563	473
	Other independent agencies:			
	Export-Import Bank	1,576	3,407	2,781
	Small Business Administration	533	516	631
	Other	925	2,155	2,359
	Total, investments and loans	11,947	16,151	14,102
	Total, acquisition of capital assets	33,343	37,521	37,712
	Distribution of total obligations:			
	Administrative budget	30,706	33,945	34,735
	Trust funds	2,637	3,576	2,977
	To other accounts	5,330	8,627	5,401
	To the public	28,013	28,894	32,311

[1] Excludes loans to the secondary market operations trust funds which are fully repaid within the year, amounting to $1,698,000,000 in 1966; $1,800,000,000 in 1967; and $1,400,000,000 in 1968.

GRANTS AND FIXED CHARGES

The Federal Government provides grants-in-aid to State and local governments, and grants to research institutions, private individuals, and others. In 1968, the Department of Health, Education, and Welfare will obligate an estimated $11,471 million, more than two-fifths of all obligations for object class 41, "Grants, subsidies, and contributions." Object class 41 includes—

$2,298 million for price-support payments and retirement of farm acreage by the CCC.

$4,240 million for grants to States for old-age assistance, aid to families with dependent children, and aid to the blind and permanently and totally disabled.

$3,995 million for education and vocational rehabilitation.

$1,789 million for grants by the National Institutes of Health.

In the Department of Transportation, $4,402 million is estimated for payments from the highway trust fund.

Obligations in object class 42, "Insurance claims and indemnities," are composed mostly of—

$19,928 million for social security payments from the Federal old-age and survivors insurance trust fund.

$1,980 million for benefit payments from the Federal disability insurance trust fund.

$2,624 million for benefit payments from the Federal hospital insurance trust fund.

$1,121 million from the Federal supplementary medical insurance trust fund.

$4,558 million in the administrative budget for compensations, pensions, and related benefits to veterans and their survivors.

$1,764 million for withdrawals by the States from the unemployment trust fund.

Object class 43, "Interest and dividends," is comprised principally of interest on the public debt—$14,050 million of the $15,754 million estimated for 1968. Object class 44, "Refunds," consists only of refunds of nontax receipts; income tax and certain other refunds are netted against receipts and are therefore not reported as obligations.

TABLE 1(d).—*Obligations for grants and fixed charges*

[In millions of dollars]

Description	1966 actual	1967 estimate	1968 estimate
41 Grants, subsidies, and contributions:			
Funds appropriated to the President:			
Office of Economic Opportunity	1,050	1,305	1,657
Department of Agriculture	3,757	4,499	3,651
Department of Health, Education, and Welfare	8,546	10,288	11,471
Department of Housing and Urban Development	1,083	1,284	1,705
Department of the Interior	319	487	548
Department of Labor	938	1,088	1,049
Department of Transportation	4,140	3,574	4,609
National Science Foundation	397	437	467
Other	1,539	1,875	2,014
Total, grants, subsidies, and contributions	21,769	24,837	27,171
42 Insurance claims and indemnities:			
Department of Health, Education, and Welfare	19,925	24,468	26,032
Department of Labor	2,049	1,887	1,857
Veterans' Administration	5,040	5,319	5,241
Civil Service Commission	1,559	1,792	1,965
Railroad Retirement Board	1,200	1,250	1,314
Other	228	305	378
Total, insurance claims and indemnities	30,001	35,021	36,787
43 Interest and dividends:			
Department of Agriculture	356	424	371
Department of Housing and Urban Development	340	575	877
Treasury Department	12,132	13,509	14,203
Other	321	336	303
Total, interest and dividends	13,149	14,844	15,754
44 Refunds:			
Department of Housing and Urban Development	132	192	425
Department of the Interior	76	66	57
Civil Service Commission	158	158	158
Other	18	15	32
Total, refunds	384	432	672
Total, grants and fixed charges	65,303	75,135	80,384
Distribution of total obligations:			
Administrative budget	35,157	40,513	42,566
Trust funds	30,146	34,622	37,818
To other accounts	2,683	3,327	3,758
To the public	62,620	71,808	76,626

UNDISTRIBUTED OBLIGATIONS

Certain obligations are not distributed by object class—or object class estimates are not available. The totals for such undistributed obligations are shown separately in the following table.

The undistributed items consist of—

Changes in object classification; these are chiefly deductions for project orders to correct for duplication of obligations which had earlier been obligated in lump sums and now are distributed by objects.

Unvouchered obligations, which are exempted by law from detailed vouchering, usually for confidential purposes.

Change in selected resources, representing adjustments to cost-type data included in the object class totals.

Amounts proposed for separate transmittal, which are budget recommendations to be transmitted for appropriation action after the budget is sent to the Congress; detailed object schedules are not yet available for these proposals. Budget allowances for 1967 and 1968 are included in this line.

Items not distributed otherwise; these are mostly financing items such as transfers of funds and repayments.

Charges for quarters and subsistence, which are provided in kind.

TABLE 1(e).—*Undistributed obligations*

[In millions of dollars]

Description	1966 actual	1967 estimate	1968 estimate
Changes in object classification	−249	−221	−229
Unvouchered	13	28	30
Change in selected resources	1,499	−1,020	667
Proposed for separate transmittal		12,060	8,904
Not distributed otherwise	918	1,166	1,203
Quarters and subsistence charges	−19	−19	−19
Total, undistributed obligations	2,162	11,994	10,556
Distribution of total obligations:			
Administrative budget	1,167	11,045	5,099
Trust funds	995	949	5,457
To other accounts	1,206	10,947	9,287
To the public	956	1,047	1,269

OBLIGATIONS TO THE PUBLIC

When one agency or account within an agency orders goods or services from another, obligations are charged by the ordering agency to a single object class in the same manner as if ordered from outside the Government; obligations are then also charged by the receiving agency in accordance with its purchases (personnel, supplies, and materials, etc.). Since ordering agencies record their part of the transactions in such object classes as 25, 26, and 31, these classes contain a number of duplicated interagency obligations. However, these duplications cannot be completely identified and segregated in the detailed accounting schedules, because for the most part they are shown separately only in the accounts of the agencies which receive the orders. Obligations to the public by object class therefore

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cannot be derived directly from the object schedules. The following table represents an effort by the Bureau of the Budget to estimate these data:

TABLE 1(f).—*Estimated total obligations by object class showing obligations to the public separate from those to other accounts*

[In millions of dollars]

	1966		1967		1968	
	To the public	To other accounts	To the public	To other accounts	To the public	To other accounts
Personal services and benefits:						
11 Personnel compensation	29,988		33,006		35,579	
12 Personnel benefits		4,577		5,070		5,876
13 Benefits for former personnel	1,857		2,061		2,280	
Contractual services and supplies:						
21 Travel and transportation of persons	1,001	673	945	775	1,151	800
22 Transportation of things	2,931	1,370	2,753	1,598	3,311	1,553
23 Rent, communications, and utilities	1,478	815	1,393	1,093	1,695	1,064
24 Printing and reproduction	173	165	164	200	198	215
25 Other services	22,874	4,655	24,524	4,521	25,950	4,666
26 Supplies and materials	19,892	11,664	19,516	12,756	21,885	11,996
Acquisition of capital assets:						
31 Equipment	12,669	4,055	11,936	4,872	14,414	4,325
32 Lands and structures	3,823	849	3,603	958	4,378	492
33 Investments and loans	11,521	426	13,355	2,796	13,519	583
Grants and fixed charges:						
41 Grants, subsidies, and contributions	21,769		24,837		27,171	
42 Insurance claims and indemnities	30,001		35,021		36,787	
43 Interest and dividends	10,466	2,683	11,517	3,327	11,996	3,758
44 Refunds	384		432		672	
Undistributed	1,206	956	10,947	1,047	9,287	1,269
Total	172,031	32,891	196,012	39,014	210,275	36,597
Administrative budget	138,207	30,773	157,566	35,989	164,107	33,787
Trust funds	33,824	2,118	38,446	3,025	46,168	2,810

Trends in Real Property Holdings, 1955–66

Attached are tables and charts showing a worldwide comparison between 1955 and 1966 and the year by year trends in the Federal Government's ownership of real property in the United States as follows:

Tables

Worldwide trends in Federal real property holdings, 1955–66.

Agency comparison of federally owned real property in the United States, 1955–66.

Charts

Worldwide—Comparing 1955 with 1966.—Cost of real property owned by the United States throughout the world.

United States—Trends by years, 1955 to 1966.—Cost of real property owned by the United States (land, buildings, and structures).

Civil agencies vs. Department of Defense:
- Cost of real property.
- Land owned (acres).
- Cost of Federal land.
- Floor area of federally owned buildings.
- Cost of federally owned buildings.
- Cost of federally owned structures.

Worldwide data on land costs, buildings' floor area and costs, and structures' costs are not available because, for security reasons, Department of Defense reports only total cost and total land area data on its holdings outside the United States.

The U.S. charts reflect a change in coverage between 1958 and 1960. Through 1958 Alaska and Hawaii were included in the statistics on "outlying areas." In 1959, data for civil agencies in Alaska was added to the U.S. inventory. In 1960, data for Department of Defense in Alaska and Hawaii, and for civil agencies in Hawaii, was added to the U.S. inventory.

TABLE 2.—*Worldwide trends in Federal real property holdings, 1955–66*

COST IN BILLIONS

	1955	1966	Increase	
			Amount	Percent
Civilian agency holdings	$13.7	$23.2	$9.5	69
Defense holdings	24.3	46.1	21.8	90
Total	38.0	69.3	31.3	82
Inside United States	32.5	62.4	29.9	92
Foreign and outlying areas	5.5	6.9	1.4	25
Total	38.0	69.3	31.3	82

TABLE 2.—*Worldwide trends in Federal real property holdings, 1955–66*—Con.

ACRES IN MILLIONS

	1955	1966	Increase	
			Acres	Percent
Civilian agency holdings	722.3	734.7	12.4	2
Defense holdings	31.2	30.6	(.6)	(2)
Total	753.5	765.3	11.8	2
Inside United States	407.9	764.8	356.4	87
Foreign and outlying areas	345.6	.5	(345.1)	100
Total	753.5	765.3	11.8	2

FLOOR AREA IN MILLION SQUARE FEET

	1955	1966	Increase	
			Floor area	Percent
Civilian agency holdings	584.6	638.1	53.5	9
Defense holdings [1]	1,646.1	1,891.5	245.4	15
Total [1]	2,230.7	2,529.6	298.9	13
Inside United States	2,196.3	2,496.1	299.8	14
Foreign and outlying areas [1]	34.4	33.5	(.9)	(3)
Total [1]	2,230.7	2,529.6	298.9	13

[1] Data on floor area not furnished by DOD for its military functions outside the United States.

Table 2(a).—*Agency comparison of federally owned real property in the United States as of June 30, 1955, and June 30, 1966*

[Dollar amounts in thousands]

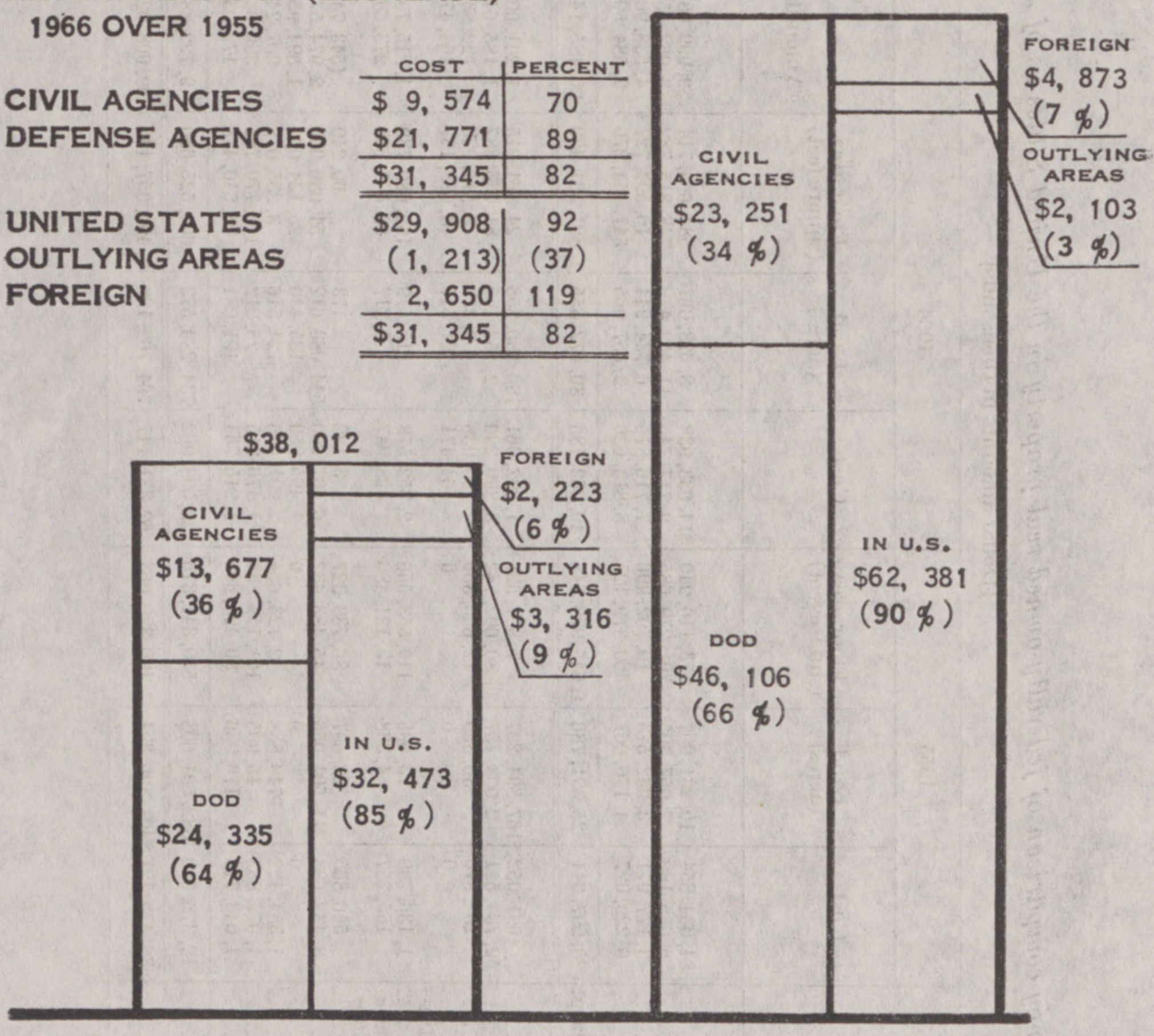
Agency	1955			1966			Increase or (decrease)					
							Cost		Land		Floor area	
	Cost	Land (acres)	Floor area (square feet)	Cost	Land (acres)	Floor area (square feet)	Amount	Percent	Acres	Percent	(Square feet)	Percent
Department of Defense:												
Air Force	$4,034,854	10,231,901	373,116,940	$14,033,938	8,628,067	584,663,714	$9,999,084	248	(1,603,834)	(16)	211,546,774	57
Army	6,655,189	7,057,305	701,279,685	9,717,746	11,452,479	748,815,782	3,062,557	46	4,395,174	62	47,536,097	7
Corps of Engineers	3,177,971	3,932,513	10,702,996	7,716,875	6,734,944	10,597,727	4,538,904	143	2,802,431	71	(105,269)	(1)
Navy	6,229,027	4,170,067	560,879,127	8,813,626	3,657,065	547,454,276	2,584,599	41	(513,002)	(12)	(13,424,851)	(2)
Total, Department of Defense	20,097,041	25,391,786	1,645,978,748	40,282,185	30,472,555	1,891,531,499	20,185,144	100	5,080,769	20	245,552,751	15
Civil agencies:												
Agriculture	691,052	167,894,227	7,857,525	1,892,061	186,885,858	24,864,215	1,201,009	174	18,991,631	11	17,006,690	216
Atomic Energy Committee	2,704,551	2,003,157	80,602,742	3,890,200	2,152,145	81,035,387	1,185,649	44	148,988	7	432,645	101
Commerce	202,870	36,359	12,630,359	180,038	9,253	8,511,923	(22,832)	(11)	(27,106)	(75)	(4,118,436)	(33)
Federal Aviation Agency	0	0	0	464,471	61,517	8,088,187	464,471	-------	61,517	-------	8,088,187	-------
General Services Administration	1,136,780	73,695	119,553,556	2,352,578	15,579	185,680,739	1,215,798	107	(58,116)	(79)	66,127,183	55
Health, Education, and Welfare	155,257	4,338	13,121,486	428,947	5,217	25,508,638	273,690	176	879	20	12,387,152	94
Housing and Urban Development	546,865	22,097	86,733,327	3,122	173	60,240	(543,743)	(99)	(21,924)	(99)	(86,673,087)	(100)
Interior	3,432,683	211,504,056	45,483,432	6,407,260	544,083,612	51,086,950	2,974,577	87	332,579,556	157	5,603,518	12
NASA	0	0	0	1,495,950	135,410	25,134,034	1,594,950	-------	135,410	-------	25,134,034	-------
Tennessee Valley Authority	1,384,422	749,838	2,723,664	2,291,666	724,516	3,235,078	907,244	65	(25,322)	(3)	511,414	19
Veterans' Administration	1,077,882	45,905	101,144,833	1,476,915	25,212	112,779,781	399,033	37	(20,693)	(45)	11,634,948	12
All other agencies (13)	1,043,718	170,936	80,490,391	1,215,754	191,081	78,540,478	172,036	16	20,145	12	(1,949,913)	(2)
Total, civil agencies	12,376,080	382,504,608	550,341,315	22,098,962	734,289,573	604,525,650	9,722,882	79	351,784,965	92	54,184,335	10
Total all agencies	32,473,121	407,896,394	2,196,320,063	62,381,147	764,762,128	2,496,057,149	29,908,026	92	356,865,734	87	299,737,086	14

COST OF REAL PROPERTY OWNED BY THE UNITED STATES THROUGHOUT THE WORLD

AS OF JUNE 30, 1955 AND JUNE 30, 1966
MILLIONS OF DOLLARS

NET INCREASE OR (DECREASE)
1966 OVER 1955

	COST	PERCENT
CIVIL AGENCIES	$ 9, 574	70
DEFENSE AGENCIES	$21, 771	89
	$31, 345	82
UNITED STATES	$29, 908	92
OUTLYING AREAS	(1, 213)	(37)
FOREIGN	2, 650	119
	$31, 345	82



Source: Administrator, General Services Administration.

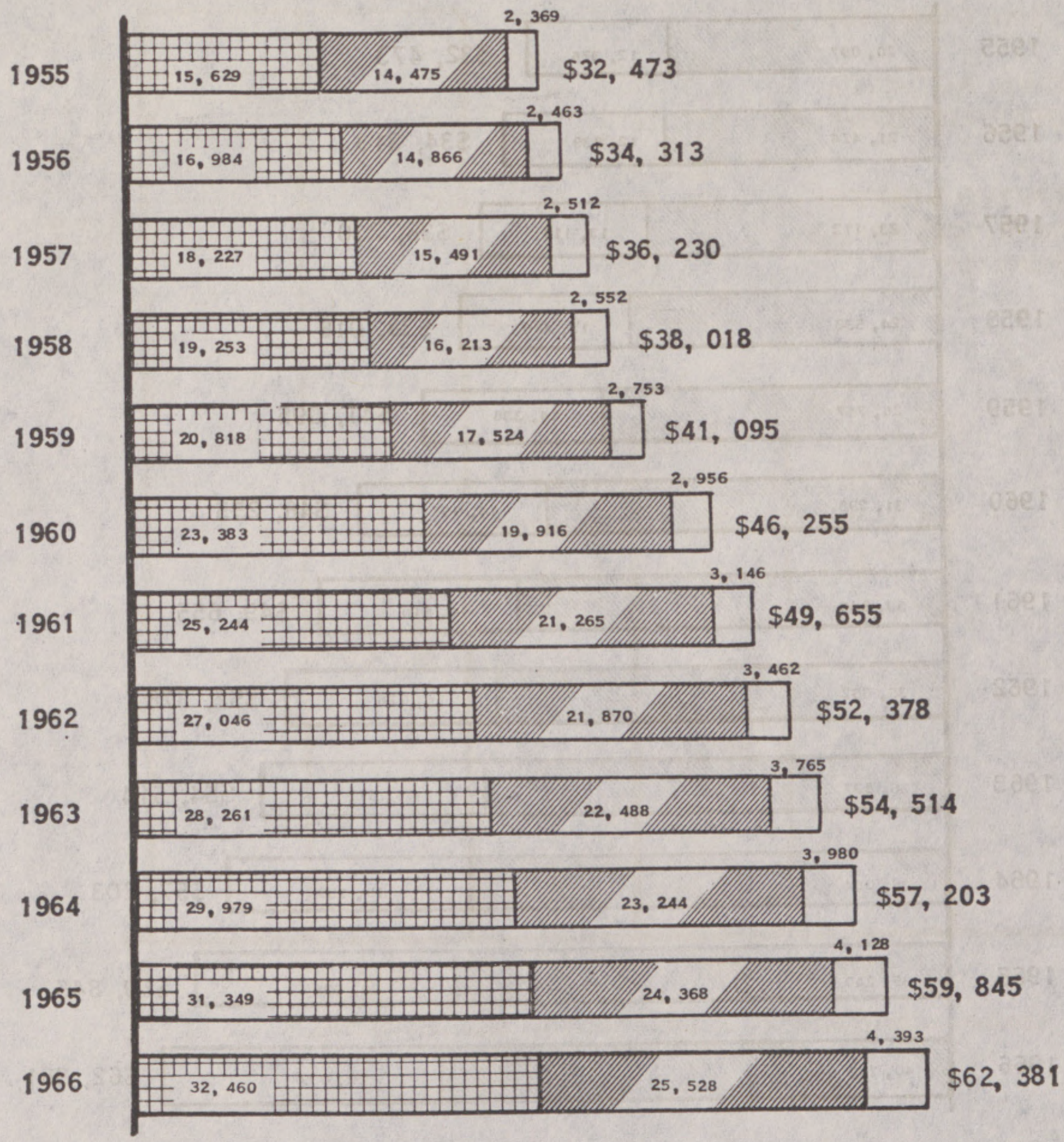
COST OF REAL PROPERTY OWNED BY THE UNITED STATES IN THE UNITED STATES 1955-1966



MILLIONS OF DOLLARS

NET INCREASE 1966 OVER 1955

	COST	PERCENT
LAND	$ 2, 024	85
BUILDINGS	11, 053	76
STRUCTURES	16, 831	108
TOTAL	$29, 908	92



Source: Administrator, General Services Administration.

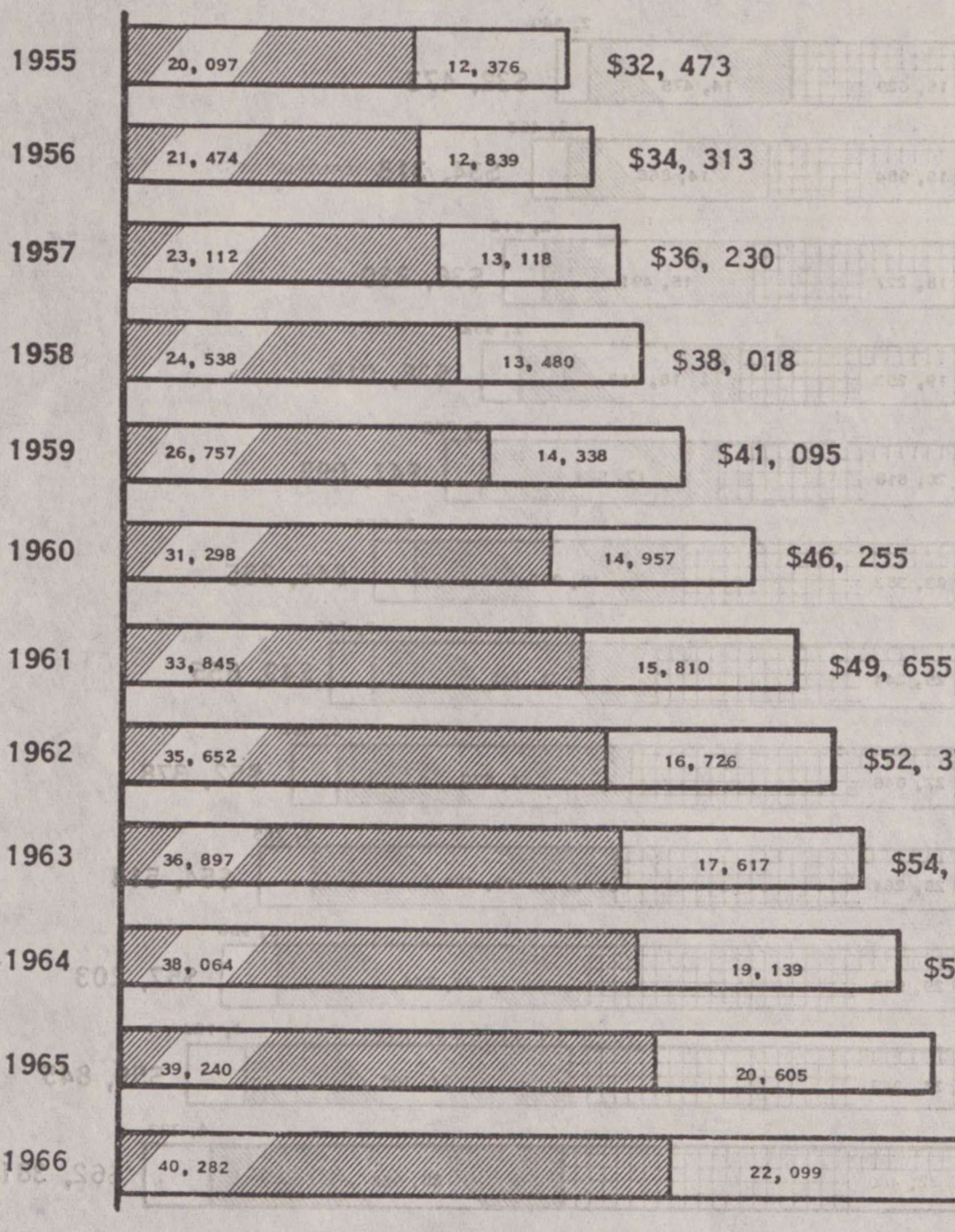
COST OF REAL PROPERTY OWNED BY THE UNITED STATES IN THE UNITED STATES 1955-1966



MILLIONS OF DOLLARS

NET INCREASE 1966 OVER 1955

	COST	PERCENT
DEFENSE AGENCIES	$20, 185	100
CIVIL AGENCIES	9, 723	79
TOTAL	$29, 908	92



Source: Administrator, General Services Administration.

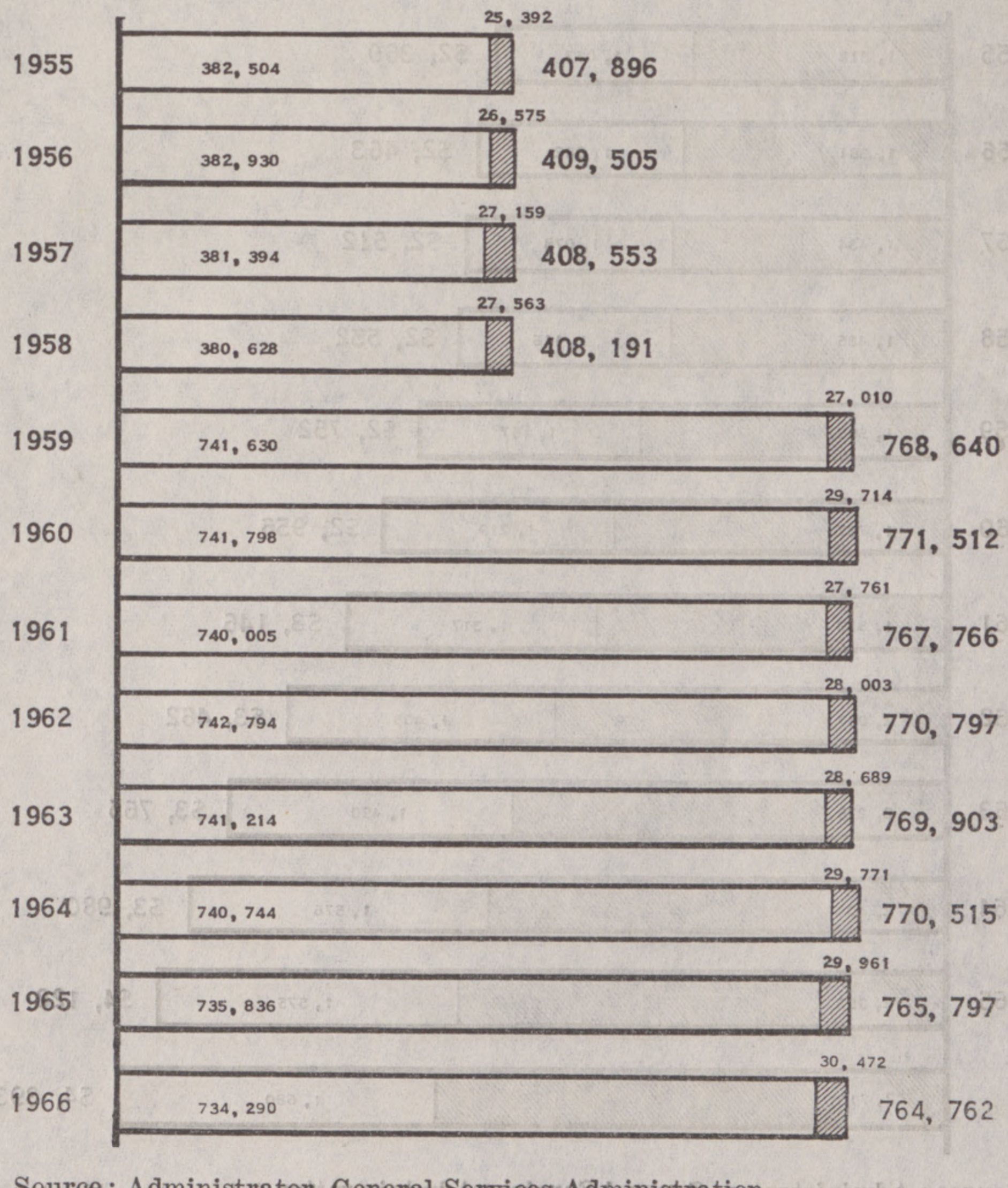
LAND OWNED BY THE UNITED STATES IN THE UNITED STATES 1955-1966



THOUSANDS OF ACRES

NET INCREASE 1966 OVER 1955

	ACRES	PERCENT
CIVIL AGENCIES	351, 786	92
DEFENSE AGENCIES	5, 080	20
TOTAL	356, 866	87



Source: Administrator, General Services Administration.

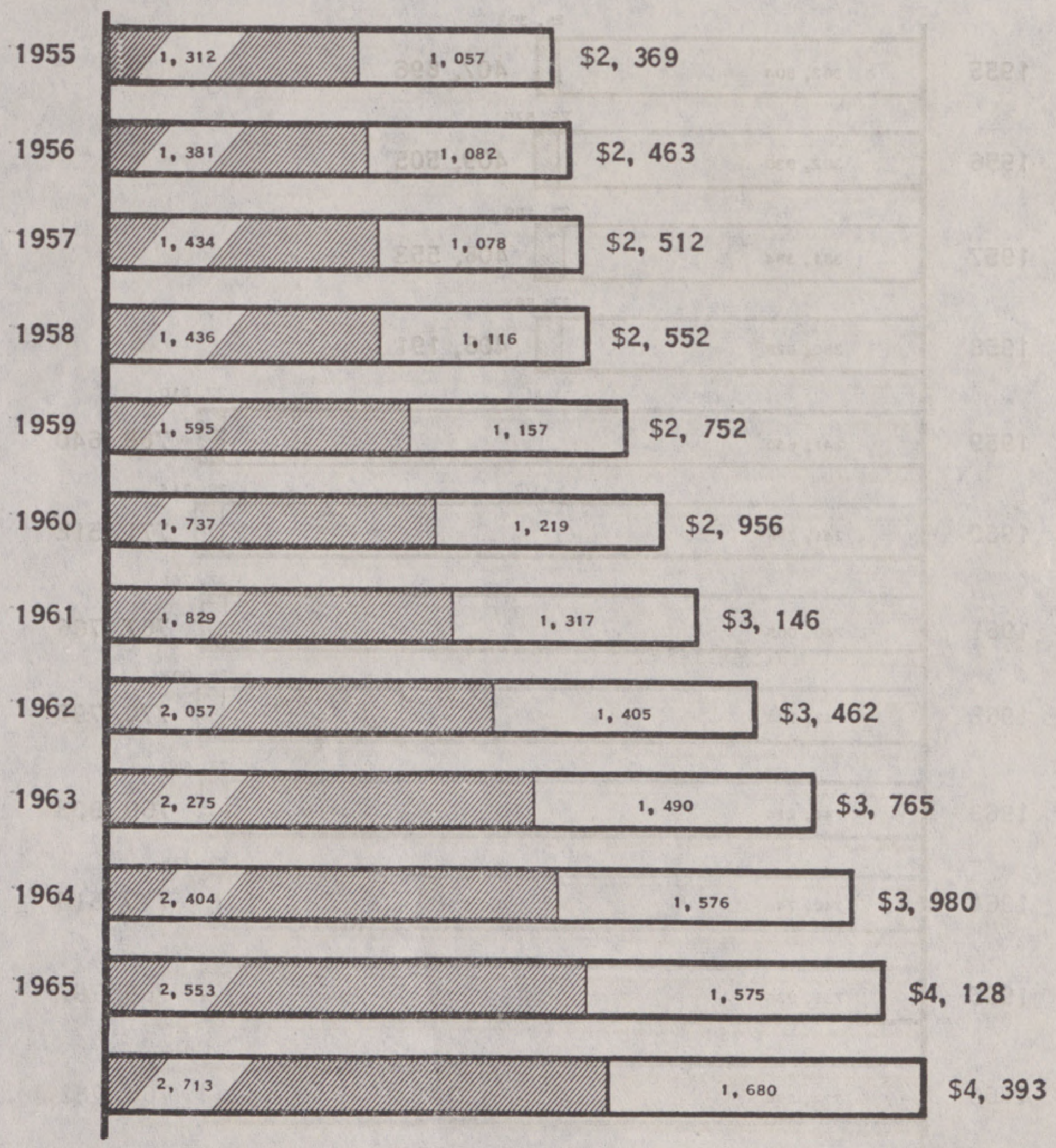
COST OF FEDERAL LAND IN THE UNITED STATES 1955-1966



MILLIONS OF DOLLARS

NET INCREASE 1966 OVER 1955

	COST	PERCENT
DEFENSE AGENCIES	$1, 401	107
CIVIL AGENCIES	623	59
TOTAL	$2, 024	85



Source: Administrator, General Services Administration.

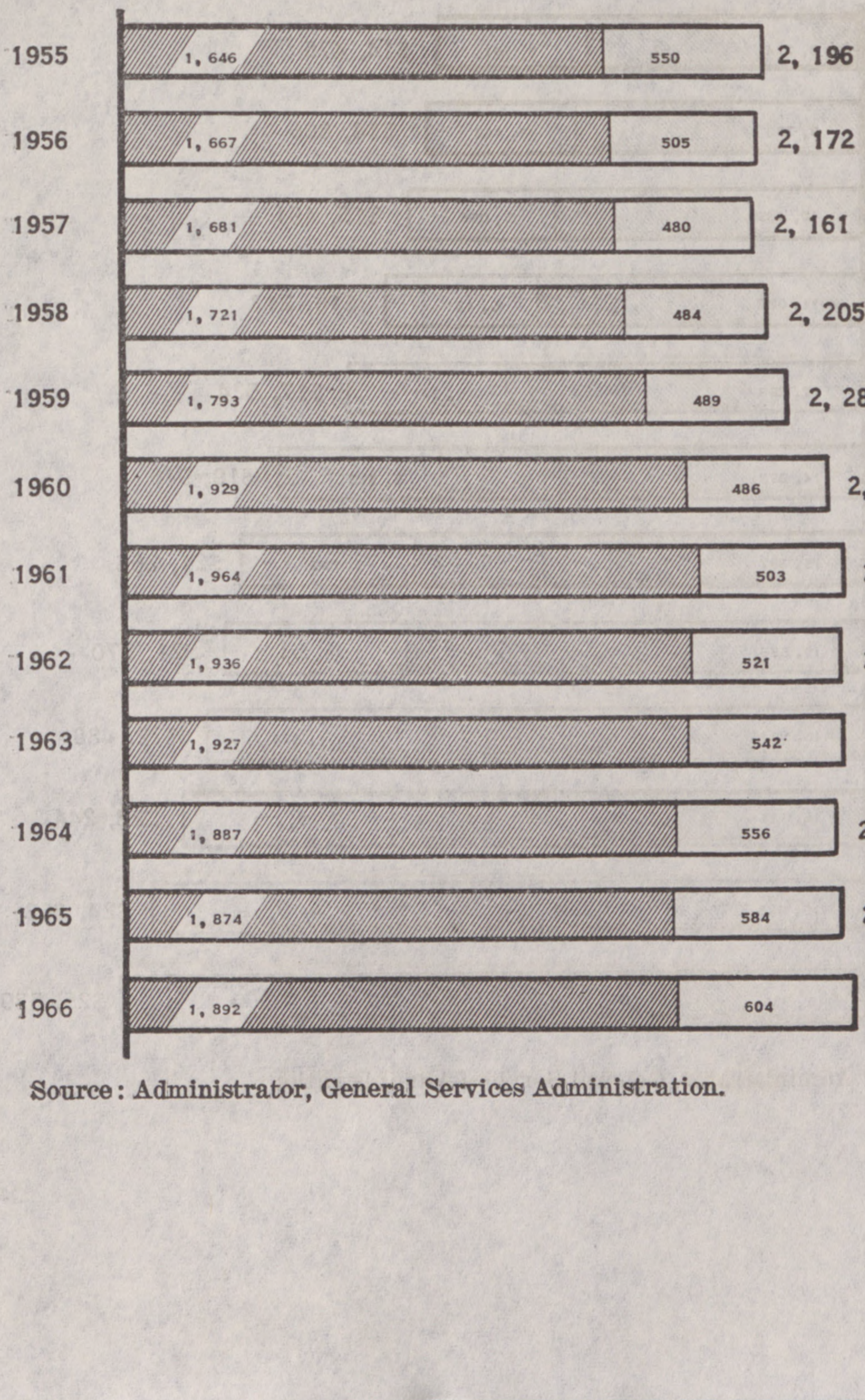
FLOOR AREA OF FEDERALLY OWNED BUILDINGS IN THE UNITED STATES 1955-1966



MILLIONS OF SQUARE FEET

NET INCREASE 1966 OVER 1955

	AREA	PERCENT
DEFENSE AGENCIES	246	15
CIVIL AGENCIES	54	10
TOTAL	300	11



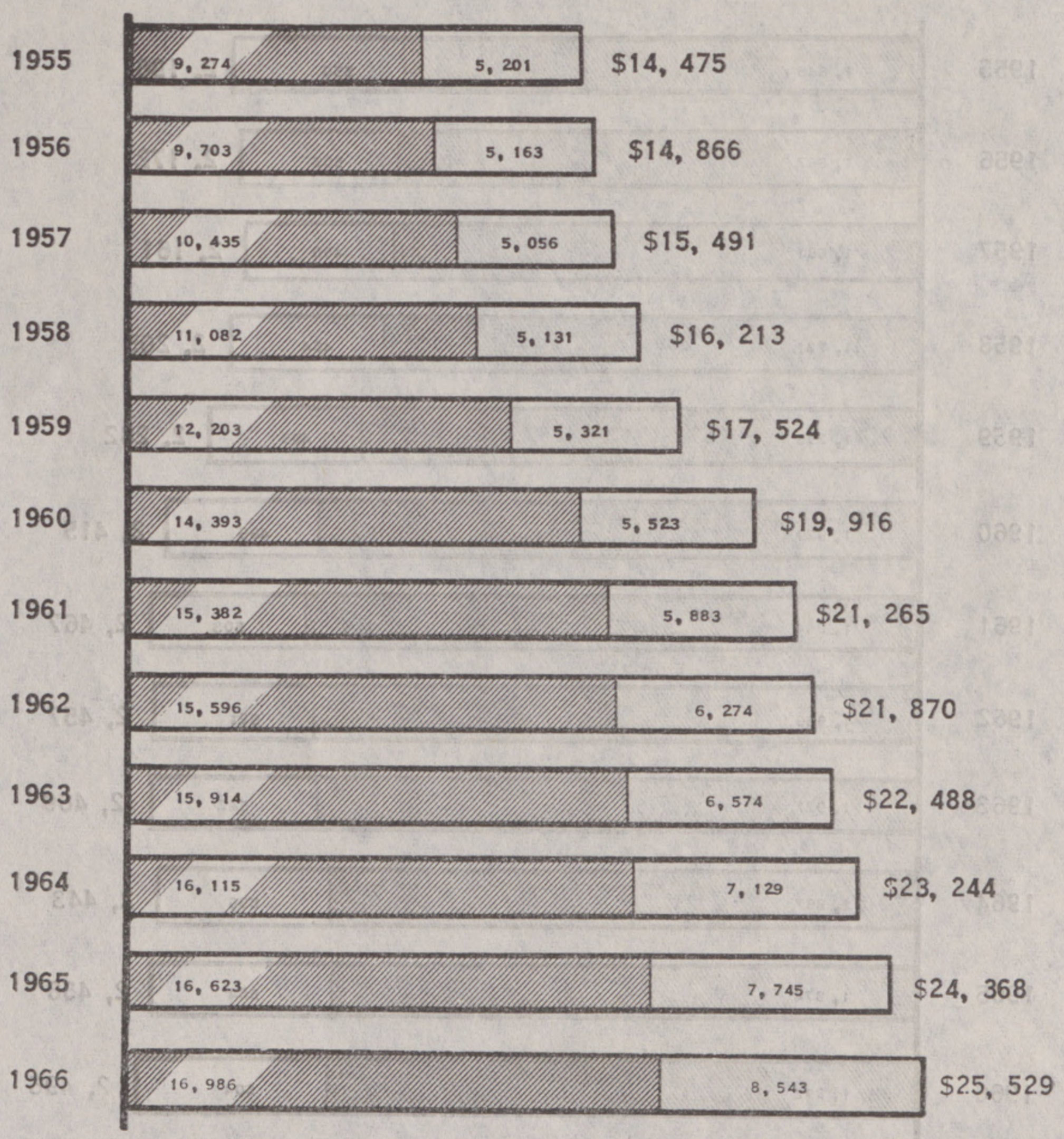
Source: Administrator, General Services Administration.

COST OF FEDERALLY OWNED BUILDINGS IN THE UNITED STATES 1955-1966

MILLIONS OF DOLLARS

NET INCREASE 1966 OVER 1955

	COST	PERCENT
DEFENSE AGENCIES	$7, 712	83
CIVIL AGENCIES	3, 342	64
TOTAL	$11, 054	76



Source: Administrator, General Services Administration.

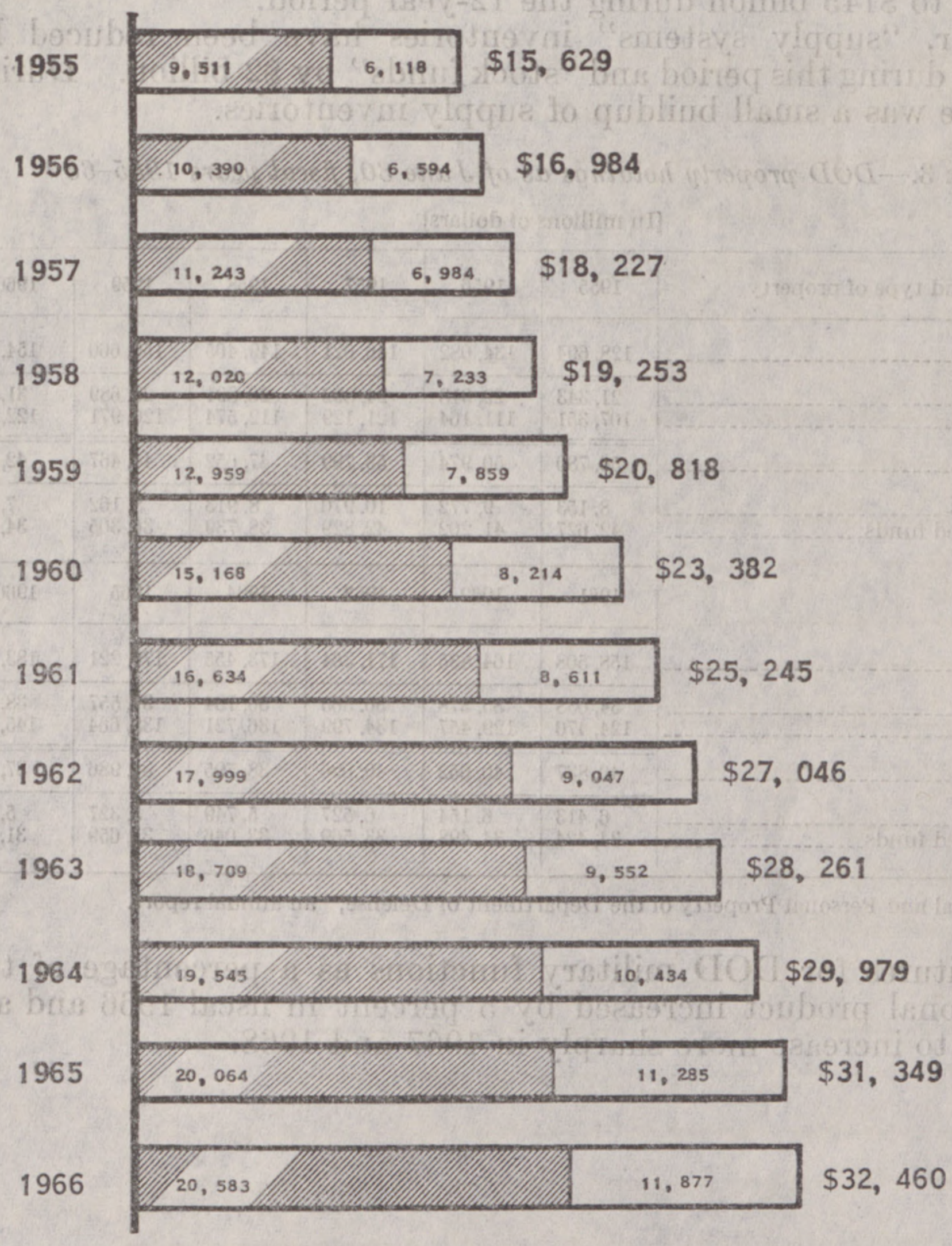
COST OF FEDERALLY OWNED STRUCTURES IN THE UNITED STATES 1955-1966



MILLIONS OF DOLLARS

NET INCREASE 1966 OVER 1955

	COST	PERCENT
DEFENSE AGENCIES	$11, 072	116
CIVIL AGENCIES	5, 759	94
TOTAL	$16, 831	108



Source: Administrator, General Services Administration.

Magnitude of DOD Property Management Activities

Property Holdings

The total of DOD's real and personal property holdings has risen annually from $129 billion in fiscal year 1955 to $184 billion at the end of fiscal year 1966.

Real property holdings increased from $21 to $38 billion and personal property holdings, including construction in progress, from $107 to $145 billion during the 12-year period.

However, "supply systems" inventories have been reduced by $13 billion during this period and "stock funds" by $2 billion. During 1966, there was a small buildup of supply inventories.

Table 3.—*DOD property holdings as of June 30, fiscal years 1955–66* [1]

[In millions of dollars]

Total and type of property	1955	1956	1957	1958	1959	1960
Total	128, 694	134, 082	146, 021	149, 465	150, 660	154, 617
Real	21, 343	22, 918	24, 892	26, 891	29, 689	31, 997
Personal	107, 351	111, 164	121, 129	112, 574	120, 971	122, 620
Supply systems	50, 780	50, 974	53, 799	47, 652	44, 467	42, 002
Stock funds	8, 153	9, 772	10, 970	8, 913	8, 162	7, 312
Appropriated funds	42, 627	41, 202	42, 829	38, 739	36, 305	34, 690
	1961	1962	1963	1964	1965	1966
Total	158, 508	164, 835	171, 364	173, 455	176, 221	183, 570
Real	34, 038	35, 378	36, 565	36, 734	37, 557	38, 390
Personal	124, 470	129, 457	134, 799	136, 721	138, 664	145, 180
Supply systems	40, 837	40, 652	40, 096	38, 795	36, 986	37, 661
Stock funds	6, 413	6, 154	6, 527	5, 749	5, 327	5, 850
Appropriated funds	34, 424	34, 498	33, 569	33, 046	31, 659	31, 811

[1] Source, "Real and Personal Property of the Department of Defense," an annual report.

Expenditures for DOD military functions as a percentage of the gross national product increased by 5 percent in fiscal 1966 and are estimated to increase more sharply in 1967 and 1968.

TABLE 4.—*Federal Government expenditures and gross national product—Comparison with national defense programs and military functions expenditures, fiscal years 1939–68*

Fiscal year	Gross national product	Total, Federal Government		National defense programs [1]			DOD military functions [2] (excluding military assistance)		
		Expenditures	Percent GNP	Expenditures	Percent GNP	Percent total Government	Expenditures	Percent GNP	Percent total Government
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	Billions	*Millions*		*Millions*			*Millions*		
1939	$88.2	$8,841	10.0	$1,075	1.2	12.2	$1,075	1.2	12.2
1940	95.0	9,055	9.5	1,498	1.6	16.5	1,492	1.6	16.5
1941	109.4	13,255	12.1	6,054	5.5	45.7	5,998	5.5	45.2
1942	139.2	34,037	24.5	23,970	17.2	70.4	23,570	16.9	69.2
1943	177.5	79,368	44.7	63,216	35.6	79.6	62,664	35.3	79.0
1944	201.9	94,986	47.0	76,757	38.0	80.8	75,797	37.5	79.8
1945	216.8	98,303	45.3	81,277	37.5	82.7	80.048	36.9	81.4
1946	201.6	60,326	29.9	43,226	21.4	71.7	42,044	20.9	69.7
1947	219.8	38,923	17.7	14,398	6.6	37.0	13,838	6.3	35.6
1948	243.5	32,955	13.5	11,779	4.8	35.7	10,937	4.5	33.2
1949	260.0	39,474	15.2	12,926	5.0	32.7	11.573	4.5	29.3
1950	263.3	39,544	15.0	13,018	4.9	32.9	11,891	4.5	30.1
1951	310.5	43,970	14.2	22,471	7.2	51.1	19,764	6.4	44.9
1952	337.2	65,303	19.4	44,037	13.1	67.4	38,897	11.5	59.6
1953	358.9	74,120	20.7	50,442	14.1	68.1	43,604	12.1	58.8
1954	362.1	67,537	18.7	46,986	13.0	69.6	40,326	11.1	59.7
1955	378.6	64,389	17.0	40,695	10.7	63.2	35,531	9.4	55.2
1956	409.4	66,224	16.2	40,723	9.9	61.5	35,792	8.7	54.0
1957	431.3	68,966	16.0	43,368	10.1	62.9	38,436	8.9	55.7
1958	440.3	71,369	16.2	44,234	10.0	62.0	39,071	8.9	54.7
1959	469.1	80,342	17.1	46,483	9.9	57.9	41,223	8.8	51.3
1960	495.2	76,539	15.5	45,691	9.2	59.7	41,215	8.3	53.8
1961	506.5	81,515	16.1	47,494	9.4	58.3	43,227	8.5	53.0
1962	542.1	87,787	16.2	51,103	9.4	58.2	46,815	8.6	53.3
1963	573.4	92,642	16.2	52,755	9.2	56.9	48,252	8.4	52.1
1964	612.0	97,684	16.0	54,181	8.9	55.5	49,760	8.1	50.9
1965	651.8	96,507	14.8	50,163	7.7	52.0	46,173	7.1	47.8
1966	712.0	106,978	15.0	57,718	8.1	54.0	54,409	7.6	50.9
1967 (estimate)	762.5	126,729	16.6	70,222	9.2	55.4	66,950	8.8	52.8
1968 (estimate)	814.0	135,033	16.6	75,487	9.3	55.9	72,300	8.9	53.5

[1] Bureau of the Budget "National Defense Programs" include Department of Defense military functions, military assistance, atomic energy activities, stockpiling of strategic and critical materials, defense production expansion, Selective Service System, and emergency preparedness activities.

[2] Amounts are adjusted for comparability with current coverage of military functions.

Source: OASD (Comptroller).

Table 6A, when compared to table 5, reflects an increase of 190,803 military personnel and 94,032 civilian employees between June 30, 1965, and June 30, 1966.

Table 6B, when compared to table 5, reflects an increase of $476.7 million in military pay costs and $437.3 million in civilian employee pay costs between fiscal years 1965 and 1966.

TABLE 5.—*Number of DOD military and civilian personnel stationed in the United States (including Alaska and Hawaii) and annual payrolls, by State of duty location*

	Active duty military personnel		Civilian employees	
	Number, June 30, 1965 [1]	Estimated annual pay and allowances [2]	Number, June 30, 1965	Estimated annual payroll [2]
U.S. total	1,641,244	$7,780,791,000	940,763	$6,774,018,000
Alabama	24,016	130,342,000	33,268	227,683,000
Alaska	30,892	137,571,000	6,281	57,311,000
Arizona	21,244	104,506,000	7,176	48,100,000
Arkansas	9,898	53,634,000	3,961	29,065,000
California	212,859	983,125,000	138,777	1,046,581,000
Colorado	35,421	163,031,000	14,450	100,550,000
Connecticut	3,695	23,089,000	3,132	23,460,000
Delaware	7,222	43,086,000	1,236	7,745,000
District of Columbia	19,850	142,486,000	29,040	229,850,000
Florida	69,969	361,772,000	25,154	166,116,000
Georgia	93,980	396,437,000	33,563	223,527,000
Hawaii	40,184	182,799,000	18,964	120,789,000
Idaho	5,410	30,506,000	433	3,036,000
Illinois	47,427	219,320,000	28,124	200,111,000
Indiana	8,506	41,052,000	12,466	83,269,000
Iowa	1,445	8,066,000	630	3,744,000
Kansas	29,757	172,835,000	4,728	31,949,000
Kentucky	48,901	171,979,000	12,050	79,133,000
Louisiana	34,334	127,801,000	6,531	44,290,000
Maine	12,246	64,521,000	1,687	10,498,000
Maryland	51,435	253,749,000	41,103	342,742,000
Massachusetts	30,450	153,458,000	22,809	172,010,000
Michigan	19,899	104,764,000	11,614	83,094,000
Minnesota	5,167	23,892,000	2,105	12,899,000
Mississippi	21,302	104,898,000	6,194	41,676,000
Missouri	28,518	103,612,000	17,101	113,513,000
Montana	9,526	50,413,000	1,030	6,366,000
Nebraska	16,404	101,366,000	3,999	24,914,000
Nevada	7,565	40,086,000	2,656	18,154,000
New Hampshire	7,714	41,374,000	8,147	62,235,000
New Jersey	36,857	165,783,000	25,085	170,601,000
New Mexico	21,507	110,630,000	11,110	75,042,000
New York	35,097	173,826,000	44,628	342,113,000
North Carolina	86,815	344,414,000	10,478	63,389,000
North Dakota	12,306	59,066,000	1,386	8,155,000
Ohio	18,639	110,833,000	37,252	332,930,000
Oklahoma	33,991	161,249,000	25,606	168,584,000
Oregon	4,955	25,722,000	3,420	23,273,000
Pennsylvania	15,593	76,592,000	66,382	509,561,000
Rhode Island	6,550	37,886,000	8,808	56,053,000
South Carolina	50,197	185,320,000	15,302	98,540,000
South Dakota	6,573	34,362,000	1,344	8,865,000
Tennessee	18,428	90,144,000	6,178	14,832,000
Texas	165,099	798,445,000	60,051	398,522,000
Utah	4,642	23,555,000	19,335	138,504,000
Vermont	287	1,581,000	74	399,000
Virginia	88,811	443,878,000	79,582	540,152,000
Washington	45,556	210,507,000	22,301	156,825,000
West Virginia	528	2,513,000	1,126	6,867,000
Wisconsin	4,204	21,593,000	2,311	11,922,000
Wyoming	4,579	24,703,000	595	4,479,000
Undistributed	24,794	142,619,000		
Washington, D.C., metropolitan area	62,246	353,364,000	79,558	594,520,000
District of Columbia	19,850	142,486,000	29,040	229,850,000
Maryland	13,189	65,602,000	16,017	133,566,000
Virginia	29,207	145,276,000	34,501	231,104,000

[1] Excludes naval personnel assigned to fleet units and to other afloat and mobile activities.
[2] Fiscal year 1965.

TABLE 6A.—*Defense personnel and total population in the United States, by State, as of June 30, 1966*

	Population July 1, 1965, census (revised)		Department of Defense as percent of State population	Total Department of Defense [1]		Army		Navy [2]		Air Force	
	Number	Percent of United States		Number	Percent of United States	Number	Percent of United States	Number	Percent of United States	Number	Percent of United States
United States (including Alaska and Hawaii):											
Military				1,832,047	100.0	715,251	100.0	454,549	100.0	662,247	100.0
Civilian				1,034,795	100.0	358,292	100.0	327,948	100.0	280,549	100.0
Total	193,795,000	100.0	1.5	2,866,842	100.0	1,073,543	100.0	782,497	100.0	942,796	100.0
Alabama:											
Military				32,093	1.7	22,655	3.2	413	.1	9,025	1.4
Civilian				33,211	3.2	20,331	5.7	42	(3)	12,383	4.4
Total	3,486,000	1.8	1.9	65,304	2.3	42,986	4.0	455	.1	21,408	2.3
Alaska:											
Military				29,216	1.6	12,161	1.7	3,001	.7	14,054	2.1
Civilian				6,592	.6	3,048	.9	494	.1	3,016	1.1
Total	267,000	.1	13.4	35,808	1.2	15,209	1.4	3,495	.5	17,070	1.8
Arizona:											
Military				20,675	1.1	4,822	.7	1,731	84	14,122	2.1
Civilian				7,953	.8	3,390	1.0	576	.2	3,766	1.3
Total	1,755,000	.8	1.8	28,628	1.0	8,212	.8	2,307	.3	17,888	1.9
Arkansas:											
Military				9,203	.5	429	.1	125	(3)	8,649	1.3
Civilian				4,523	.4	3,665	1.0	0	0	821	.3
Total	1,941,000	1.0	.7	13,726	.5	4,094	.4	125	(3)	9,470	1.0
California:											
Military				246,610	13.5	45,256	6.3	128,416	38.2	72,938	11.0
Civilian				158,252	15.3	21,692	6.1	90,527	27,6	38,908	13.9
Total	18,403,000	9.5	2.2	404,863	14.1	66,948	6.2	218,943	38.0	111,846	11.9

See footnotes at end of table, p. 31.

TABLE 6A.—*Defense personnel and total population in the United States, by State, as of June 30, 1966*—(Continued)

	Population July 1, 1965, census (revised)		Department of Defense as percent of State population	Total Department of Defense [1]		Army		Navy [2]		Air Force	
	Number	Percent of United States		Number	Percent of United States	Number	Percent of United States	Number	Percent of United States	Number	Percent of United States
Colorado:											
Military				40,516	2.2	17,833	2.5	415	0.1	22,268	3.4
Civilian				15,578	1.5	7,587	2.1	2	(3)	7,841	2.8
Total	1,949,000	1.0	2.9	56,094	3.0	25,420	2.4	417	.1	30,109	3.2
Connecticut:											
Military				4,226	.2	196	(3)	3,954	.9	76	(3)
Civilian				3,605	.4	208	.1	2,751	.8	75	(3)
Total	2,830,000	1.5	3.0	7,831	.3	404	(3)	6,605	.9	151	(3)
Delaware:											
Military				7,128	.4	108	(3)	136	(3)	6,884	1.0
Civilian				1,321	.1	52	(3)	0	0	1,256	.4
Total	503,000	.3	1.7	8,449	.3	160	(3)	146	(3)	8,140	.9
Florida:											
Military				69,207	3.8	3,409	.5	28,213	6.2	37,585	5.7
Civilian				27,653	2.7	2,123	.6	15,493	4.7	9,627	3.4
Total	5,796,000	3.0	1.7	96,860	3.4	5,532	.5	43,706	5.6	47,212	5.0
Georgia:											
Military				109,420	6.0	86,542	12.1	5,431	1.2	17,447	2.6
Civilian				39,939	3.9	15,839	4.4	2,493	.8	20,870	7.4
Total	4,391,000	2.3	3.4	149,359	5.2	102,381	9.5	7,924	1.0	38,317	4.1
Hawaii:											
Military				28,695	1.6	6,827	1.0	10,777	2.4	11,091	1.7
Civilian				20,755	2.0	5,652	1.6	11,859	3.6	3,201	1.1
Total	710,000	.4	7.0	49,450	1.7	12,479	1.2	22,636	2.9	14,292	1.5
Idaho:											
Military				3,976	.2	73	(3)	814	.2	3,089	.5
Civilian				514	.1	98	(3)	3	(3)	413	.1
Total	693,000	.4	.6	4,490	.1	171	(3)	817	(3)	3,502	.4

Illinois:												
Military				60,287	3.3	6,382	.9	34,453	7.6	19,443	2.9	
Civilian				29,449	2.9	16,233	4.5	5,728	1.8	5,558	2.0	
Total	10,641,000	5.5	.8	89,727	3.1	22,615	2.1	40,181	5.1	25,001	2.6	
Indiana:												
Military				9,840	.5	4,386	.6	597	.1	4,857	.7	
Civilian				14,917	1.5	6,500	1.8	7,068	2.2	860	.3	
Total	4,893,000	2.5	.5	24,757	.9	10,886	1.0	7,665	1.0	5,717	.6	
Iowa:												
Military				1,555	.1	250	(3)	204	(3)	1,101	.2	
Civilian				781	.1	491	.1	1	(3)	124	(3)	
Total	2,758,000	1.4	.1	2,336	.1	741	.1	205	(3)	1,225	.1	
Kansas:												
Military				34,792	1.9	24,328	3.4	761	.2	9,703	1.5	
Civilian				5,481	.5	4,053	1.1	133	(3)	1,170	.4	
Total	2,248,000	1.2	1.8	40,273	1.4	28,381	2.6	894	.1	10,873	1.1	
Kentucky:												
Military				51,884	2.8	51,133	7.2	228	.1	523	.1	
Civilian				15,184	1.5	12,852	3.6	2,290	.7	23	(3)	
Total	3,173,000	1.6	2.1	67,068	2.3	63,985	6.0	2,518	.3	546	.1	
Louisiana:												
Military				40,084	2.2	28,846	4.0	1,323	.3	9,915	1.5	
Civilian				7,661	.8	4,805	1.3	1,206	.4	1,454	.5	
Total	3,560,000	1.8	1.3	47,745	1.7	33,651	3.1	2,529	.3	11,369	1.2	
Maine:												
Military				10,785	.6	221	(3)	1,248	.3	9,316	1.4	
Civilian				1,806	.2	57	(3)	701	.2	1,029	.4	
Total	986,000	.5	1.3	12,591	.4	278	(3)	1,949	.3	10,345	1.1	
Maryland: [4]												
Military				47,463	2.6	30,232	4.2	15,034	3.3	2,197	.3	
Civilian				28,172	2.7	18,951	5.3	8,737	2.7	105	(3)	
Total	2,587,000	1.3	2.9	75,635	2.6	49,183	4.6	23,771	3.0	2,302	.2	
Massachusetts:												
Military				28,222	1.5	11,464	1.6	2,798	.6	13,960	2.1	
Civilian				22,938	2.2	7,960	2.2	8,146	2.5	5,123	1.8	
Total	5,361,000	2.8	1.0	51,160	1.8	19,424	1.8	10,944	1.4	19,083	2.0	

See footnotes at end of table, p. 31.

TABLE 6A.—*Defense personnel and total population in the United States, by State, as of June 30, 1966*—(Continued)

	Population July 1, 1965, census (revised)		Department of Defense as percent of State population	Total Department of Defense [1]		Army		Navy [2]		Air Force	
	Number	Percent of United States		Number	Percent of United States	Number	Percent of United States	Number	Percent of United States	Number	Percent of United States
Michigan:											
Military				18,265	1.0	1,818	0.3	1,079	0.2	15,368	2.3
Civilian				12,713	1.2	8,443	2.4	167	.1	2,020	.7
Total	8,317,000	4.3	0.4	30,978	1.1	10,261	1.0	1,246	.2	17,388	1.8
Minnesota:											
Military				5,141	.3	1,233	.2	903	.2	3,005	.5
Civilian				2,314	.2	1,049	.3	100	(3)	718	.3
Total	3,562,000	1.8	.2	7,455	.3	2,282	.2	1,003	.1	3,723	.4
Mississippi:											
Military				28,011	1.5	592	.1	1,920	.4	25,499	3.9
Civilian				7,357	.7	2,800	.8	838	.3	3,690	1.3
Total	2,309,000	1.2	1.5	35,368	1.2	3,392	.3	2,758	.4	29,189	3.1
Missouri:											
Military				38,846	2.1	31,561	4.4	846	.2	6,439	1.0
Civilian				20,601	2.0	14,331	4.0	192	.1	5,266	1.9
Total	4,492,000	2.3	1.3	59,447	2.1	45,892	4.3	1,038	.1	11,705	1.2
Montana:											
Military				9,395	.5	95	(3)	35	(3)	9,265	1.4
Civilian				1,233	.1	284	.1	0	0	947	.3
Total	703,000	.4	1.5	10,628	.4	379	(3)	35	(3)	10,212	1.1
Nebraska:											
Military				12,385	.7	246	(3)	372	.1	11,767	1.8
Civilian				3,678	.4	1,830	.5	154	(3)	1,684	.6
Total	1,459,000	.8	1.1	16,063	.6	2,076	.2	526	.1	13,451	1.4
Nevada:											
Military				6,329	.3	28	(3)	1,144	.2	5,157	.8
Civilian				2,792	.3	11	(3)	1,416	.4	1,268	.5
Total	434,000	.2	2.1	9,121	.3	39	(3)	2,560	.3	6,425	.7

New Hampshire.												
Military				5,213	.3	153	(3)	1,525	.3	3,535	.5
Civilian				8,437	.8	281	.1	7,577	2.3	540	.2
Total	673,000	.3	2.0	13,650	.5	434	(3)	9,102	1.2	4,075	.4
New Jersey:											
Military				48,762	2.7	36,721	5.1	2,635	.6	9,406	1.4
Civilian				28,327	2.7	20,481	5.7	4,641	1.4	1,894	.7
Total	6,781,000	3.5	1.1	77,089	2.7	57,202	5.3	7,276	.9	11,300	1.2
New Mexico:											
Military				18,655	1.0	3,599	.5	1,030	.2	14,026	2.1
Civilian				11,892	1.1	5,889	1.7	123	(3)	4,490	1.6
Total	1,014,000	.5	3.0	30,547	1.1	9,488	.9	1,153	.1	18,516	2.0
New York:											
Military				33,241	1.8	12,299	1.7	6,029	1.3	14,913	2.3
Civilian				35,357	3.4	14,702	4.1	9,715	3.0	7,453	2.7
Total	18,106,000	9.4	.4	68,598	2.4	27,001	2.5	15,744	2.0	22,366	2.4
North Carolina:											
Military				92,702	5.1	35,191	4.9	47,536	10.5	9,975	1.5
Civilian				11,591	1.1	4,103	1.1	6,304	1.9	1,047	.4
Total	4,935,000	2.5	2.1	104,293	3.6	39,294	3.7	53,840	6.9	11,022	1.2
North Dakota:											
Military				12,165	.7	62	(3)	15	(3)	12,088	1.8
Civilian				1,227	.1	193	.1	0	0	1,033	.4
Total	652,000	.3	2.1	13,392	.5	255	(3)	15	(3)	13,121	1.4
Ohio:											
Military				19,756	1.1	2,256	.3	812	.2	16,688	2.5
Civilian				38,318	3.7	2,921	.8	1,159	.4	23,310	8.3
Total	10,241,000	5.3	.6	58,074	2.0	5,177	.5	1,971	.3	39,998	4.2
Oklahoma:											
Military				37,866	2.1	25,768	3.6	378	.1	11,720	1.8
Civilian				31,361	3.0	5,143	1.4	2,154	.7	23,878	8.5
Total	2,448,000	1.3	2.8	69,227	2.4	30,911	2.9	2,532	.3	35,598	3.8
Oregon:											
Military				3,578	.2	190	(3)	348	.1	3,040	.5
Civilian				3,528	.3	2,675	.8	1	(3)	771	.3
Total	1,938,000	1.0	.4	7,106	.2	2,865	.3	349	(3)	3,811	.4

See footnotes at end of table, p. 31.

TABLE 6A.—*Defense personnel and total population in the United States, by State, as of June 30, 1966*—(Continued)

	Population July 1, 1965, census (revised)		Department of Defense as percent of State population	Total Department of Defense [1]		Army		Navy [2]		Air Force	
	Number	Percent of United States		Number	Percent of United States	Number	Percent of United States	Number	Percent of United States	Number	Percent of United States
Pennsylvania:											
Military				14,878	0.8	5,843	0.8	7,626	1.7	1,409	0.2
Civilian				71,386	6.9	27,294	7.6	25,901	7.9	6,152	2.2
Total	11,583,000	6.0	0.7	86,264	3.0	33,137	3.1	33,527	4.3	7,561	.8
Rhode Island:											
Military				9,486	.5	356	.1	9,074	2.0	56	(3)
Civilian				9,332	.9	345	.1	8,921	2.7	1	(3)
Total	891,000	.5	2.1	18,818	.6	701	.1	17,995	2.3	57	(3)
South Carolina:											
Military				60,191	3.3	25,200	3.5	18,568	4.1	16,423	2.5
Civilian				17,689	1.7	3,050	.9	12,365	3.8	2,213	.8
Total	2,550,000	1.3	3.1	77,800	2.7	28,250	2.6	30,933	4.0	18,636	2.0
South Dakota:											
Military				6,160	.3	96	(3)	18	(3)	6,046	.9
Civilian				1,348	.1	766	.2	0	0	580	.2
Total	686,000	.4	1.1	7,508	.3	862	.1	18	(3)	6,626	.7
Tennessee:											
Military				21,869	1.2	644	.1	15,583	3.4	5,642	.9
Civilian				6,690	.6	2,269	.6	985	.3	636	.2
Total	3,850,000	2.0	.7	28,559	1.0	2,913	.3	16,568	2.1	6,278	.7
Texas:											
Military				206,882	11.3	78,631	11.0	9,712	2.1	118,539	17.9
Civilian				70,043	6.8	25,209	7.0	2,134	.7	41,643	14.9
Total	10,591,000	5.5	2.6	276,925	9.7	103,840	9.7	11,846	1.5	160,182	17.0
Utah:											
Military				4,480	.2	902	.1	137	(3)	3,441	.5
Civilian				27,005	2.6	6,706	1.9	181	.1	16,689	6.0
Total	994,000	.5	3.2	31,485	1.1	7,608	.7	318	(3)	20,130	2.1

Vermont:												
Military				263	(3)	61	(3)	10	(3)	192	(3)	
Civilian				63	(3)	28	(3)	0	0	11	(3)	
Total	404,000	.2	.1	326	(3)	89	(3)	10	(3)	203	(3)	
Virginia:[4]												
Military				66,253	3.6	28,976	4.1	28,385	6.2	8,892	1.4	
Civilian				49,821	4.8	10,837	3.0	34,218	10.4	1,608	.6	
Total	3,756,000	1.9	3.1	116,074	4.0	39,813	3.7	62,603	8.0	10,500	1.1	
Washington:												
Military				47,557	2.6	30,348	4.3	4,512	1.0	12,688	1.9	
Civilian				24,534	2.4	6,075	1.7	15,196	4.6	2,998	1.1	
Total	2,973,000	1.5	2.4	72,091	2.5	36,423	3.4	19,717	2.5	15,686	1.7	
Washington, D.C., metropolitan area:[5]												
Military				70,526	3.9	33,723	4.7	17,054	3.7	19,749	3.0	
Civilian				85,638	8.3	32,567	9.1	35,354	10.8	9,210	3.3	
Total	2,413,000	1.2	6.5	156,164	5.4	66,290	6.2	52,408	6.7	28,959	3.1	
West Virginia:												
Military				528	(3)	240	(3)	76	(3)	212	(3)	
Civilian				1,125	.1	1,052	.3	0	0	17	(3)	
Total	1,815,000	.9	.1	1,653	.1	1,292	.1	76	(3)	229	(3)	
Wisconsin:												
Military				3,401	.2	836	.1	288	.1	2,277	.3	
Civilian				2,485	.2	1,360	.4	0	0	549	.2	
Total	4,140,000	2.1	.1	5,886	.2	2,196	.2	288	(3)	2,826	.3	
Wyoming:				3,992	.2	30	(3)	18	(3)	3,944	.6	
Civilian				624	.1	11	(3)	2	(3)	610	.2	
Total	330,000	.2	1.4	4,616	.2	41	(3)	20	(3)	4,554	.5	
Undistributed:												
Military				39,403	2.2	0	0	36,800	8.1	2,603	.4	
Civilian				0	0	0	0	0	0	0	0	
Total				39,403	1.4	0	0	36,800	4.7	2,603	.3	

[1] Includes 68,006 civilians employed by other defense activities such as Defense Supply Agency and Office of the Secretary of Defense. Therefore, total Department of Defense column will not add across in all cases.

[2] Includes Marine Corps.

[3] Less than 0.05 percent.

[4] Excludes personnel in the Washington, D.C., metropolitan area.

[5] Consists of the District of Columbia; Montgomery and Prince Georges Counties in Maryland; Alexandria, Fairfax, and Falls Church cities, and Arlington and Fairfax Counties in Virginia.

TABLE 6B.—*Department of Defense: Estimated payrolls for military and civilian personnel, fiscal year 1966*

[In thousands of dollars]

	Active duty military personnel				Civilian employees				
	Total, Department of Defense	Army	Navy and Marine Corps	Air Force	Total, Department of Defense	Army	Navy	Air Force	Other Defense activities
United States (including Alaska and Hawaii)	8,257,497	2,615,910	1,922,473	3,719,114	7,211,331	2,281,413	2,368,684	2,070,957	490,277
Alabama	143,775	78,067	2,203	63,505	232,672	134,174	297	93,118	5,083
Alaska	163,025	69,530	14,222	79,273	50,567	21,387	4,051	24,751	378
Arizona	107,250	20,336	6,622	80,292	46,165	21,662	5,480	18,107	916
Arkansas	55,198	2,564	563	52,071	20,202	14,939	----------	4,565	698
California	1,067,373	163,035	472,072	432,266	1,195,076	137,245	714,779	302,105	40,947
Colorado	182,809	72,085	2,501	108,223	128,341	68,834	8	57,871	1,628
Connecticut	20,176	898	18,401	877	28,094	1,469	20,941	1,462	4,222
Delaware	40,603	589	686	39,328	9,484	545	----------	8,703	236
District of Columbia	192,124	88,670	67,988	35,466	166,380	65,151	85,721	14,522	986
Florida	374,507	14,428	138,211	221,868	190,926	15,286	105,380	68,795	1,465
Georgia	421,313	286,115	27,056	108,142	239,567	81,979	16,083	130,553	10,952
Hawaii	208,225	93,129	55,626	59,470	152,541	36,514	93,423	22,204	400
Idaho	25,614	479	4,580	20,555	3,105	573	81	2,451	----------
Illinois	249,956	32,208	131,828	85,920	216,892	109,673	42,722	48,574	15,923
Indiana	47,705	16,638	3,202	27,865	95,344	40,535	47,832	6,685	292
Iowa	8,601	1,286	958	6,357	4,444	3,396	3	43	1,002
Kansas	118,379	49,941	3,830	64,608	32,517	22,421	892	8,363	841
Kentucky	191,347	186,966	1,420	2,961	90,349	72,825	17,151	17	356
Louisiana	167,755	95,578	7,230	64,947	45,784	25,971	8,713	9,750	1,350
Maine	63,986	2,981	5,799	55,206	10,384	417	3,557	6,262	148
Maryland	257,390	103,643	95,867	57,880	303,984	121,031	140,920	38,042	3,991
Massachusetts	166,250	55,094	16,368	94,788	186,194	61,722	61,550	44,666	18,256
Michigan	106,088	7,865	5,657	92,566	80,180	48,372	1,270	12,723	17,815
Minnesota	26,988	5,809	4,298	16,881	15,481	7,211	904	4,594	2,772
Mississippi	115,522	1,533	9,099	104,890	47,469	20,998	4,062	21,914	495
Missouri	146,667	102,998	3,703	39,966	140,664	92,689	1,873	41,432	4,670
Montana	54,697	712	161	53,824	7,763	1,775	----------	5,988	----------
Nebraska	91,771	5,022	2,211	84,538	29,602	14,304	1,571	13,713	14
Nevada	36,234	188	5,651	30,395	18,657	77	8,051	9,768	761
New Hampshire	35,104	693	5,740	28,671	61,014	1,861	54,332	4,371	450
New Jersey	212,391	145,402	11,657	55,332	181,790	134,801	32,396	13,783	810
New Mexico	116,886	17,202	5,917	93,767	80,347	38,578	1,008	31,832	8,929
New York	197,112	72,190	33,002	91,920	319,938	103,247	114,722	78,671	23,298
North Carolina	266,314	48,155	160,980	57,179	74,475	23,613	44,728	5,097	1,037
North Dakota	70,154	546	79	69,529	9,585	2,984	----------	6,594	7
Ohio	119,503	11,151	4,601	103,751	329,263	23,133	7,500	214,799	83,831

Oklahoma	167,251	91,639	2,016	73,596	190,669	29,079	10,767	148,892	1,931
Oregon	23,255	1,109	1,673	20,473	20,444	19,064	11	843	526
Pennsylvania	80,666	28,979	39,883	11,804	521,405	177,276	198,167	70,485	75,477
Rhode Island	39,936	1,775	37,824	337	64,502	2,612	61,351	10	529
South Carolina	249,788	88,974	63,465	97,349	117,328	18,263	85,450	13,272	343
South Dakota	36,555	699	67	35,789	9,213	5,484	----------	3,729	----------
Tennessee	92,574	1,937	60,943	29,694	44,597	17,382	5,626	4,433	17,156
Texas	833,607	278,003	50,721	504,883	443,784	147,105	12,973	275,139	8,567
Utah	27,178	5,116	747	21,315	168,779	40,848	1,504	110,857	15,570
Vermont	1,568	519	59	990	418	220	----------	----------	198
Virginia	452,529	172,305	167,533	112,691	574,876	194,733	238,490	32,651	109,002
Washington	194,326	85,539	23,587	85,200	174,689	36,390	112,089	24,207	2,003
West Virginia	2,749	1,289	324	1,136	1,088	629	----------	12	447
Wisconsin	19,693	4,073	1,385	14,235	15,398	5,814	246	5,783	3,555
Wyoming	24,878	228	105	24,545	3,901	122	9	3,756	14
Undistributed[1]	142,152	----------	142,152	----------	15,000	15,000	----------	----------	----------

[1] Includes classified activities and transients.

Supply Systems Inventories

As stated in table 3 above, the total of "supply systems" inventories from fiscal year 1955 through fiscal year 1966, was reduced from $51 to $38 billion or $13 billion. The stratification of such stocks, or breakdown into purpose for which they are held, reflects a distinct change during fiscal years 1964, 1965, and 1966. In prior years, the strata were peacetime operating stocks, mobilization reserve stock, economic and contingency retention stocks, and excess stock. These are shown in table 7 and are explained in footnotes 2 through 7.

Stratification of supply systems inventories as of June 30, 1964, and June 30, 1965, was in accordance with improved logistics guidance which called for application of assets first against requirements to support (1) approved forces; that is, Active and high-priority Reserve Forces of the 5-year force structure and financial program; and (2) general forces.

The guidance was again changed so that, as of June 30, 1966, assets are applied to approved forces, either as authorized for acquisition or for retention.

The data for these strata are not comparable with that in prior years, except in a very general way, and, therefore, have not been shown separately in the table (see footnotes) but are included in subtotal and total.

The criteria for the establishment of economic retention and contingency retention strata have not been drastically revised, although the exigencies of world situations may result in somewhat different levels being established under them. The excess strata now represents those stocks that are beyond limits of a particular service and for which screening for utilization by other elements of the Department of Defense is underway but for which final DOD disposal action has not been initiated. They are significantly less in value than those reported in prior years.

TABLE 7.—*DOD supply systems inventories by inventory stratas as of June 30,*[1] *fiscal years 1958–66*

[In millions of dollars]

Total and inventory strata	1958	1959	1960	1961	1962	1963	1964	1965	1966
Total	46,585	44,203	41,727	40,537	40,299	39,684	38,383	36,506	37,167
Unstratified	2,440	3,056	2,083	1,819	1,837	1,425	2,582	2,704	3,221
Total stratified	44,145	41,147	39,644	38,717	38,462	38,259	35,801	33,802	33,946
Peacetime operating [2]	14,538	15,306	15,657	14,722	15,601	15,379	(7)	(7)	(7)
Mobilization reserve [3]	12,134	11,530	10,893	11,030	10,725	10,921	(7)	(7)	(7)
Economic retention [4]	5,593	4,703	6,618	6,343	5,454	5,912	3,596	3,629	4,180
Contingency retention [5]	1,050	1,611	1,361	1,246	1,040	636	1,248	1,814	1,865
Excess stocks [6]	10,418	7,146	5,115	5,377	5,643	5,411	5,528	3,466	3,250

[1] Total inventories in this table do not include value of Navy shipboard supplies included in table 3.

[2] Peacetime operating stock is that portion of the total quantity of an item on hand which is required to equip and train the planned peacetime forces and support the scheduled establishment through the normal appropriation and leadtime periods.

[3] Mobilization reserve materiel requirement: The quantity of an item required to be in the military supply system on M-day, in addition to quantities for peacetime needs, to support planned mobilization to expand the materiel pipeline, and to sustain in training, combat, or noncombat operations prescribed forces until production by industry equals consumption.

[4] Economic retention stock is that portion of the quantity in long supply which it has been determined will be retained for future peacetime issue of consumption as being more economical than future replenishment by procurement.

[5] Contingency retention stock is that portion of the quantity in long supply of an obsolete or nonstandard item for which no programed requirements exist and which normally would be considered as excess stock, but which has been determined will be retained for possible military or defense contingencies for U.S. or allied forces.

[6] Excess stock as reported herein is stock which is indicated to be above the sum of footnotes 2, 3, 4, and 5 above and for which specific determination as being within the needs of the Department of Defense has not been made or disposal action initiated.

[7] These strata are not available for 1964, 1965, and 1966 because of changes in logistics guidance. In 1965 their sum was $24,893,000,000, divided into approved force stocks ($23,665,000,000) and general force stocks ($1,228,000,000). The guidance was again revised in 1966 when the sum of these two was $24,651,000,000 allocated to approved forces as levels of acquisition ($23,640,000,000) and retention ($1,011,000,000).

SCOPE OF PROCUREMENT ACTIVITIES

The net value of military procurement actions amounted to $35.7 billion in fiscal year 1966, an increase of $11.1 billion over fiscal year 1965.

TABLE 8.—*Net value of military procurement actions in the United States and possessions, fiscal years 1951–66*

[In billions of dollars]

Fiscal year	Net value of military procurement actions	Fiscal year	Net value of military procurement actions	Fiscal year	Net value of military procurement actions
1951	31.9	1957	19.9	1962	27.8
1952	42.2	1958	22.8	1963	28.1
1953	28.4	1959	23.9	1964	27.5
1954	11.9	1960	22.5	1965	26.6
1955	15.5	1961	24.3	1966	35.7
1956	18.2				

Source: "Military Prime Contract Awards and Subcontract Payments or Commitments, July 1965–June 1966," Office of the Secretary of Defense.

Net Value of Procurement Actions by States, Fiscal Years 1963–66 (See Tables 9 and 9A)

The percentage breakdown of military procurement actions by States and the District of Columbia shows for fiscal year 1966:

Percent of total:	*Number of States*	Percent of total—Continued	*Number of States*
15 to 20	1	2 to 3	5
5 to 10	5	1 to 2	9
4 to 5	1	0 to 1	27
3 to 4	3		

TABLE 9.—*Net value of military procurement actions by States,*[1] *fiscal years 1964, 1965, and 1966*

[Dollar amounts in thousands]

State	Fiscal year 1964		Fiscal year 1965		Fiscal year 1966	
	Amount	Percent	Amount	Percent	Amount	Percent
Total, United States[2]	$27,470,379		$26,631,132		$35,713,061	
Not distributed by State[3]	3,053,272		3,363,052		3,999,758	
State totals[4]	24,417,107	100.0	23,268,080	100.0	31,713,303	100.0
Alabama	190,681	.8	165,176	.7	281,549	.9
Alaska	101,545	.4	74,175	.3	71,666	.2
Arizona	173,825	.7	176,857	.8	248,228	.8
Arkansas	29,731	.1	39,284	.2	95,701	.3
California	5,100,650	21.0	5,153,639	22.1	5,813,078	18.3
Colorado	389,511	1.6	249,151	1.1	255,893	.8
Connecticut	1,126,054	4.6	1,180,111	5.1	2,051,560	6.5
Delaware	30,424	.1	38,239	.2	37,445	.1
District of Columbia	222,947	.9	247,576	1.0	328,111	1.0
Florida	782,591	3.2	633,332	2.7	766,955	2.4
Georgia	520,169	2.1	662,417	2.8	799,362	2.5
Hawaii	52,112	.2	72,213	.3	64,170	.2
Idaho	7,804	(5)	11,724	.1	20,004	(5)
Illinois	429,201	1.8	421,899	1.8	919,779	2.9
Indiana	537,940	2.2	604,925	2.6	1,068,259	3.4
Iowa	103,392	.4	133,951	.6	247,619	.8
Kansas	289,045	1.2	229,051	1.0	312,629	1.0
Kentucky	40,476	.2	42,749	.2	70,057	.2
Louisiana	181,427	.7	255,834	1.1	302,906	1.0
Maine	31,531	.1	68,771	.3	51,340	.2
Maryland	547,936	2.3	584,333	2.5	842,527	2.7
Massachusetts	1,032,062	4.2	1,178,729	5.1	1,335,952	4.2
Michigan	591,290	2.4	532,897	2.3	918,426	2.9
Minnesota	217,941	.9	259,500	1.1	497,994	1.6
Mississippi	155,911	.6	152,188	.7	162,305	.5
Missouri	1,349,071	5.5	1,060,781	4.6	1,112,665	3.5
Montana	16,422	.1	69,375	.3	13,779	(5)
Nebraska	33,921	.1	42,708	.2	80,478	.3
Nevada	6,361	(5)	19,142	.1	32,028	.1
New Hampshire	64,857	.3	52,400	.2	109,591	.3
New Jersey	917,561	3.8	820,309	3.5	1,090,122	3.4
New Mexico	71,486	.3	84,137	.4	86,230	.3
New York	2,496,438	10.2	2,229,473	9.6	2,819,153	8.9
North Carolina	273,516	1.1	288,408	1.2	449,331	1.4
North Dakota	192,025	.8	48,997	.2	83,113	.3
Ohio	1,028,946	4.2	863,113	3.7	1,588,955	5.0
Oklahoma	122,489	.5	119,803	.5	158,492	.5
Oregon	29,104	.1	39,624	.2	89,983	.3
Pennsylvania	883,065	3.6	988,811	4.2	1,665,087	5.3
Rhode Island	38,173	.2	86,323	.4	131,722	.4
South Carolina	51,621	.2	81,580	.4	176,424	.6
South Dakota	23,308	.1	21,062	.1	23,315	.1
Tennessee	193,564	.8	197,283	.8	502,168	1.6
Texas	1,294,431	5.3	1,446,769	6.2	2,291,454	7.2
Utah	340,040	1.4	191,713	.8	169,681	.5
Vermont	14,012	.1	32,202	.1	81,066	.3
Virginia	690,852	2.8	469,097	2.0	425,487	1.3
Washington	1,085,696	4.5	545,607	2.3	444,368	1.4
West Virginia	87,327	.4	90,312	.4	149,300	.5
Wisconsin	177,217	.7	203,003	.9	364,684	1.1
Wyoming	49,408	.2	7,867	(5)	11,112	(5)

[1] See "Notes on Coverage."
[2] Includes all contracts awarded for work performance in the United States. The United States includes the 50 States, the District of Columbia, U.S. possessions, the Canal Zone, the Commonwealth of Puerto Rico, and other areas subject to the complete sovereignty of the United States, but does not include occupied Japanese islands and trust territories.
[3] Includes contracts of less than $10,000, all contracts awarded for work performance in the Commonwealth of Puerto Rico, U.S. possessions, and other areas subject to the complete sovereignty of the United States, contracts which are in a classified location, and any intragovernmental contracts entered into overseas.
[4] Net value of contracts of $10,000 or more for work in each State and the District of Columbia.
[5] Less than 0.05 percent.
[f] Civil functions of the Army Corps of Engineers for flood control and rivers and harbors work. Civil functions data are shown separately, and are not included in military functions tabulations.
[r] Revised.

Notes on Coverage

It is emphasized that data on prime contracts by State do not provide any direct indication as to the State in which the actual production work is done. For the majority of contracts with manufacturers, the data reflect the location of the plant where the product will be finally processed and assembled. If processing or assembly is to be performed in more than 1 plant of a prime contractor, the location shown is the plant where the largest dollar amount of work will take place. Construction contracts are shown for the State where the construction is to be performed. For purchases from wholesale or other distribution firms, the location is the address of the contractor's place of business. For service contracts, the location is generally the place where the service is performed, but for transportation and communications services the home office address is frequently used.

More important is the fact that the reports refer to prime contracts only, and cannot in any way reflect the distribution of the very substantial amount of material and component fabrication and other subcontract work that may be done outside the State where final assembly or delivery takes place.

The report includes definitive contracts, and funded portions of letter contracts and letters of intent, job orders, task orders, and purchase orders on industrial firms, and also includes interdepartmental purchases, made from or through other governmental agencies, such as those made through the General Services Administration. The State data include upward or downward revisions and adjustments of $10,000 or more, such as cancellations, price changes, supplemental agreements, amendments, etc.

The estimated amounts of indefinite delivery, open-end or call-type contracts for petroleum are included in the report. Except for petroleum contracts, the report does not include indefinite delivery, open-end, or call-type contracts as such, but does include specific purchase or delivery orders of $10,000 or more which are placed against these contracts. Also excluded from the report are project orders; that is, production orders; issued to Government-owned-and-operated facilities such as Navy shipyards. However, the report includes the contracts placed with industry by the Government-operated facility to complete the production order.

TABLE 9(a).—*Net value of military procurement by States, by percent of total, fiscal year 1966*

Inverse rank	State	Percent	Total	Inverse rank	State	Percent	Total
1	Wyoming	(1)		27	Alabama	0.9	9.5
2	Idaho	(1)		28	District of Columbia	1.0	10.5
3	Montana	(1)		29	Kansas	1.0	11.5
4	Delaware	0.1	0.1	30	Louisiana	1.0	12.5
5	Nevada	.1	.2	31	Wisconsin	1.1	13.6
6	South Dakota	.1	.3	32	Virginia	1.3	14.9
7	Alaska	.2	.5	33	North Carolina	1.4	16.3
8	Hawaii	.2	.7	34	Washington	1.4	17.7
9	Kentucky	.2	.9	35	Minnesota	1.6	19.3
10	Maine	.2	1.1	36	Tennessee	1.6	20.9
11	Arkansas	.3	1.4	37	Florida	2.4	23.3
12	Nebraska	.3	1.7	38	Georgia	2.5	25.8
13	New Hampshire	.3	2.0	39	Maryland	2.7	28.5
14	New Mexico	.3	2.3	40	Illinois	2.9	31.4
15	North Dakota	.3	2.6	41	Michigan	2.9	34.3
16	Oregon	.3	2.9	42	Indiana	3.4	37.7
17	Vermont	.3	3.2	43	New Jersey	3.4	41.1
18	Rhode Island	.4	3.6	44	Missouri	3.5	44.6
19	Mississippi	.5	4.1	45	Massachusetts	4.2	48.8
20	Oklahoma	.5	4.6	46	Ohio	5.0	53.8
21	Utah	.5	5.1	47	Pennsylvania	5.3	59.1
22	West Virginia	.5	5.6	48	Connecticut	6.5	65.6
23	South Carolina	.6	6.2	49	Texas	7.2	72.8
24	Arizona	.8	7.0	50	New York	8.9	81.7
25	Colorado	.8	7.8	51	California	18.3	100.0
26	Iowa	0.8	8.6				

[1] Less than 0.05 percent.

ONE-HUNDRED COMPANIES AND THEIR SUBSIDIARY CORPORATIONS LISTED ACCORDING TO NET VALUE OF MILITARY PRIME CONTRACT AWARDS

Fiscal year 1966 (July 1965–June 1966)

The 100 companies which together with their subsidiaries received the largest dollar volume of military prime contracts of $10,000 or more in fiscal year 1966 accounted for 63.8 percent of the U.S. total. This was 5.1 percentage points below the 68.9 percent obtained by the top 100 companies in fiscal year 1965, and was the lowest percentage for the 100 top companies since reporting was initiated in fiscal year 1957. The table below shows that the first 25 companies received 5.2 percent less than in fiscal year 1965 with a decrease of 4.4 percent occurring in the first five companies.

Percent of U.S. total

Companies	Fiscal year 1960	Fiscal year 1961	Fiscal year 1962	Fiscal year 1963	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966
1st	6.0	6.5	5.6	5.9	5.8	7.1	4.6
2d	5.1	5.2	4.7	5.2	5.4	4.9	3.5
3d	4.8	5.2	4.4	4.1	4.6	3.5	3.4
4th	4.6	4.1	4.0	4.0	4.1	3.4	3.4
5th	4.3	3.8	3.8	4.0	3.9	3.1	2.7
1 to 5	24.8	24.8	22.5	23.2	23.8	22.0	17.6
6 to 10	11.3	11.8	11.1	10.9	12.0	10.2	9.0
11 to 25	17.4	18.2	17.2	17.8	17.1	16.0	16.4
1 to 25	53.5	54.8	50.8	51.9	52.9	48.2	43.0
26 to 50	11.3	11.0	12.6	13.7	12.9	13.0	12.1
51 to 75	5.4	5.5	6.0	5.5	5.1	5.2	5.4
76 to 100	3.2	2.9	2.9	2.8	2.5	2.5	3.3
1 to 100	73.4	74.2	72.3	73.9	73.4	68.9	63.8

In fiscal year 1966, awards to U.S. companies for work at home and overseas increased 38.7 percent to $33,532.6 million and the 100 company total increased 28.4 percent to $21,400.8 million. The value of $40.2 million for the company in 100th position on the list for the current fiscal year is $16 million higher than the 100th company figure in fiscal year 1965.

As indicated above, the rate of increase in fiscal year 1966 for awards to the 100 companies lagged 10 percent behind that for total awards. At the same time small business firms increased their share of the total from 19.6 percent in fiscal year 1965 to 21.4 percent in fiscal year 1966.

The list for fiscal year 1966 contains 23 companies which did not appear on the fiscal year 1965 list. Of the new names, 10 appear between 51st and 75th positions and 12 between 76th and 100th positions. One of the new names, Raymond-Morrison-Brown-Jones, a joint venture with contract awards totaling $547.9 million is in ninth position.

There were two major corporate changes affecting the list during fiscal year 1966. Continental Motors Corp., which appeared on both the fiscal year 1964 and 1965 lists, was acquired by Ryan Aeronautical Co. as a subsidiary. Republic Aviation Corp., also on the list for the previous 2 fiscal years, was acquired and merged into the operations of Fairchild Hiller Corp. In addition, there were two corporate name changes during fiscal year 1966 as follows: Hercules Powder Co. to Hercules, Inc., and Socony Mobil Oil Co. to Mobil Oil Corp.

The contract work of many of the companies in fiscal year 1966 involved more than one major procurement category. However, each company is assigned to the procurement category in which it has the largest dollar volume of awards. As the result of large increases in certain types of procurement in fiscal year 1966, the table below shows companies in four new categories as follows: textiles and clothing, construction equipment, weapons and building supplies. The largest increase in number of companies occurred in ammunition, which had 13 more companies in fiscal year 1966 than in fiscal year 1965. The largest decreases were in missiles and petroleum, each having five fewer companies than in the previous fiscal year.

Number of companies

Procurement category	Fiscal year 1965	Fiscal year 1966	Change
Total	100	100	
Aircraft	21	19	−2
Missiles	18	13	−5
Ships	6	3	−3
Tank-automotive	8	9	+1
Weapons	0	1	+1
Ammunition	7	20	+13
Electronics	16	18	+2
Services	7	5	−2
Construction	4	1	−3
Photographic equipment and supplies	2	0	−2
Petroleum	11	6	−5
Textiles and clothing	0	2	+2
Construction equipment	0	2	+2
Building supplies	0	1	+1

The four nonprofit contractors (see Index) listed for fiscal year 1966 represent a decrease of two from the number on the list for the preceding fiscal year. For the most part, these nonprofit contractors provide research, development, and training services in the missile-space and electronics programs.

Four companies received prime contract awards of more than $1 billion each in fiscal year 1966, compared to two companies in fiscal year 1965. These companies and a brief description of their more important work are as follows:

Lockheed Aircraft Corp. leads the list for the fifth consecutive year with $1,531 million, or 4.6 percent of the total. This is a decrease of $184 million in value and 2.5 percentage points from fiscal year 1965. The aircraft contracts of this company include the C–5A heavy logistics jet carrier, C–141A Starlifter jet cargo transport, C–130E Hercules turboprop jet transport, and the P3B Orion patrol bomber. It is the principal prime contractor for the Polaris and Poseidon missiles, is an important contractor for military space vehicles, and performs research in conjunction with the satellite control network. The company and its subsidiaries also receive contracts for shipbuilding and electronics.

General Electric Co., having $1,187 million in awards and 3.5 percent of the total, advanced to second place in fiscal year 1966 from fourth place in fiscal year 1965. It received substantial contracts for the production of aircraft engines. Ordnance contracts were for the production of 7.62-millimeter machineguns, 20-millimeter cannon, and guidance and control systems for missiles. This company also received large contracts for electronics and communications equipment and nuclear propulsion systems for ships.

The following two companies in third and fourth positions have a difference of less than $3 million in their total awards.

United Aircraft Corp., whose contracts totaled $1,138.7 million (3.4 percent), ranks third. This compares with a contract value of $632.1 million and sixth position in fiscal year 1965. The prime contract work of the company is principally for the production of aircraft engines. Contracts for aircraft were for the production of helicopters. In addition to these awards, the company received smaller contracts for ordnance items and for propellers.

General Dynamics Corp. received awards amounting to $1,136 million which represented 3.4 percent of the total and is in fourth place. The value compares to $1,178.6 million in fiscal year 1965. This company received contracts for aircraft, missiles, and ships. The aircraft contracts are largely for the production of F–111 fighters; those for ships include repair and alteration of various types of vessels and new construction of landing craft and submarine tenders; and the missile-space contracts involve the development or production of Atlas, Redeye, Tartar, and Terrier missiles, and boosters for the space program.

Index of 100 parent companies which with their subsidiaries received the largest dollar volume of military prime contract awards in fiscal year 1966

Rank	Parent company	Rank	Parent company
58	Aerospace Corp. [1]	34	International Business Machines Corp.
66	American Electric, Inc.	60	International Harvester Co.
71	American Machine & Foundry Co.	29	International Telephone & Telegraph Corp.
88	American Manufacturing Co. of Texas	81	Johns Hopkins University [1]
7	American Telephone & Telegraph Co.	13	Kaiser Industries Corp.
54	Asiatic Petroleum Corp.	49	Lear-Siegler, Inc.
90	Atlantic Research Corp.	22	Ling-Temco-Vought, Inc.
12	Avco Corp.	30	Litton Industries, Inc.
23	Bendix Corp.	1	Lockheed Aircraft Corp.
52	Bethlehem Steel Corp.	56	Magnavox Co.
5	Boeing Co.	18	Martin Marietta Corp.
99	Borg-Warner Corp.	78	Massachusetts Institute of Technology [1]
97	Bowen-McLaughlin-York, Inc.	6	McDonnell Aircraft Corp.
80	Burlington Industries, Inc.	50	Mobil Oil Corp.
95	Burroughs Corp.	72	Motorola, Inc.
82	Caterpillar Tractor Co.	85	National Presto Industries, Inc.
67	Chamberlain Corp.	77	Newport News Shipbuilding & Dry Dock Co.
39	Chrysler Corp.	45	Norris-Thermador Corp.
91	Clark Equipment Co.	10	North American Aviation, Inc.
27	Collins Radio Co.	25	Northrop Corp.
55	Colt Industries, Inc.	35	Olin Mathieson Chemical Corp.
70	Condec Corp.	36	Pan American World Airways, Inc.
100	Continental Oil Co.	28	Radio Corp. of America
93	Control Data Corp.	9	Raymond-Morrison-Brown-Jones [2]
53	Curtiss-Wright Corp.	16	Raytheon Co.
74	Day & Zimmerman, Inc.	32	Ryan Aeronautical Co.
24	Douglas Aircraft Co.	61	Sanders Associates, Inc.
98	Dow Chemical Co.	47	Signal Oil & Gas Co.
38	Du Pont (E.I.) de Nemours & Co.	15	Sperry Rand Corp.
51	Eastman Kodak Co.	40	Standard Oil Co. (California)
89	Emerson Electric Co.	31	Standard Oil Co. (New Jersey)
37	F M C Corp.	62	Stevens (J. P.) & Co., Inc.
59	Fairchild Hiller Corp.	75	Sverdrup & Parcel, Inc.
63	Firestone Tire & Rubber Co.	94	System Development Corp. [1]
87	Flying Tiger Line, Inc.	48	T R W, Inc.
14	Ford Motor Co.	68	Teledyne, Inc.
4	General Dynamics Corp.	46	Texaco, Inc.
2	General Electric Co.	84	Texas Instruments, Inc.
11	General Motors Corp.	8	Textron, Inc.
43	General Precision Equipment Corp.	44	Thiokol Chemical Corp.
33	General Telephone & Electronics Corp.	76	Union Carbide Corp.
83	General Time Corp.	3	United Aircraft Corp.
20	General Tire & Rubber Co.	64	United States Rubber Co.
41	Goodyear Tire & Rubber Co.	65	United States Steel Corp.
21	Grumman Aircraft Engineering Corp.	92	Universal American Corp.
57	Harvey Aluminum, Inc.	79	Vitro Corp. of America
96	Hayes International Corp.	73	Western Union Telegraph Co.
42	Hercules, Inc.	86	Westinghouse Air Brake Co.
26	Honeywell, Inc.	17	Westinghouse Electric Corp.
19	Hughes Aircraft Co.		
69	Hupp Corp.		

[1] Nonprofit contractors.
[2] Joint venture.

100 companies and their subsidiaries listed according to net value of military prime contract awards, fiscal year 1966 (July 1, 1965, to June 30, 1966)

Rank	Companies	Millions of dollars	Percent of U.S. total	Cumulative percent of U.S. total
	U.S. total [1]	$33,532.6	100.0	100.0
	Total, 100 companies and their subsidiaries [2]	21,400.8	63.8	63.8
1	Lockheed Aircraft Corp	1,525.6		
	Lockheed Shipbuilding and Construction Co	5.4		
	Total	1,531.0	4.6	4.6
2	General Electric Co	1,187.0	3.5	8.1
3	United Aircraft Corp	1,138.7	3.4	11.5
4	General Dynamics Corp	1,133.3		
	Stromberg-Carlson Corp	2.6		
	United Electric Coal Co	0.1		
	Total	1,136.0	3.4	14.9
5	Boeing Co	914.5	2.7	17.6
6	McDonnell Aircraft Corp	692.3		
	Conductron Corp	7.8		
	Hycon Manufacturing Co	17.5		
	Tridea Electronics, Inc	4.6		
	Total	722.2	2.2	19.8
7	American Telephone and Telegraph Co	153.2		
	Bell Telephone Co. of Pennsylvania	(3)		
	Chesapeake and Potomac Telephone Co	7.3		
	Mountain States Telephone and Telegraph Co	1.6		
	New England Telephone and Telegraph Co	.6		
	New Jersey Bell Telephone Co	.4		
	New York Telephone Co	.2		
	Northwestern Bell Telephone Co	.4		
	Ohio Bell Telephone Co	.5		
	Pacific Northwest Bell Telephone Co	.2		
	Pacific Telephone and Telegraph Co	.6		
	Southern Bell Telephone and Telegraph Co	2.5		
	Southwestern Bell Telephone Co	.9		
	Teletype Corp	18.0		
	Western Electric Co., Inc	485.7		
	Total	672.1	2.0	21.8
	Textron, Inc	15.4		
	Accessory Products Corp	(3)		
	Bell Aerospace Corp	532.3		
	Cleveland Metal Abrasive Co	.1		
	Dalmo Victor Co	(3)		
	Durham Manufacturing Co	(3)		
	Erie Tool Works	.9		
	Jones and Lamson Machine Co	(3)		
	Nuclear Metals, Inc	(3)		
	Sheaffer (W. A.) Pen Co	(3)		
	Textron Electronics, Inc	1.5		
	Textron Oregon, Inc	4.2		
	Townsend Co	.4		
	Total	554.8	1.6	23.4
9	Raymond International, Inc.; Morrison-Knudsen Co., Inc.; Brown & Root, Inc.; and J. A. Jones Construction Co	547.9	1.6	25.0
10	North American Aviation, Inc	520.4	1.6	26.6
11	General Motors Corp	508.0	1.5	28.1
12	AVCO Corp	506.0	1.5	29.6
13	Kaiser Industries Corp	1.0		
	Kaiser Aerospace & Electronics Corp	3.9		
	Kaiser Jeep Corp	358.4		
	Kaiser Steel Corp	42.7		
	National Steel & Shipbuilding Co	35.4		
	Total	441.4	1.3	30.9
14	Ford Motor Co	91.7		
	Philco Corp	347.9		
	Total	439.6	1.3	32.2
15	Sperry Rand Corp	426.8	1.3	33.5

See footnotes at end of table, p. 48.

100 companies and their subsidiaries listed according to net value of military prime contract awards, fiscal year 1966 (July 1, 1965, to June 30, 1966)—Continued

Rank	Companies	Millions of dollars	Percent of U.S. total	Cumulative percent of U.S. total
16	Raytheon Co	$356.7		
	Amana Refrigeration, Inc	(3)		
	Dage-Bell Corp	.2		
	Machlett Laboratories, Inc	10.7		
	Micro State Electronics Corp	.4		
	Penta Laboratories, Inc	.5		
	Total	368.5	1.1	34.6
17	Westinghouse Electric Corp	343.1		
	Hagan Controls Corp	.1		
	Thermo King Corp	5.5		
	Total	348.7	1.1	35.7
18	Martin-Marietta Corp	316.8		
	Bunker-Ramo Corp	20.6		
	Bunker-Ramo Eastern Technical Center, Inc	.4		
	Total	337.8	1.0	36.7
19	Hughes Aircraft Co	336.6	1.0	37.7
20	General Tire & Rubber Co	12.6		
	Aerojet-Delft Corp	.8		
	Aerojet-General Corp	286.5		
	Aerojet-General Nucleonics	1.0		
	Batesville Manufacturing Co	18.4		
	Fleetwood Corp	(3)		
	General Tire International Co	0.2		
	Space Electronics Corp	(3)		
	Space-General Corp	7.8		
	Total	327.3	1.0	38.7
21	Gruman Aircraft Engineering Corp	322.9	1.0	39.7
22	Ling-Temco-Vought, Inc	259.0		
	Continental Electronics Manufacturing Co	5.9		
	Continental Electronics Systems, Inc	.5		
	Kentron Hawaii, Ltd	4.9		
	LTV Electrosystems, Inc	39.2		
	LTV Ling Altec. Inc	.3		
	Okonite Co. (The)	1.0		
	Total	310.8	.9	40.6
23	Bendix Corp	276.1		
	Beck-Lee Corp	(3)		
	Bendix Field Engineering Corp	4.7		
	Bendix-Westinghouse Automotive Air Brake Co	.4		
	Dage Electric Co., Inc	(3)		
	Microwave Devices, Inc	(3)		
	Sheffield Corp	.6		
	Total	281.8	.8	41.4
24	Douglas Aircraft Co	278.9	.8	42.2
25	Northrop Corp	182.7		
	Northrop Carolina, Inc	.3		
	Page Communications Engineers, Inc	93.0		
	Total	276.0	.8	43.0
26	Honeywell, Inc	250.6	.8	43.8
27	Collins Radio Co	245.3	.7	44.5
28	Radio Corp. of America	242.1		
	RCA Defense Electronics Corp	.3		
	Total	242.4	.7	45.2
29	International Telephone & Telegraph Corp	120.3		
	Barton Instrument Corp	.1		
	Documat, Inc	.4		
	Federal Electric Corp	57.6		
	ITT Gilfillan, Inc	39.2		
	ITT Technical Services, Inc	1.5		
	ITT Terryphone Corp	.2		
	Jennings Radio Manufacturing Corp	.5		
	Total	219.8	.7	45.9

See footnotes at end of table, p. 48.

100 companies and their subsidiaries listed according to net value of military prime contract awards, fiscal year 1966 (July 1, 1965, to June 30, 1966)—Continued

Rank	Companies	Millions of dollars	Percent of U.S. total	Cumulative percent of U.S. total
30	Litton Industries, Inc	$13.2		
	Airtron, Inc	.1		
	Analogue Controls, Inc	(3)		
	Clifton Precision Products Co., Inc	.2		
	Ingalls Shipbuilding Corp	46.9		
	Litton Precision Products, Inc	6.6		
	Litton Systems, Inc	152.0		
	Mellonics Systems Development, Inc	.1		
	Monroe Calculating Machine Co., Inc	.1		
	Monroe Intl., Inc	.1		
	P S Corp	(3)		
	U.S. Engineering Co., Inc	.1		
	Total	219.4	0.7	46.6
31	Standard Oil Co. (New Jersey)	0		
	American Cryogenics, Inc	1.4		
	Esso International, Inc	129.3		
	Esso Research & Engineering Co	1.5		
	Esso Standard Eastern, Inc	17.2		
	Esso Standard Oil Co. (Puerto Rico)	1.2		
	Humble Oil & Refining Co	63.4		
	Total	214.0	.6	47.2
32	Ryan Aeronautical Co	69.7		
	Continental Aviation and Engineering Corp	29.5		
	Continental Motors Corp	98.6		
	Wisconsin Motor Corp	1.8		
	Total	199.6	.6	47.8
33	General Telephone & Electronics Corp	0		
	Automatic Electric Co	5.6		
	Automatic Electric Sales Corp	5.1		
	California Water & Tel. Co	.1		
	General Telephone & Electronics Laboratories, Inc	.1		
	General Telephone Co. of Florida	(3)		
	General Telephone Co. of Puerto Rico	(3)		
	General Telephone Co. of the Southeast	.1		
	Lenkurt Electric Co., Inc	4.1		
	Sylvania Electric Products, Inc	181.3		
	West Coast Telephone Co	(3)		
	Total	196.4	.6	48.4
34	International Business Machines Corp	180.8		
	Science Research Associates	.1		
	Service Bureau Corp	.7		
	Total	181.6	.6	49.0
35	Olin Mathieson Chemical Corp	173.0	.5	49.5
36	Pan American World Airways, Inc	170.0		
	Pan American Grace Airways	(3)		
	Total	170.0	.5	50.0
37	FMC Corp	162.5		
	Gunderson Bros. Engineering Corp	.1		
	Total	162.6	.5	50.5
38	Du Pont (E. I.) de Nemours & Co	20.4		
	Remington Arms Co., Inc	140.7		
	Total	161.1	.5	51.0
39	Chrysler Corp	150.2	.4	51.4

See footnotes at end of table, p. 48.

100 companies and their subsisidaries listed according to net value of military prime contract awards, fiscal year 1966 (July 1, 1965, to June 30, 1966)—Continued

Rank	Companies	Millions of dollars	Percent of U.S. total	Cumulative percent of U.S. total
40	Standard Oil Co. (California)	$84.1		
	California Oil Co	.8		
	Caltex Oil Products Co.[4]	39.7		
	Caltex Philippines, Inc.[4]	.1		
	Chevron Asphalt Co	.1		
	Chevron Chemical Co	.3		
	Chevron Oil Co	(3)		
	Community Oil Co., Inc	.3		
	Hoffman Fuel Co., Inc	(3)		
	Independent Gasoline & Oil Co. of Rochester	(3)		
	Standard Oil Co. of Kentucky	10.9		
	Standard Oil Co. of Texas	4.8		
	Total	141.1	0.4	51.8
41	Goodyear Tire & Rubber Co	50.9		
	Goodyear Aerospace Corp	78.5		
	Goodyear International Co	.1		
	Kelly-Springfield Tire Co	(3)		
	Lee Tire & Rubber Co	.1		
	Motor Wheel Corp	.9		
	Total	130.5	.4	52.2
42	Hercules, Inc	118.6		
	Haveg Industries, Inc	1.3		
	MHD Research, Inc	.2		
	Total	120.1	.4	52.6
43	General Precision Equipment Corp	0		
	Controls Co. of America	.3		
	General Precision Decca Systems, Inc	(3)		
	General Precision, Inc	108.1		
	Graflex, Inc	1.3		
	National Theatre Supply Co	(3)		
	Strong Electric Corp	1.8		
	Tele-Signal Corp	5.9		
	Total	117.4	.4	53.0
44	Thiokol Chemical Corp	110.7	.3	53.3
45	Norris-Thermador Corp	110.0		
	Fyr-Fyter Co	.6		
	Total	110.6	.3	53.6
46	Texaco, Inc	21.6		
	Caltex Oil Products Co.[4]	39.7		
	Caltex Philippines, Inc[4]	.1		
	Jefferson Chemical Co., Inc	.4		
	Paragon Oil Co	1.1		
	Texaco Caribbean, Inc	.1		
	Texaco Experiment, Inc	3.2		
	Texaco Export, Inc	38.3		
	Texaco Puerto Rico, Inc	.4		
	Texaco Trinidad, Inc	.1		
	White Fuel Co., Inc	.7		
	Total	105.7	.3	53.9
47	Signal Oil & Gas Co	5.9		
	Garrett Corp	97.9		
	Southland Oil Corp	.5		
	Space Petroleum Corp	1.1		
	Total	105.4	.3	54.2
48	TRW, Inc	103.6	.3	54.5
49	Lear-Siegler, Inc	89.0		
	American Avitron, Inc	.4		
	Astrek Instrument Corp	.4		
	Cimron Corp	.1		
	Hokanson, (C.G.) Co., Inc	.6		
	Lear-Siegler Service, Inc	7.5		
	Total	98.0	.3	54.8

See footnotes at end of table, p. 48.

100 companies and their subsidiaries listed according to net value of military prime contract awards, fiscal year 1966 (July 1, 1965, to June 30, 1966)—Continued

Rank	Companies	Millions of dollars	Percent of U.S. total	Cumulat'ive percent of U.S. total
50	Mobil Oil Corp	$97.7	0.3	55.1
51	Eastman Kodak Co	94.2		
	Eastman Kodak Stores, Inc	1.6		
	Recordak Corp	.7		
	Total	96.5	.3	55.4
52	Bethlehem Steel Corp	89.9		
	Bethlehem Steel Export Corp	.9		
	Calmar Steamship Corp	1.3		
	Total	92.1	.3	55.7
53	Curtiss-Wright Corp	91.1	.3	56.0
54	Asiatic Petroleum Corp	88.0	.3	56.3
55	Colt Industries, Inc	4.5		
	Chandler Evans, Inc	12.1		
	Colt's Inc	.1		
	Colt's Patent Fire Arms Manufacturing Co., Inc	63.4		
	Fairbanks Morse, Inc	4.6		
	Pratt & Whitney, Inc	1.9		
	Total	86.6	.2	56.5
56	Magnavox Co	83.5	.2	56.7
57	Harvey Aluminum, Inc	32.6		
	Harvey Aluminum Sales, Inc	49.8		
	Total	82.4	.2	56.9
58	Aerospace Corp	80.4	.2	57.1
59	Fairchild Hiller Corp	80.1	.2	57.3
60	International Harvester Co	73.1		
	Hough (Frank G.) Co	1.7		
	MacLeod & Co	2.8		
	Total	77.6	.2	57.5
61	Sanders Associates, Inc	77.1	.2	57.7
62	Stevens (J. P.) & Co., Inc	75.8	.2	57.9
63	Firestone Tire & Rubber Co	73.9		
	Dayton Tire & Rubber Co	.6		
	Total	74.5	.2	58.1
64	United States Rubber Co	74.5		
	Masland Duraleather Co	(3)		
	United States Rubber International Corp	(3)		
	Total	74.5	.2	58.3
65	United States Steel Corp	69.5		
	Reactive Metals, Inc	(3)		
	Total	69.5	.2	58.5
66	American Electric, Inc	68.6	.2	58.7
67	Chamberlain Corp	67.4	.2	58.9
68	Teledyne, Inc	62.3	.2	59.1
69	Hupp Corp	61.6	.2	59.3
70	Condec Corp	56.6		
	Consolidated Avionics Corp	(3)		
	Consolidated Controls Corp	.4		
	Total	57.0	.2	59.5
71	American Machine & Foundry Co	55.4		
	Cuno Engineering Corp	.7		
	Voit (W. J.) Rubber Corp	.2		
	Total	56.3	.2	59.7

See footnotes at end of table, p. 48.

100 companies and their subsidiaries listed according to net value of military prime contract awards, fiscal year 1966 (July 1, 1965, to June 30, 1966)—Continued

Rank	Companies	Millions of dollars	Percent of U.S. total	Cumulative percent of U.S. total
72	Motorola, Inc	$50.0		
	Motorola Communications & Electronics, Inc	5.0		
	Motorola Overseas Corp	(3)		
	Total	55.0	0.2	59.9
73	Western Union Telegraph Co	54.9	.2	60.1
74	Day & Zimmerman, Inc	54.1	.2	60.3
75	Sverdrup & Parcel, Inc	(3)		
	ARO, Inc	52.3		
	Total	52.3	.2	60.5
76	Union Carbide Corp	48.5		
	Englander Co., Inc	.1		
	Korad Corp	1.1		
	Ocean Systems, Inc	2.1		
	Union Carbide Internat., Inc	(3)		
	Total	51.8	.2	60.7
77	Newport News Shipbuilding & Dry Dock Co	51.5	.2	60.9
78	Massachusetts Institute of Technology	50.7	.2	61.1
79	Vitro Corp. of America	49.3		
	Vitro Minerals & Mining Corp	1.2		
	Total	50.5	.2	61.3
80	Burlington Industries, Inc	36.4		
	Cleveland Woolens	2.4		
	Erwin Mills, Inc	11.7		
	Klopman Mills, Inc	(3)		
	Total	50.5	.2	61.5
81	Johns Hopkins University	50.5	.2	61.7
82	Caterpillar Tractor Co	47.0		
	Towmotor Corp	2.5		
	Total	49.5	.2	61.9
83	General Time Corp	48.0	.2	62.1
84	Texas Instruments, Inc	47.2		
	Metals & Controls, Inc	(3)		
	Total	47.2	.1	62.2
85	National Presto Industries, Inc	45.5	.1	62.3
86	Westinghouse Air Brake Co	1.2		
	Failing (George E.) Co	.3		
	Le Tourneau-Westinghouse Co	16.2		
	Melpar, Inc	18.0		
	Wilcox Electric Co., Inc	8.3		
	Total	44.0	.1	62.4
87	Flying Tiger Line, Inc	43.6	.1	62.5
88	American Manufacturing Co. of Texas	43.4	.1	62.6
89	Emerson Electric Co	42.8		
	Rantec Corp	.1		
	Total	42.9	.1	62.7
90	Atlantic Research Corp	41.7		
	Northeastern Engineering, Inc	.1		
	Total	41.8	.1	62.8
91	Clark Equipment Co	41.7	.1	62.9
92	Universal American Corp	1.2		
	Amron Corp	40.4		
	Von Kohorn-Universal Corp	(3)		
	Total	41.6	.1	63.0

See footnotes at end of table, p. 48.

100 companies and their subsidiaries listed according to net value of military prime contract awards, fiscal year 1966 (July 1, 1965, to June 30, 1966)—Continued

Rank	Companies	Millions of dollars	Percent of U.S. total	Cumulative percent of U.S. total
93	Control Data Corp	$35.8		
	Control Corp	.1		
	Data Display, Inc	(3)		
	Datatrol Corp	.3		
	Rabinow Electronics, Inc	.2		
	TRG, Inc	4.8		
	Total	41.2	0.1	63.1
94	System Development Corp	40.7	.1	63.2
95	Burroughs Corp	40.4		
	Burroughs Control Corp	.3		
	Total	40.7	.1	63.3
96	Hayes International Corp	40.7	.1	63.4
97	Bowen-McLaughlin-York, Inc	40.5	.1	63.5
98	Dow Chemical Co	39.6		
	Dow Corning Corp	.6		
	Total	40.2	.1	63.6
99	Borg-Warner Corp	34.4		
	Morse Chain Co	(3)		
	York Corp	5.8		
	Total	40.2	.1	63.7
100	Continental Oil Co	32.3		
	American Agricultural Chemical Co	(3)		
	Douglas Oil Co. of Calif	6.8		
	Western Oil & Fuel Co	1.1		
	Total	40.2	.1	63.8

[1] Net value of new procurement actions minus cancellations, terminations, and other credit transactions. The data include debit and credit procurement actions of $10,000 or more, under military supply, service, and construction contracts for work in the United States plus awards to listed companies and other U.S. companies for work overseas.

Procurement actions include definitive contracts, the obligated portions of letter contracts, purchase orders, job orders, task orders, delivery orders, and any other orders against existing contracts. The data do not include that part of indefinite quantity contracts that have not been translated into specific orders on business firms, nor do they include purchase commitments or pending cancellations that have not yet become mutually binding agreements between the Government and the company.

[2] The assignment of subsidiaries to parent companies is based on stock ownership of 50 percent or more by the parent company, as indicated by data published in standard industrial reference sources. The company totals do not include contracts made by other U.S. Government agencies and financed with Department of Defense funds, or contracts awarded in foreign nations through their respective governments. The company names and corporate structures are those in effect as of June 30, 1966. Only those subsidiaries are shown for which procurement actions have been reported.

[3] Less than $50,000.

[4] Stockownership is equally divided between Standard Oil Co. of California and Texaco, Inc.; half of the total of military awards is shown under each of the parent companies.

NEGOTIATED AND ADVERTISED PROCUREMENT ACTIONS

Negotiated procurements for fiscal year 1966 were 85 percent of total awards with business firms in the United States, up 3 percent from the previous year. Significantly, the DOD states that when items can be procured competitively the savings are about 25 percent.

TABLE 10.—*Net value of military procurement actions, with business firms for work in the United States, classified by method of procurement, fiscal years 1951–66*

Fiscal year	Total net value (millions)	Formally advertised procurement		Negotiated procurement	
		Millions	Percent	Millions	Percent
1951	$30,823	$3,720	12.1	$27,103	87.9
1952	41,482	4,479	10.8	37,003	89.2
1953	27,822	3,089	11.1	24,733	88.9
1954	11,448	1,789	15.6	9,659	84.4
1955	14,930	2,386	16.0	12,544	84.0
1956	17,750	2,815	15.9	14,935	84.1
1957	19,133	3,321	17.4	15,812	82.6
1958	21,827	3,115	14.3	18,712	85.7
1959	22,744	3,089	13.6	19,655	86.4
1960	21,302	2,978	14.0	18,324	86.0
1961	22,992	2,770	12.0	20,222	88.0
1962	26,147	3,412	13.1	22,735	86.9
1963	27,143	3,538	13.0	23,605	87.0
1964	26,221	3,889	14.8	22,332	85.2
1965	25,281	4,660	18.4	20,621	81.6
1966	34,026	5,147	15.1	28,879	84.9
Total, 1951–66	391,071	54,196	13.9	336,874	86.1

Source: "Military Prime Contract Awards and Subcontract Payments or Commitments, July 1965–June 1966," Office of the Secretary of Defense.

Three types of negotiation authority account for 44 percent of all procurement in fiscal 1966 as compared to 54 percent in fiscal 1965. The results for fiscal years 1965 and 1966 follow:

Contract awards by statutory authority (excerpt from table 11) [1]

	Percent	
	1965	1966
Impracticable to secure competition by formal advertising	14.4	15.5
Experimental, developmental, test, or research	16.6	21.1
Technical or specialized supplies requiring substantial initial investment or extended period of preparation for manufacture	23.0	16.2
Total	54.0	43.8

[1] Over 35 percent of all negotiated procurement was obtained by price competition in fiscal year 1966.

TABLE 11.—*Awards by statutory authority (July–June)* [1]

[Amounts in thousands]

Statutory authority (10 U.S.C. 2304(a))	July 1964–June 1965						July 1965–June 1966					
	Total		Army amount	Navy amount	Air Force amount	Defense Supply Agency amount	Total		Army amount	Navy amount	Air Force amount	Defense Supply Agency amount
	Amount	Percent					Amount	Percent				
Total	$27,997,037	------	$6,327,460	$8,968,550	$9,658,648	$3,042,379	$38,243,107	------	$11,298,202	$10,464,257	$10,740,754	$5,739,894
Intragovernmental	612,470	------	111,620	278,303	199,478	23,069	1,014,603	------	158,799	448,909	363,531	43,364
Total, except intragovernmental	27,384,567	100.0	6,215,840	8,690,247	9,459,170	3,019,310	37,228,504	100.0	11,139,403	10,015,348	10,377,223	5,696,530
Formally advertised	4,817,214	17.6	1,563,378	1,709,438	431,132	1,113,266	5,283,158	14.2	1,792,440	1,417,196	455,292	1,618,230
Other authority (subtotal)	22,567,353	82.4	4,652,462	6,980,809	9,028,038	1,906,044	31,945,346	85.8	9,346,963	8,598,152	9,921,931	4,078,300
(1) National emergency (subtotal)	[2] 1,638,930	[2] 6.0	512,500	332,857	306,864	486,709	1,856,600	5.0	484,759	328,946	255,909	786,986
(*a*) Labor surplus area and industry setasides	158,166	.6	36,110	26,127	24,595	71,334	156,672	.4	37,375	23,264	7,690	88,343
(*b*) Small business setasides (subtotal)	1,464,146	5.3	471,778	306,626	273,780	411,962	1,594,571	4.3	444,897	304,912	240,938	603,824
1. Unilateral	62,215	.2	30,351	24,479	6,053	1,332	1,398,904	3.8	406,559	273,285	142,737	576,323
2. Joint	1,401,931	5.1	441,427	282,147	267,727	410,630	[3] 195,667	.5	38,338	31,627	98,201	27,501
(*c*) Balance of payments program	16,618	.1	4,612	104	8,489	3,413	105,357	.3	2,487	770	7,281	94,819
(2) Public exigency	1,104,298	4.0	415,316	238,673	364,870	85,439	5,081,593	13.7	2,461,358	582,858	827,784	1,209,593
(3) Purchases not more than $2,500	1,392,953	5.1	378,499	443,970	344,145	226,339	1,704,868	4.6	461,560	513,610	378,776	350,922
(4) Personal or professional services	78,820	.3	35,023	31,051	12,746	0	92,431	.3	34,843	41,959	15,629	0
(5) Services of educational institutions	431,284	1.6	99,178	150,391	181,715	0	383,649	1.0	107,819	159,384	116,446	0
(6) Purchases outside United States	1,036,916	3.8	486,086	104,293	185,474	261,063	1,934,316	5.2	659,179	694,779	230,799	349,559
(7) Medicines or medical supplies	67,353	.2	1,114	1,556	1,836	62,847	126,742	.3	2,227	2,455	1,403	120,657
(8) Supplies purchased for authorized resale	170,674	.6	49,795	25,662	76,879	18,338	230,439	.6	56,487	49,261	102,541	22,150

(9) Perishable or nonperishable subsistence	801,857	2.9	56,464	50,759	141,305	553,329	1,088,222	2.9	61,865	44,951	135,207	846,199
(10) Impractical to secure competition by formal advertising	3,929,339	14.4	729,401	1,470,132	1,552,010	177,796	5,746,988	15.5	1,386,531	1,842,956	2,194,627	322,874
(11) Experimental, developmental test, or research	4,556,792	16.6	932,697	834,971	2,789,104	20	4,495,669	12.1	1,084,911	961,576	2,449,149	33
(12) Classified purchases	115,000	.4	78,409	35,801	790	0	122,571	.3	74,284	44,736	3,551	0
(13) Technical equipment requiring standardization and interchangeability of parts	52,400	.2	6,109	30,315	15,976	0	105,630	.3	2,461	43,119	53,769	6,281
(14) Technical or specialized supplies requiring substantial initial investment or extended period of preparation for manufacturing	6,284,334	23.0	672,178	2,977,359	2,634,797	0	6,039,207	16.2	831,676	2,613,892	2,593,639	0
(15) Negotiation after advertising	1,616	(4)	0	793	806	17	9,889	(4)	6,225	3,530	108	26
(16) Purchases to keep facilities available in the interest of national defense or industrial mobilization	337,241	1.2	47,430	56,301	233,494	16	2,171,779	5.8	1,455,618	349,458	364,256	2,447
(17) Otherwise authorized by law	[2] 567,546	[2] 2.1	152,263	195,925	185,227	34,131	754,753	2.0	175,160	320,682	198,338	60.573

[1] For definitions and coverage, see notes on coverage.
[2] Revised; see table 15, footnote.
[3] Use of the joint procedure was discontinued on July 1, 1965; this value represents modifications in fiscal year 1966 to contracts awarded under this procedure prior to July 1.
[4] Less than 0.05 percent.

The breakdown of awards by States and the District of Columbia for experimental, developmental, test, and research work shows (see table 12):

Percent of total:	*Number of States*
Over 30	1
5 to 10	4
4 to 5	4
3 to 4	
2 to 3	4
1 to 2	5
0 to 1	33

TABLE 12.—*Military prime contract awards of $10,000 or more for research, development, test and evaluation work, by region and State and by type of contractor, fiscal year 1966*

Region and State	Type of contractor							
	Total		Educational institutions		Other nonprofit institutions [1]		Business firms	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
U.S. total	$5,269,421	100.0	$322,690	100.0	$327,828	100.0	$4,618,903	100.0
New England	513,357	9.8	66,944	20.7	35,795	10.9	410,618	9.0
Maine	99	(2)	11	(2)	0	0	88	(2)
New Hampshire	23,599	.5	630	.2	0	0	22,969	.5
Vermont	5,673	.1	47	(2)	0	0	5,626	.1
Massachusetts	348,057	6.6	61,399	19.0	34,524	10.5	252,134	5.5
Rhode Island	15,658	.3	3,791	1.2	0	0	11,867	.3
Connecticut	120,271	2.3	1,066	.3	1,271	.4	117,934	2.6
Middle Atlantic	841,451	15.9	58,112	18.0	33,660	10.3	749,679	16.2
New York	387,010	7.3	30,752	9.5	22,463	6.9	333,795	7.2
New Jersey	201,593	3.8	5,273	1.6	213	(2)	196,107	4.2
Pennsylvania	252,848	4.8	22,087	6.9	10,985	3.4	219,777	4.8
East North Central	472,470	9.0	47,554	14.8	22,914	7.0	402,002	8.7
Ohio	234,691	4.5	6,639	2.1	11,069	3.4	216,983	4.7
Indiana	32,720	.6	1,937	.6	1,629	.5	29,154	.6
Illinois	64,984	1.2	18,614	5.8	10,010	3.1	36,360	.8
Michigan	120,609	2.3	18,348	5.7	45	(2)	102,216	2.2
Wisconsin	19,466	.4	2,016	.6	161	(2)	17,289	.4
West North Central	143,257	2.7	5,096	1.5	6,030	1.9	132,131	2.9
Minnesota	76,022	1.4	2,061	.6	519	.2	73,442	1.6
Iowa	4,974	.1	1,052	.3	0	0	3,922	.1
Missouri	56,631	1.1	1,623	.5	5,493	1.7	49,515	1.1
North Dakota	71	(2)	37	(2)	0	0	34	(2)
South Dakota	172	(2)	21	(2)	0	0	151	(2)
Nebraska	96	(2)	78	(2)	18	(2)	0	0
Kansas	5,291	.1	224	.1	0	0	5,067	.1
South Atlantic	785,891	15.0	71,320	22.1	48,328	14.9	666,243	14.4
Delaware	2,921	0.1	193	.1	0	0	2,728	(2)
Maryland	245,691	4.7	52,607	16.3	5,514	1.7	187,570	4.1
District of Columbia	35,173	.7	9,339	2.9	11,051	3.4	14,783	.3
Virginia	64,260	1.2	1,169	.4	22,540	6.9	40,551	.9
West Virginia	9,040	.2	45	(2)	6,126	1.9	2,869	(2)
North Carolina	54,552	1.0	3,833	1.2	1,519	.5	49,200	1.1
South Carolina	453	(2)	101	(2)	0	0	352	(2)
Georgia	75,881	1.4	750	.2	1,550	.5	73,581	1.6
Florida	297,920	5.7	3,283	1.0	28	(2)	294,609	6.4
South Central	477,067	9.1	9,059	2.9	7,098	2.1	460,910	10.0
Kentucky	916	(2)	458	.2	0	0	458	(2)
Tennessee	58,639	1.1	706	.2	51	(2)	57,882	1.3
Alabama	35,274	.7	603	.2	889	.3	33,782	.7
Mississippi	423	(2)	283	.1	45	(2)	95	(2)
Arkansas	334	(2)	62	(2)	0	0	272	(2)

See footnotes at end of table, p. 53.

TABLE 12.—*Military prime contract awards of $10,000 or more for research, development, test and evaluation work, by region and State and by type of contractor, fiscal year 1966*—Continued

Region and State	Type of contractor							
	Total		Educational institutions		Other nonprofit institutions [1]		Business firms	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
South Central—Con.								
Louisiana	$1,443	(2)	$803	0.3	0	0	640	(2)
Oklahoma	23,867	0.5	601	.2	$257	(2)	$23,009	0.5
Texas	356,171	6.8	5,543	1.7	5,856	1.8	344,772	7.5
Mountain	216,607	4.0	13,153	4.1	3,858	1.1	199,596	4.2
Montana	1,331	(2)	72	(2)	0	0	1,259	(2)
Idaho	20	(1)	20	(2)	0	0	0	0
Wyoming	30	(2)	0	0	0	0	30	(2)
Colorado	133,990	2.5	6,476	2.0	735	.2	126,779	2.7
Utah	15,471	.3	1,773	.6	0	0	13,698	.3
Nevada	1,991	(2)	22	(2)	496	.1	1,473	(2)
New Mexico	27,899	.5	3,717	1.2	2,020	.6	22,162	.5
Arizona	35,875	.7	1,073	.3	607	.2	34,195	.7
Pacific	1,809,517	34.3	47,317	14.6	169,994	51.8	1,592,206	34.5
Washington	125,293	2.4	6,466	2.0	105	(2)	118,722	2.6
Oregon	1,349	(2)	1,111	.3	0	0	238	(2)
California	1,682,875	31.9	39,740	12.3	169,889	51.8	1,473,246	31.9
Alaska and Hawaii	9,804	.2	4,135	1.3	151	(2)	5,518	.1
Alaska	1,685	(2)	1,598	.5	87	(2)	0	0
Hawaii	8,119	.2	2,537	.8	64	(2)	5,518	.1

[1] Includes contracts with other Government agencies.
[2] Less than 0.05 percent.

TABLE 12(a).—*Military prime contract awards of $10,000 or more for experimental, developmental, test, and research work in order of rank by State and the District of Columbia, fiscal year 1966*

Rank	State	Percent	Total percent	Rank	State	Percent	Total percent
1	Idaho	(1)	(1)	27	New Mexico	0.5	3.3
2	Wyoming	(1)	(1)	28	Indiana	.6	3.9
3	North Dakota	(1)	(1)	29	District of Columbia	.7	4.6
4	Nebraska	(1)	(1)	30	Alabama	.7	5.3
5	Maine	(1)	(1)	31	Arizona	.7	6.0
6	South Dakota	(1)	(1)	32	North Carolina	1.0	7.0
7	Arkansas	(1)	(1)	33	Missouri	1.1	8.1
8	Mississippi	(1)	(1)	34	Tennessee	1.1	9.2
9	South Carolina	(1)	(1)	35	Virginia	1.2	10.4
10	Kentucky	(1)	(1)	36	Illinois	1.2	11.6
11	Montana	(1)	(1)	37	Georgia	1.4	13.0
12	Oregon	(1)	(1)	38	Minnesota	1.4	14.4
13	Louisiana	(1)	(1)	39	Connecticut	2.3	16.7
14	Alaska	(1)	(1)	40	Michigan	2.3	19.0
15	Nevada	(1)	(1)	41	Washington	2.4	21.4
16	Delaware	0.1	0.1	42	Colorado	2.5	23.9
17	Iowa	.1	.2	43	New Jersey	3.8	27.7
18	Kansas	.1	.3	44	Ohio	4.5	32.2
19	Vermont	.1	.4	45	Maryland	4.7	36.9
20	Hawaii	.2	.6	46	Pennsylvania	4.8	41.7
21	West Virginia	.2	.8	47	Florida	5.7	47.4
22	Utah	.3	1.1	48	Massachusetts	6.6	54.0
23	Rhode Island	.3	1.4	49	Texas	6.8	60.8
24	Wisconsin	.4	1.8	50	New York	7.3	68.1
25	New Hampshire	.5	2.3	51	California	31.9	100.0
26	Oklahoma	.5	2.8				

[1] Less than 0.05 percent.

Fixed Price Versus Cost Reimbursement Contracts

Notable progress was made during the past 2 fiscal years in the use of fixed-price contracts with an increase of 5.3 percent in fiscal year 1965 and 2.7 percent in fiscal year 1966. Since fiscal year 1961 the increase has been 21.3 percent.

TABLE 13.—*Net value of military procurement actions, by type of contract pricing provisions,[1] fiscal years 1952–66*

[Dollar amounts in millions]

Fiscal year	Total net value of actions	Type of contract			
		Fixed price		Cost reimbursement	
		Dollars	Percent of total	Dollars	Percent of total
1952	$34,028	$27,954	82.1	$6,074	17.9
1953	29,285	23,358	79.8	5,927	20.2
1954	10,942	7,708	70.4	3,234	29.6
1955	13,661	10,366	75.9	3,295	24.1
1956	16,102	11,221	69.7	4,881	30.3
1957	17,997	11,995	66.6	6,002	33.4
1958	22,162	13,389	60.4	8,773	39.6
1959	22,873	13,520	59.1	9,353	40.9
1960	21,182	12,160	57.4	9,022	42.6
1961	22,857	13,243	57.9	9,614	42.1
1962	25,780	15,667	60.8	10,113	39.2
1963	26,225	17,013	64.9	9,212	35.1
1964	25,328	18,029	71.2	7,299	28.8
1965	24,331	18,619	76.5	5,711	23.5
1966	33,515	26,551	79.2	6,964	20.8

[1] Includes Army, Navy, and Air Force, but excludes Armed Services Petroleum Purchasing Agency. Beginning Jan. 1, 1957, data for the Military Petroleum Supply Agency, the successor to ASPPA, are included. Includes oversea procurement except for Army prior to fiscal year 1958. Excludes intragovernmental procurement. Excludes procurement actions less than $10,000 in value. Also excludes some Navy letters of intent (on which pricing provisions had not been determined) during fiscal year 1952.

Source: "Military Prime Contract Awards and Subcontract Payments or Commitments, July 1965–June 1966," Office of the Secretary of Defense.

Utilization of Military Stocks

Substantial progress was continued in the utilization of existing inventories thus obviating the need for additional procurements. From fiscal year 1958 through fiscal year 1966 the amount of utilization has steadily risen from $213 to $1,859 million and still greater improvement is expected in the future as service requirements are matched with inventory stocks through the use of uniform cataloging and modern data processing equipment, as item specifications are standardized, and short shelf life items are more efficiently managed.

TABLE 14.—*Utilization of DOD assets, fiscal years 1958–66*

[In millions]

Utilization of DOD assets	Fiscal year—								
	1958	1959	1960	1961	1962	1963	1964	1965	1966
DOD interservice supply support program (wholesale)	$32	$119	$141	$228	$353	$420	$396	$357	$231
Intraservice utilization of military service declared excess property	117	232	408	616	637	626	769	[1] 799	[1] 1,240
Interservice utilization of military service declared excess property	64	134	117	131	122	111	160	304	388
Total	213	485	666	975	1,112	1,157	1,325	1,460	1,859

[1] Includes reutilization of supply system inventories.

Source: Office of Secretary of Defense.

Disposition of DOD Surplus Stocks

The volume of disposal of surplus DOD personal property has declined about 25 percent from fiscal year 1958 to fiscal year 1966 (table 15) while the percent of total gross proceeds to the total acquisition cost has declined from 3.38 to 2.90 percent and the percent of proceeds to acquisition cost (other than scrap and salvage) has increased almost 1½ percent (table 16). Meanwhile the cost of sales have more than trebled as a percent of gross proceeds from fiscal year 1958 to fiscal year 1966 (table 17).

TABLE 15.—*Total dispositions* [1] *(at acquisition cost) of DOD surplus personal property, fiscal years 1958–66*

[In millions]

	Fiscal year—								
	1958	1959	1960	1961	1962	1963	1964	1965	1966
Utilized by other Government agencies and MAP	$168	$361	$141	$349	$271	$188	$194	$395	$604
Abandoned or destroyed	62	99	118	44	50	74	117	129	114
Authorized donations	221	314	347	275	258	233	273	282	285
Sales (other than scrap and salvage)	2,465.8	2,789.2	2,356.4	1,771.3	1,236.2	891.6	980	975	[2] 804
Expended to scrap	2,993.7	4,576.8	3,626.7	4,331.8	2,233.1	2,537.8	3,818	2,983	2,614
Total dispositions	5,911	8,141	6,589	6,791	4,061	3,941	5,399	4,769	4,421

[1] Exclusive of DOD interservice transfers.
[2] Includes sale of $86,000,000 of missile phaseout property.

TABLE 16.—*Proceeds from disposal sales of surplus personal property by the military departments, fiscal years 1958–66*

[In millions]

Proceeds from disposal	Fiscal year—								
	1958	1959	1960	1961	1962	1963	1964	1965	1966
From sale (other than scrap and salvage)	$128	$140	$124	$106	$87	$59	$61	$55	$47
From sale of other property	55	72	70	61	48	40	42	53	[1] 52
Total	183	212	194	167	135	99	103	108	99
Acquisition cost (total)	5,460	7,366	5,983	6,123	3,482	3,446	4,815	3,958	3,418
Percent of total gross proceeds to total acquisition cost	3.38	2.88	3.24	2.71	3.87	2.87	2.14	2.72	2.90
Percent of proceeds to acquisition cost (other than scrap and salvage)	5.18	5.2	5.25	5.98	7.02	6.66	6.22	5.64	6.52

[1] Includes proceeds realized from sale of missile phaseout property.

TABLE 17.—*Costs of disposal sales of surplus property by the military departments, fiscal years 1958–66*

[In millions]

Costs of disposal sales of surplus property	Fiscal year—								
	1958	1959	1960	1961	1962	1963	1964	1965	1966
Cost for demilitarization	$24.0	$20.5	$26.6	$19.1	$9.1	$9.5	$12.7	$13.2	$13.5
Costs for preparation and selling	18.5	37.8	51.8	65.5	69.0	62.6	64.6	65.1	62.9
Total	42.5	58.3	78.4	84.6	78.1	71.2	77.3	78.3	76.4
Gross proceeds	183.0	212.0	194.0	167.0	135.0	90.0	103.0	108.0	99.0
Percent of sales costs to gross proceeds	23.0	27.5	40.4	50.6	58.0	75.2	75.0	72.5	77.2

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APPENDIXES

Appendix 1

Supporting Tables by Major Agencies on Obligations by Object Class (See table 1, p. 2.)

Obligations by objects for the fiscal years 1966, 1967, and 1968

ALL AGENCIES

[In millions of dollars]

	Description	1966 actual			1967 estimated			1968 estimated		
		Administrative budget	Trust funds	Total	Administrative budget	Trust funds	Total	Administrative budget	Trust funds	Total
10	Personal services and benefits	35,689	732	36,422	39,336	802	40,138	42,892	844	43,736
11	Personnel compensation:									
	Permanent positions	16,025	572	16,598	17,319	662	17,981	18,258	703	18,960
	Military personnel	10,652		10,652	11,925		11,925	13,418		13,418
	Positions other than permanent	1,282	31	1,313	1,589	30	1,619	1,682	31	1,713
	Other personnel compensation	1,002	62	1,065	1,030	32	1,062	1,036	25	1,061
	Special personal service payments	359	1	360	417	2	419	425	2	427
12	Personnel benefits	1,440	47	1,487	1,622	55	1,677	1,741	60	1,881
	Personnel benefits, military	3,090		3,090	3,393		3,393	4,075		4,075
13	Benefits for former personnel	1,838	19	1,857	2,040	21	2,061	2,257	23	2,280
20	Contractual services and supplies	66,257	1,434	67,691	68,568	1,670	70,238	72,602	1,882	74,484
21	Travel and transportation, persons	1,661	12	1,674	1,707	13	1,720	1,937	14	1,951
22	Transportation of things	4,292	9	4,301	4,339	12	4,351	4,851	13	4,864
23	Rent, communications, and utilities	2,240	53	2,293	2,427	59	2,486	2,695	64	2,759
24	Printing and reporduction	329	8	338	357	7	364	407	7	413
25	Other services	21,932	1,092	23,024	23,351	1,173	24,524	24,620	1,357	25,977
	Services of other agencies	2,028	36	2,065	2,013	50	2,063	1,927	39	1,966
	Payments to specified accounts	2,406	34	2,440	2,414	43	2,458	2,630	43	2,673
26	Supplies and materials	31,367	188	31,556	31,959	313	32,272	33,535	345	33,881

Obligations by objects for the fiscal years 1966, 1967, and 1968—Continued

Description	1966 actual			1967 estimated			1968 estimated		
	Administrative budget	Trust funds	Total	Administrative budget	Trust funds	Total	Administrative budget	Trust funds	Total
30 Acquisition of capital assets	32,406	2,635	35,041	35,743	3,578	39,321	36,135	2,977	39,112
31 Equipment	16,154	570	16,724	15,851	958	16,808	17,575	1,164	18,739
32 Lands and structures	4,583	89	4,672	4,327	234	4,561	4,564	306	4,870
33 Investments and loans	11,670	1,975	13,645	15,565	2,386	17,951	13,996	1,506	15,502
40 Grants and fixed charges	35,157	30,146	65,303	40,513	34,622	75,135	42,566	37,818	80,384
41 Grants, subsidies, and contributions	17,196	4,573	21,769	20,796	4,042	24,837	22,076	5,095	27,171
42 Insurance claims and indemnities	4,835	25,166	30,001	5,108	29,913	35,021	5,272	31,515	36,787
43 Interest and dividends	12,993	156	13,149	14,520	324	14,844	15,121	634	15,754
44 Refunds	133	251	384	89	343	432	98	574	672
90 Other	1,168	995	2,162	11,045	799	11,844	2,549	54,558	8.006
91 Unvouchered	13	(1)	13	28	(1)	28	30	(1)	30
92 Not distributed otherwise	154	764	918	361	805	1,166	458	745	1,203
93 Administrative and nonadministrative expenses									
94 Change in selected resources	1,259	240	1,499	−1,011	−9	−1,020	757	−90	667
95 Quarters and subsistence charges	−18	−1	−19	−18	−1	−19	−18	−1	−19
96 Changes in object classification	−241	−8	−249	−221		−221	−229		−229
Proposed for separate transmittal				12,057	3	12,060	4,101	4,803	8,904
Total obligations incurred	170,678	35,942	206,619	195,355	41,471	236,826	199,294	48,978	248,272
Less obligations financed from other sources	−50,201	−2,373	−52,574	−56,473	−2,688	−59,162	−56,124	−3,561	−59,685
Reimbursements from administration budget account	−25,932	−481	−26,413	−29,976	−544	−30,520	−28,103	−671	−28,774
Reimbursements from trust funds	−3,319	−93	−3,412	−3,721	−49	−3,769	−2,463	−28	−2,492
Receipts from the public	−18,777	−1,029	−19,806	−20,845	−1,358	−22,203	−23,740	−2,132	−25,872
Recoveries of prior year obligations	−1,538	(1)	−1,538	−1,146	−4	−1,168	−1,136		−1,136
Interfund transactions	−635	−770	−1,405	−766	−734	−1,500	−682	−730	−1,412
Net obligations incurred	120,477	33,568	154,045	138,883	38,783	177,666	143,170	45,417	188,587
LEGISLATIVE BRANCH									
10 Personal services and benefits	141	1	142	149	1	150	157	1	158
11 Personnel compensation:									
Permanent positions	116	1	117	123	1	124	130	1	131
Military personnel									
Positions other than permanent	2		2	2		2	2		2
Other personnel compensation	14	(1)	14	14	(1)	14	14	(1)	14

	Special personal service payments									
12	Personnel benefits	9	(1)	9	10	(1)	10	10	(1)	11
	Personnel benefits, military									
13	Benefits for former personnel	(1)		(1)	(1)		(1)	(1)		(1)
20	Contractual services and supplies	146	1	147	166	1	167	174	1	175
21	Travel and transportation, persons	3	(1)	3	4	(1)	4	4	(1)	4
22	Transportation of things	2	(1)	2	2	(1)	2	3	(1)	3
23	Rent, communications, and utilities	5	(1)	5	6	(1)	6	6	(1)	6
24	Printing and reproduction	91	(1)	91	107	(1)	107	113	(1)	113
25	Other services	7	(1)	8	8	(1)	8	7	(1)	7
	Services of other agencies	(1)	(1)	(1)	(1)	(1)	(1)	1	(1)	1
	Payments to specified accounts									
26	Supplies and materials	37	(1)	37	39	(1)	39	40	(1)	40
30	Acquisition of capital assets	8	(1)	8	12	(1)	12	10	(1)	10
31	Equipment	5	(1)	6	10	(1)	10	10	(1)	10
32	Lands and structures	2		2	2		2	(1)		(1)
33	Investments and loans									
40	Grants and fixed charges	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
41	Grants, subsidies, and contributions	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
42	Insurance claims and indemnities	(1)		(1)	(1)		(1)	(1)		(1)
43	Interest and dividends									
44	Refunds	(1)	(1)	(1)		(1)	(1)		(1)	(1)
90	Other	124		124	132		132	138		138
91	Unvouchered									
92	Not distributed otherwise	118		118	129		129	136		136
93	Administrative and nonadministrative expenses									
94	Change in selected resources	6		6	2		2	2		2
95	Quarters and subsistence charges									
96	Changes in object clasification									
	Proposed for separate transmittal									
	Total obligations incurred	419	2	421	459	2	461	480	2	482
	Less obligations financed from other sources	−194		−194	−206		−206	−214		−214
	Reimbursements from administrative budget account	−194		−194	−206		−206	−214		−214
	Reimbursements from trust funds									
	Receipts from the public									
	Comparative transfers									
	Recoveries of prior year obligations									
	Net obligations incurred	225	2	227	253	2	255	266	2	268

See footnotes at end of table, p. 89.

Obligations by objects for the fiscal years 1966, 1967, and 1968—Continued

Description	1966 actual			1967 estimated			1968 estimated		
	Administrative budget	Trust funds	Total	Administrative budget	Trust funds	Total	Administrative budget	Trust funds	Total
THE JUDICIARY									
10 Personal services and benefits	72		72	80		80	85		85
11 Personnel compensation:									
Permanent positions	56		56	63		63	67		67
Military personnel									
Positions other than permanent	2		2	1		1	1		1
Other personnel compensation	(1)		(1)	(1)		(1)	(1)		(1)
Special personal service payments	10		10	11		11	12		12
12 Personnel benefits	4		4	4		4	5		5
Personnel benefits, military									
13 Benefits for former personnel	(1)		(1)	(1)		(1)	(1)		(1)
20 Contractual services and supplies	8		8	9		9	10		10
21 Travel and transportation, persons	4		4	4		4	5		5
22 Transportation of things	(1)		(1)	(1)		(1)	(1)		(1)
23 Rent, communications and utilities	2		2	2		2	3		3
24 Printing and reproduction	1		1	1		1	1		1
25 Other services	1		1	1		1	1		1
Services of other agencies									
Payments to specified accounts									
26 Supplies and materials	(1)		(1)	1		1	1		1
30 Acquisition of capital assets	2		2	2		2	2		2
31 Equipment	2		2	2		2	2		2
32 Lands and structures									
33 Investments and loans									
40 Grants and fixed charges		1	1		1	1		1	1
41 Grants, subsidies, and contributions									
42 Insurance claims and indemnities		1	1		1	1		1	1
43 Interest and dividends									
44 Refunds		(1)	(1)		(1)	(1)		(1)	(1)
90 Other		(1)	(1)						

91	Unvouchered									
92	Not distributed otherwise									
93	Administrative and nonadministrative expenses									
94	Change in selected resources		(1)	(1)						
95	Quarters and subsistence charges									
96	Changes in object classification									
	Proposed for separate transmittal									
	Total obligations incurred	82	(1)	82	90	1	91	96	1	97
	Less obligation financed from other sources	(1)		(1)	(1)		(1)	(1)		(1)
	Reimbursements from administrative budget account	(1)		(1)	(1)		(1)	(1)		(1)
	Reimbursements from trust funds									
	Receipts from the public									
	Comparative transfers									
	Recoveries of prior year obligations									
	Net obligations incurred	81	(1)	82	90	1	91	96	1	97

EXECUTIVE OFFICE OF THE PRESIDENT

10	Personal services and benefits	18		18	20		20	21		21
11	Personnel compensation:									
	Permanent positions	15		15	17		17	18		18
	Military personnel									
	Positions other than permanent	1		1	1		1	1		1
	Other personnel compensation	(1)		(1)	(1)		(1)	(1)		(1)
	Special personal service payments	(1)		(1)	(1)		(1)	(1)		(1)
12	Personnel benefits	1		1	1		1	1		1
	Personnel benefits, military									
13	Benefits for former personnel									
20	Contractual services and supplies	10		10	10		10	7		7
21	Travel and transportation, persons	1		1	1		1	1		1
22	Transportation of things	(1)		(1)	(1)		(1)	(1)		(1)
23	Rent, communications, and utilities	1		1	1		1	1		1
24	Printing and reproduction	1		1	1		1	1		1
25	Other services	3		3	3		3	3		3
	Services of other agencies	5		5	5		5	1		1
	Payments to specified accounts									
26	Supplies and materials	(1)		(1)	(1)		(1)	(1)		(1)
30	Acquisition of capital assets	(1)		(1)	(1)		(1)	(1)		(1)
31	Equipment	(1)		(1)	(1)		(1)	(1)		(1)
32	Lands and structures									
33	Investments and loans									

See footnotes at end of table, p. 89.

Obligations by objects for the fiscal years 1966, 1967, and 1968—Continued

Description	1966 actual			1967 estimated			1968 estimated		
	Administrative budget	Trust funds	Total	Administrative budget	Trust funds	Total	Administrative budget	Trust funds	Total
40 Grants and fixed charges	(1)		(1)	(1)		(1)			
41 Grants, subsidies, and contributions			(1)						
42 Insurance claims and indemnities	(1)								
43 Interest and dividends									
44 Refunds				(1)		(1)			
90 Other	(1)		(1)						
91 Unvouchered									
92 Not distributed otherwise									
93 Administrative and nonadministrative expenses									
94 Change in selected resources	(1)		(1)						
95 Quarters and subsistence charges									
96 Changes in object classification									
Proposed for separate transmittal									
Total obligations incurred	28		28	31		31	28		28
Less obligations financed from other sources	−1		−1	−1		−1	−1		−1
Reimbursements from administrative budget account	−2		−2	−1		−1	−1		−1
Reimbursements from trust funds									
Receipts from the public									
Comparative transfers	(1)		(1)						
Recoveries of prior year obligations	(1)		(1)						
Net obligations incurred	27		27	30		30	28		28
FUNDS APPROPRIATED TO THE PRESIDENT									
10 Personal services and benefits	275	(1)	275	337	(1)	337	368	(1)	368
11 Personnel compensation:									
Permanent positions	170	(1)	170	198		198	212		212
Military personnel									
Positions other than permanent	5	(1)	5	7	(1)	7	5	(1)	6

	Other personnel compensation	11		11	13		13	14		14
	Special personal service payments	48		48	74		74	87		87
12	Personnel benefits	33	(1)	33	39	(1)	40	45	(1)	45
	Personnel benifits, military	7		7	5		5	4		4
13	Benefits for former personnel	(1)		(1)	(1)		(1)	(1)		(1)
20	Contractual services and supplies	1,960	217	2,177	1,522	377	1,899	1,536	411	1,946
21	Travel and transportation, persons	80	(1)	80	77	(1)	77	76	(1)	76
22	Transportation of things	120	3	123	87	5	92	79	7	85
23	Rent, communications, and utilities	19	(1)	19	21	(1)	21	22	(1)	22
24	Printing and reproduction	5		5	5		5	5		5
25	Other services	592	69	661	421	101	522	507	102	609
	Services of other agencies	200	2	202	95	5	100	89	6	95
	Payments to specified accounts	1		1	1		1	1		1
26	Supplies and materials	943	143	1,087	816	266	1,082	757	296	1,053
30	Acquisition of capital assets	2,365	540	2,905	2,638	896	3,534	2,270	1,099	3,369
31	Equipment	613	540	1,153	418	896	1,314	414	1,099	1,513
32	Lands and structures	38		38	2		2	(1)		(1)
33	Investments and loans	1,714		1,714	2,218		2,218	1,856		1,856
40	Grants and fixed charges	1,506	10	1,516	1,754	13	1,766	1,977	15	1,992
41	Grants, subsidies, and contributions	1,426		1,426	1,676		1,676	1,900		1,900
42	Insurance claims and indemnities	(1)		(1)	(1)		(1)	(1)		(1)
43	Interest and dividends	80		80	78		78	76		76
44	Refunds		10	10		13	13		15	15
90	Other	−214		−214	−152		−152	−171		−171
91	Unvouchered	(1)		(1)	(1)		(1)	(1)		(1)
92	Not distributed otherwise				1		1	1		1
93	Administrative and nonadministrative expenses									
94	Change in selected resources	−199		−199	−172		−172	−100		−100
95	Quarters and subsistence charges									
96	Changes in object classification	−16		−16						
	Proposed for separate transmittal				18		18	−72		−72
	Total obligations incurred	5,892	767	6,659	6,098	1,286	7,384	5,979	1,526	7,505
	Less obligations financed from oter sources	−625	(1)	−625	−956		−956	−782		−782
	Reimbursements from administrative budget account	−147		−147	−562		−562	−229		−229
	Reimbursements from trust funds	(1)		(1)	(1)		(1)	(1)		(1)
	Receipts from the public	−237		−237	−288		−288	−242		−242
	Comparative transfers	1								
	Recoveries of prior year obligations	−242	(1)	−242	−105		−105	−310		−310
	Net obligations incurred	5,266	7,676	6,033	5,144	1,286	6,428	5,197	1,526	6,723

See footnotes at end of table, p. 89.

Obligations by objects for the fiscal years 1966, 1967, and 1968—Continued

Description	1966 actual			1967 estimated			1968 estimated		
	Administrative budget	Trust funds	Total	Administrative budget	Trust funds	Total	Administrative budget	Trust funds	Total
DEPARTMENT OF AGRICULTURE									
10 Personal services and benefits	750	39	789	809	41	850	834	43	876
11 Personnel compensation:									
Permanent positions	591	28	619	640	29	670	659	30	690
Military personnel									
Positions other than permanent	75	7	82	79	7	86	81	8	89
Other personnel compensation	23	1	25	23	2	25	25	2	26
Special personal service payments	2	(1)	2	1	(1)	1	1	(1)	1
12 Personnel benefits	58	3	61	65	3	68	68	3	71
Personnel benefits, military									
13 Benefits for former personnel	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
20 Contractual services and supplies	6,581	17	6,598	6,826	18	6,843	6,354	18	6,372
21 Travel and transportation, persons	38	2	40	41	2	43	43	2	45
22 Transportation of things	373	1	374	265	1	267	252	1	253
23 Rent, communications, and utilities	37	1	38	38	1	39	41	1	42
24 Printing and reproduction	11	(1)	11	14	(1)	14	15	(1)	16
25 Other services	424	5	429	322	8	330	272	8	280
Services of other agencies	57	5	62	61	2	63	59	2	61
Payments to specified accounts	1,771	(1)	1,717	1,646	(1)	1,646	1,826	(1)	1,826
26 Supplies and materials	3,924	3	3,927	4,437	4	4,441	3,846	3	3,848
30 Acquisition of capital assets	3,251	10	3,261	3,781	7	3,788	3,755	8	3,763
31 Equipment	38	1	39	40	1	40	44	1	45
32 Lands and structures	60	2	62	81	2	83	87	2	89
33 Investments and loans	3,152	8	3,160	3,660	5	3,665	3,624	5	3,628
40 Grants and fixed charges	4,157	1	4,157	4,949	(1)	4,950	4,064	(1)	4,065
41 Grants, subsidies, and contributions	3,757		3,757	4,499		4,499	3,654		3,654
42 Insurance claims and indemnities	43	(1)	43	27	(1)	27	40	(1)	40
43 Interest and dividends	356		356	424		424	371		371
44 Refunds	1	1	2	(1)	(1)	(1)	(1)	(1)	(1)

90	Other	713	(1)	713	−1,458	(1)	−1,459	207	(1)	207
91	Unvouchered									
92	Not distributed otherwise	1	(1)	1	1	(1)	1	1	(1)	1
93	Administrative and nonadministrative expenses									
94	Change in selected resources	720		720	−1,496		−1,496	313		313
95	Quarters and subsistence charges	−2	(1)	−2	−2	(1)	−2	−2	(1)	−2
96	Changes in object classification	−5		−5						
	Proposed for separate transmittal				39		39	−105		−105
	Total obligations incurred	15,452	67	15,518	14,907	66	14,973	15,214	68	15,282
	Less obligations financed from other sources	−8,207	−5	−8,212	−9,623	−10	−9,633	−8,610	−6	−8,617
	Reimbursements from administration budget account	−2,587		−2,587	−2,513		−2,513	−2,545		−2,545
	Reimbursements from trust funds	−4		−4	(1)		(1)	(1)		(1)
	Receipts from the public	−5,612	−5	−5,617	−7,100	−6	−7,107	−6,066	−6	−6,072
	Comparative transfers				(1)		(1)			
	Recoveries of prior year obligations	−5	(1)	−5	−9	−4	−13			
	Net obligations incurred	7,245	61	7,306	5,284	56	5,340	6,604	62	6,665
	DEPARTMENT OF COMMERCE									
10	Personal services and benefits	285	4	289	370	4	375	439	3	442
11	Personnel compensation:									
	Permanent positions	214	2	216	236	3	239	256	3	258
	Military personnel	(1)		(1)	(1)		(1)	(1)		(1)
	Positions other than permanent	31	1	32	69	1	70	104	(1)	104
	Other personnel compensation	16	1	17	29	(1)	29	35	(1)	35
	Special personal service payments	1		1	(1)		(1)	(1)		(1)
12	Personnel benefits	23	(1)	23	35	(1)	35	44	(1)	44
	Personnel benefits, military									
13	Benefits for former personnel	1		1	1		1	1		1
20	Contractual services and supplies	310	3	312	442	3	445	454	3	457
21	Travel and transportation, persons	10	(1)	10	11	(1)	11	16	(1)	16
22	Transportation of things	3	(1)	3	3	(1)	3	4	(1)	4
23	Rent, communicatons, and utilities	20	(1)	20	24	(1)	25	29	(1)	29
24	Printing and reproduction	13	(1)	13	13	(1)	13	14	(1)	14
25	Other services	113	1	114	228	1	229	195	1	196
	Services of other agencies	48	(1)	48	37	(1)	37	47	(1)	47
	Payments to specified accounts	83	1	85	104	1	105	126	2	127
26	Supplies and materials	20	(1)	20	22	(1)	22	23	(1)	23
30	Acquisition of capital assets	90	5	95	66	34	100	109	34	142
31	Equipment	28	5	34	31	34	64	26	34	60
32	Lands and structures	10		10	11		11	3		3
33	Investments and loans	51		51	25		25	80		80

See footnotes at end of table, p. 89.

Obligations by objects for the fiscal years 1966, 1967, and 1968—Continued

	Description	1966 actual			1967 estimated			1968 estimated		
		Administrative budget	Trust funds	Total	Administrative budget	Trust funds	Total	Administrative budget	Trust funds	Total
40	Grants and fixed charges	629	2	631	683	2	685	753	1	755
41	Grants, subsidies and contributions	629		629	681		681	749		749
42	Insurance claims and indemnities	(1)		(1)	(1)		(1)	(1)		(1)
43	Interest and dividends	(1)	2	2	2	2	4	4	1	5
44	Refunds	(1)	(1)	(1)	(1)	(1)	(1)		(1)	(1)
90	Other	−6		−6	1		1	1		1
91	Unvouchered, administrative									
92	Not distributed otherwise									
93	Administrative and nonadministration expenses									
94	Change in selected resources	−6		−6	−1		−1	1		1
95	Quarters and subsistence charges	(1)		(1)	(1)		(1)	(1)		(1)
96	Changes in object classification									
	Proposed for separate transmittal				2		2			
	Total obligations incurred	1,307	14	1,321	1,564	43	1,606	1,756	41	1,797
	Less obligation financed from other sources	−246		−246	−412		−412	−501		−501
	Reimbursements from administration budget account	−224		−224	−385		−385	−471		−471
	Reimbursements from trust funds	−2		−2	−2		−2	−2		−2
	Receipts from the public	−20		−20	−22		−22	−29		−29
	Comparative transfers	1		1	(1)		(1)			
	Recoveries of prior year obligations	−1		−1	−4		−4			
	Net obligations incurred	1,061	14	1,075	1,151	43	1,194	1,254	41	1,296
	DEPARTMENT OF DEFENSE-MILITARY									
10	Personal services and benefits	23,345		23,345	25,692		25,692	28,639		28,639
11	Personnel compensation:									
	Permanent positions	6,882		6,882	7,331		7,331	7,857		7,857
	Military personnel	10,511		10,511	11,764		11,764	13,254		13,254
	Positions other than permanent	114		114	206		206	221		221
	Other personnel compensation	429		429	407		407	387		387
	Special personal service payments	280		280	313		313	307		307
12	Personnel benefits	572		572	628		628	680		680
	Personnel benefits, military	2,962		2,962	3,224		3,224	3,907		3,907

13	Benefits for former personnel	1,594	----	1,594	1,819	----	1,819	2,027	----	2,027
20	Contractual services and supplies	44,516	10	44,525	46,129	20	46,149	50,418	7	50,426
21	Travel and transportation, persons	1,249	(1)	1,249	1,271	(1)	1,271	1,470	(1)	1,470
22	Transportation of things	2,871	----	2,871	2,988	----	2,988	3,476	----	3,476
23	Rent, communications and utilities	1,259	----	1,259	1,375	----	1,375	1,582	----	1,582
24	Printing and reproduction	135	(1)	135	140	(1)	140	172	(1)	172
25	Other services	13,576	(1)	13,576	14,629	(1)	14,629	15,871	(1)	15,871
	Services of other agencies	1,156	4	1,160	1,300	13	1,312	1,213	(1)	1,214
	Payments to specified accounts	----	----	----	----	----	----	----	----	----
26	Supplies and materials	24,269	6	24,276	24,426	7	24,433	26,634	7	26,641
30	Acquisition of capital assets	16,319	(1)	16,319	15,822	(1)	15,822	17,645	(1)	17,645
31	Equipment	14,601	(1)	14,601	14,264	(1)	14,264	15,991	(1)	15,991
32	Lands and structures	1,700	(1)	1,700	1,526	(1)	1,526	1,628	----	1,628
33	Investments and loans	18	----	18	32	----	32	25	----	25
40	Grants and fixed charges	164	----	164	179	----	179	228	----	228
41	Grants, subsidies, and contributions	29	----	29	32	----	32	41	----	41
42	Insurance claims and indemnities	48	----	48	59	----	59	72	----	72
43	Interest and dividends	87	----	87	88	----	88	115	----	115
44	Refunds	−1	----	−1	−1	----	−1	−1	----	−1
90	Other	50	----	50	10,813	----	10,813	1,295	----	1,295
91	Unvouchered	10	----	10	26	----	26	28	----	28
92	Not distributed otherwise	----	----	----	18	----	18	125	----	125
93	Administrative and nonadministrative expenses	----	----	----	----	----	----	----	----	----
94	Change in selected resources	255	----	255	−45	----	−45	−2	----	−2
95	Quarters and subsistence charges	(1)	----	(1)	(1)	----	(1)	(1)	----	(1)
96	Changes in object classification	−215	----	−215	−216	----	−216	−224	----	−224
	Proposed for separate transmittal	----	----	----	11,030	----	11,030	1,369	----	1,369
	Total obligations incurred	84,393	10	84,403	98,635	20	98,655	98,224	7	98,232
	Less obligations financed from other sources	−22,557	----	−22,557	−25,143	----	−25,143	−23,378	----	−23,378
	Reimbursements from administrative budget account	−19,283	----	−19,283	−22,062	----	−22,062	−20,695	----	−20,695
	Reimbursements from trust funds	−1,251	----	−1,251	−1,086	----	−1,086	−649	----	−649
	Receipts from the public	−1,806	----	−1,806	−1,917	----	−1,917	−2,034	----	−2,034
	Comparative transfers	----	----	----	----	----	----	----	----	----
	Recoveries of prior year obligations	−216	----	−216	−78	----	−78	----	----	----
	Net obligations incurred	61,836	10	61,846	73,493	20	73,512	74,846	7	74,853

See footnotes at end of table, p. 89.

Obligations by objects for the fiscal years 1966, 1967, and 1968—Continued

Description	1966 actual			1967 estimated			1968 estimated		
	Administrative budget	Trust funds	Total	Administrative budget	Trust funds	Total	Administrative budget	Trust funds	Total
DEPARTMENT OF DEFENSE—CIVIL									
10 Personal services and benefits	375	6	381	390	6	396	404	7	410
11 Personnel compensation:									
Permanent positions	310	5	315	323	6	328	333	6	339
Military personnel	2		2	3		3	4		4
Positions other than permanent	19	(1)	19	20	(1)	20	21	(1)	22
Other personnel compensation	19	(1)	20	18	(1)	18	18	(1)	18
Special personal service payments	1	(1)	1	(1)	(1)	(1)	(1)	(1)	(1)
12 Personnel benefits	22	(1)	22	24	(1)	25	25	(1)	26
Personnel benefits, military	(1)		(1)	(1)		(1)	1		1
13 Benefits for former personnel	2		2	2		2	2		2
20 Contractual services and supplies	616	9	625	719	8	727	687	6	693
21 Travel and transportation, persons	25	(1)	25	24	(1)	24	25	(1)	26
22 Transportation of things	3	(1)	3	4	(1)	4	4	(1)	4
23 Rent, communications and utilities	12	(1)	12	12	(1)	12	12	(1)	12
24 Printing and reproduction	2	(1)	2	2	(1)	2	2	(1)	2
25 Other services	288	6	294	379	4	383	354	3	357
Services of other agencies	8		8	8	(1)	9	8	(1)	8
Payments to specified accounts	206	2	208	220	2	223	212	2	214
26 Supplies and materials	72	1	73	70	1	71	69	1	70
30 Acquisition of capital assets	840	15	855	783	23	807	847	20	867
31 Equipment	31	(1)	32	31	(1)	31	30	(1)	30
32 Lands and structures	809	15	823	749	23	772	813	20	833
33 Investments and loans				4		4	4		4
40 Grants and fixed charges	57	1	57	63	(1)	63	80	(1)	80
41 Grants, subsidies and contributions	43	(1)	43	40	(1)	40	58	(1)	58
42 Insurance claims and indemnities	2	(1)	2	11		11	10	(1)	10
43 Interest and dividends	12		12	12		12	12		12
44 Refunds	(1)	1	1		(1)	(1)		(1)	(1)

90	Other	−9	(1)	−9	−3	(1)	−3	2	(1)	2
91	Unvouchered, administrative									
92	Not distributed otherwise									
93	Administrative and nonadministrative expenses									
94	Change in selected resources	−9	(1)	−9	−4		−4	3		3
95	Quarters and subsistence charges	−1	(1)	−1	(1)	(1)	−1	−1	(1)	−1
96	Changes in object classification									
	Proposed for separate transmittal				2		2			
	Total obligations incurred	1,878	30	1,909	1,953	38	1,991	2,020	33	2,054
	Less obligations financed from other sources	−518	(1)	−518	−539	(1)	−539	−532	(1)	−532
	Reimbursements from administrative budget accounts	−385		−385	−399		−399	−385		−385
	Reimbursements from trust funds		(1)	(1)		(1)	(1)		(1)	(1)
	Receipts from the public	−134		−134	−142		−142	−147		−147
	Comparative transfers	1		1	3		3			
	Recoveries of prior year obligations	(1)		(1)						
	Net obligations incurred	1,361	30	1,391	1,415	38	1,452	1,488	33	1,521

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

10	Personal services and benefits	435	350	785	525	366	891	578	377	955
11	Personnel compensation:									
	Permanent positions	365	272	637	440	317	757	484	333	817
	Military personnel									
	Positions other than permanent	16	7	23	19	3	22	21	2	23
	Other personnel compensation	10	50	61	13	20	33	14	14	28
	Special personal service payments	3	(1)	4	4	1	5	5	1	6
12	Personnel benefits	36	21	57	43	25	68	48	27	74
	Personnel benefits, military									
13	Benefits for former personnel	4		4	5		5	6		6
20	Contractual services and supplies	487	113	599	632	223	855	727	243	970
21	Travel and transportation, persons	22	6	28	30	5	35	35	6	41
22	Transportation of things	5	2	7	9	2	11	10	2	12
23	Rent, communications and utilities	20	35	55	24	38	61	27	40	67
24	Printing and reproduction	7	7	14	9	5	14	10	5	15
25	Other services	279	49	328	352	157	510	445	174	620
	Services of other agencies	54	8	62	76	10	86	59	10	69
	Payments to specified accounts	48		48	55		55	58		58
26	Supplies and materials	52	6	58	77	5	83	83	5	89
30	Acquisition of capital assets	334	8	341	356	173	529	421	35	457
31	Equipment	27	7	34	29	3	33	37	2	39
32	Lands and structures	24	1	25	53	20	73	84	33	117
33	Investments and loans	283		283	274	150	424	301		301

See footnotes at end of table, p. 89.

Obligations by objects for the fiscal years 1966, 1967, and 1968—Continued

	Description	1966 actual			1967 estimated			1968 estimated		
		Administrative budget	Trust funds	Total	Administrative budget	Trust funds	Total	Administrative budget	Trust funds	Total
40	Grants and fixed charges	8,677	19,794	28,471	10,679	24,080	34,759	11,853	25,653	37,507
41	Grants, subsidies, and contributions	8,546	(1)	8,546	10,289	(1)	10,289	11,471	(1)	11,471
42	Insurance claims and indemnities	131	19,794	19,925	388	24,080	24,468	379	25,653	26,032
43	Interest and dividends				2		2	4		4
44	Refunds									
90	Other	12	612	623	618	678	1,296	338	4,733	5,071
91	Unvouchered	(1)		(1)	(1)		(1)	(1)		(1)
92	Not distributed otherwise		612	612	(1)	678	678	(1)	593	593
93	Administrative and nonadministrative expenses									
94	Change in selected resources	13		13	192		192	160		160
95	Quarters and subsistence charges	−1		−1	−2		−2	−2		−2
96	Changes in object classification									
	Proposed for separate transmittal				427		427	179	4,140	4,319
	Total obligations incurred	9,944	20,877	30,820	12,810	25,521	38,331	13,918	31,042	44,960
	Less obligations financed from other sources	−244	−86	−330	−385	−36	−422	−507	−5	−512
	Reimbursements from administrative budget account	−159		−159	−224		−224	−240		−240
	Reimbursements from trust funds	−7	−86	−93	−37	−36	−73	−11	−5	−16
	Receipts from the public	−45		−45	−124		−124	−256		−256
	Comparative transfers	−33		−33	−1		−1			
	Recoveries for prior year obligations	(1)	(1)	(1)	(1)		(1)			
	Net obligations incurred	9,699	20,791	30,490	12,425	25,484	37,909	13,410	31,037	44,44
	DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT									
10	Personal services and benefits	129		129	144		144	153		153
11	Personnel compensation:									
	Permanent positions	118		118	132		132	139		139
	Military personnel									
	Positions other than permanent	1		1	1		1	1		1
	Other personnel compensation	1		1	1		1	1		1
	Special personal service payments	(1)		(1)	(1)		(1)	(1)		(1)

12	Personnel benefits	9		9	10		10	11		11
	Personnel benefits, military									
13	Benefits for former personnel									
20	Contractual services and supplies	85	19	104	104	28	132	137	34	171
21	Travel and transportation of persons	8		8	8		8	8		8
22	Transportation of things	(1)		(1)	(1)		(1)	(1)		(1)
23	Rent, communications, and utilities	10		10	11		11	12		12
24	Printing and reproduction	1		1	1		1	1		1
25	Other services	12	13	25	18	22	40	37	27	64
	Services of other agencies	2		2	2	(1)	3	4	(1)	4
	Payments to specified accounts	51	6	57	62	6	68	74	6	80
26	Supplies and materials	1		1	1		1	1		1
30	Acquisition of capital assets	4,330	1,804	6,133	5,153	1,719	6,872	4,535	1,337	5,872
31	Equipment	1		1	2		2	2		2
32	Lands and structures	710		710	736		736	739		739
33	Investments and loans	3,618	1,804	5,422	4,415	1,719	6,134	3,794	1,337	5,131
40	Grants and fixed charges	1,426	129	1,555	1,653	400	2,053	2,062	945	3,007
41	Grants, subsidies and contributions	1,083		1,083	1,285		1,285	1,705		1,705
42	Insurance claims and indemnities	(1)		(1)	(1)		(1)	(1)		(1)
43	Interest and dividends	211	129	340	279	296	575	273	604	877
44	Refunds	132		132	89	104	193	83	341	429
90	Other	198	241	440	527	−10	517	430	−90	340
91	Unvouchered									
92	Not distributed otherwise	35		35	204		204	189		189
93	Administrative and nonadministrative expenses									
94	Change in selected resources	164	241	405	323	−10	313	218	−90	128
95	Quarters and subsistence charges									
96	Changes in object classification									
	Proposed for separate transmittal							22		22
	Total obligations incurred	6,169	2,192	8,361	7,581	2,137	9,718	7,317	2,226	9,543
	Less obligations financed from other sources	−4,750	−463	−5,213	−6,104	−714	−6,818	−6,574	−1,480	−8,054
	Reimbursements from administrative budget account	−284	−154	−438	−641	−103	−745	−335	−177	−511
	Reimbursements from trust funds	−1,733		−1,733	−2,107	−2	−2,109	−1,417	−11	−1,428
	Receipts from the public	−2,412	−309	−2,722	−3,081	−609	−3,690	−4,470	−1,292	−5,762
	Comparative transfers				(1)		(1)			
	Recoveries of prior year obligations	−320		−320	−275		−275	−353		−353
	Net obligations incurred	1,419	1,729	3,148	1,477	1,423	2,900	743	746	1,489

See footnotes at end of table, p. 89.

Obligations by objects for the fiscal years 1966, 1967, and 1968—Continued

Description	1966 actual			1967 estimated			1968 estimated		
	Administrative budget	Trust funds	Total	Administrative budget	Trust funds	Total	Administrative budget	Trust funds	Total
DEPARTMENT OF THE INTERIOR									
10 Personal services and benefits	547	10	558	597	11	608	609	12	621
11 Personnel compensation:									
Permanent positions	457	8	465	497	9	506	506	9	515
Military personnel									
Positions other than permanent	38	1	39	43	1	44	43	1	45
Other personnel compensation	14	(1)	14	14		15	14	(1)	14
Special personal service payments	1		1	1		1	1		1
12 Personnel benefits	38	1	38	43	1	43	45	1	46
Personnel benefits, military									
13 Benefits for former personnel	(1)		(1)	(1)		(1)	(1)		(1)
20 Contractual services and supplies	361	14	375	409	19	428	431	19	451
21 Travel and transportation, persons	28	(1)	29	32	(1)	32	35	(1)	36
22 Transportation of things	12	(1)	13	14	(1)	15	15	(1)	16
23 Rent, communications, and utilities	26	1	26	28	1	29	30	1	31
24 Printing and reproduction	6	(1)	6	6	(1)	6	7	(1)	7
25 Other services	114	10	124	148	15	163	166	15	181
Services of other agencies	24	(1)	24	26	(1)	27	28	(1)	28
Payments to specified accounts	(1)		(1)	(1)		(1)	(1)		(1)
26 Supplies and materials	152	2	154	154	2	156	150	2	152
30 Acquisition of capital assets	435	2	438	514	3	517	521	7	528
31 Equipment	51	1	51	60	1	61	81	1	82
32 Lands and structures	363	2	365	423	2	425	411	6	417
33 Investments and loans	22	(1)	22	32		32	29		29
48 Grants and fixed charges	331	76	406	500	66	566	564	57	620
41 Grants, subsidies, and contributions	319	(1)	319	487	(1)	487	548	(1)	548
42 Insurance claims and indemnities	3		3	1		1	2		2
43 Interest and dividends	9		9	11		11	15		15
44 Refunds	(1)	76	76	(1)	66	66	(1)	57	57
90 Other	−14	−6	−20	87	(1)	87	133	(1)	133

91	Unvouchered, administrative	(1)		(1)	(1)		(1)	(1)		(1)
92	Not distributed otherwise		(1)	(1)	1	(1)	1	(1)	(1)	1
93	Administrative and nonadministrative expenses									
94	Change in selected resources	−6	(1)	−6	3		3	8		8
95	Quarters and subsistence charges	−4	(1)	−4	−4	(1)	−4	−4	(1)	−4
96	Changes in object classification	−4	−6	−10	−5		−5	−4		−4
	Proposed for separate transmittal				92		92	133		133
	Total obligations incurred	1,661	96	1,757	2,107	99	2,207	2,258	94	2,353
	Less obligations financed from other sources	−191	(1)	−192	−341		−341	−340		−340
	Reimbursements from administrative budget account	−103		−103	−108		−108	−106		−106
	Reimbursements from trust funds	−3	(1)	−3	−3		−3	−3		−3
	Receipts from the public	−79		−79	−230		−230	−231		−231
	Comparative transfers	−3		−3	(1)		(1)			
	Recoveries of prior year obligations	−4	(1)	−4						
	Net obligations incurred	1,469	96	1,566	1,766	99	1,865	1,918	94	2,013

DEPARTMENT OF JUSTICE

10	Personal services and benefits	329	1	330	353	(1)	353	362	(1)	362
11	Personnel compensation:									
	Permanent positions	280	1	281	300	(1)	300	306	(1)	306
	Military personnel									
	Positions other than permanent	2	(1)	2	2		2	2		2
	Other personnel compensation	18	(1)	18	20	(1)	20	21	(1)	21
	Special personal service payments	7	(1)	7	7		7	7		7
12	Personnel benefits	22	(1)	22	24	(1)	24	26	(1)	26
	Personnel benefits, military									
13	Benefits for former personnel									
20	Contractual services and supplies	93	161	254	95	16	110	99	71	170
21	Travel and transportation, persons	17	(1)	17	16	(1)	16	18	(1)	18
22	Transportation of things	2	(1)	2	3	(1)	3	3	(1)	3
23	Rent, communications and utilities	11	(1)	11	11	(1)	11	11	(1)	11
24	Printing and reproduction	2	(1)	2	3		3	3		3
25	Other services	11	159	170	11	13	25	11	69	80
	Services of other agencies	2	(1)	2	1		1	2		2
	Payments to specified accounts					(1)	(1)		(1)	(1)
26	Supplies and materials	49	2	51	50	2	52	52	2	54
30	Acquisition of capital assets	14	(1)	14	21	(1)	21	26	(1)	26
31	Equipment	11	(1)	11	11	(1)	11	11	(1)	11
32	Lands and structures	3		3	10		10	16		16
33	Investments and loans		(1)	(1)						

See footnotes at end of table, p. 89.

Obligations by objects for the fiscal years 1966, 1967, and 1968—Continued

Description	1966 actual			1967 estimated			1968 estimated		
	Administrative budget	Trust funds	Total	Administrative budget	Trust funds	Total	Administrative budget	Trust funds	Total
40 Grants and fixed charges	1	(1)	1	8	(1)	8	14	(1)	14
41 Grants, subsidies and contributions	1	(1)	1	8	(1)	8	13	(1)	13
42 Insurance claims and indemnities	(1)		(1)	(1)		(1)	(1)		(1)
43 Interst and dividends									
44 Refunds	(1)		(1)	(1)		(1)	(1)		(1)
90 Other	17		17	−6		−6	35		35
91 Unvouchered administrative	(1)		(1)	(1)		(1)	(1)		(1)
92 Not distributed otherwise									
93 Administrative and nonadministrative expenses									
94 Change in selected resources	17		17	−9		−9	4		4
95 Quarters and subsistence charges	−1		−1	−1		−1	−1		−1
96 Changes in object classification									
Proposed for separate transmittal				3		3	31		31
Total obligations incurred	455	162	616	471	16	487	535	71	607
Less obligations financed from other sources	−63	−9	−71	−59	−13	−72	−59	−9	−68
Reimbursements from administrative budget account	−59		−59	−55		−55	−55		−55
Reimbursements from trust funds		−6	−6	(1)	−10	−10	(1)	−7	−7
Receipts from the public	−4	−3	−6	−4	−2	−6	−4	−2	−6
Comparative transfers									
Recoveries of prior year obligations									
Net obligations incurred	392	153	545	412	3	415	476	62	538
DEPARTMENT OF LABOR									
10 Personal services and benefits	184	8	192	156	8	164	161	8	169
11 Personnel compensation:									
Permanent positions	78	7	85	86	7	93	92	7	99
Military personnel									
Positions other than permanent	1	(1)	1	1	(1)	1	1	(1)	1

	Other personnel compensation	1	(1)	1	1	(1)	1	1	(1)	1
	Special personal service payments	(1)		(1)	(1)		(1)	(1)		(1)
12	Personnel benefits	6	1	6	7	1	7	7	1	8
	Personnel benefits, military									
13	Benefits for former personnel	98		98	61		61	60		60
20	Contractual services and supplies	551	181	73	54	20	74	62	20	82
21	Travel and transportation, persons	6	(1)	6	6	(1)	7	7	(1)	7
22	Transportation of things	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
23	Rent, communications, and utilities	5	1	6	5	1	6	5	1	6
24	Printing and reproduction	3	(1)	3	3	(1)	3	3	(1)	3
25	Other services	6	1	7	7	(1)	7	6	(1)	7
	Services of other agencies	34	(1)	35	32	(1)	32	38	(1)	38
	Payments to specified accounts	(1)	16	16	(1)	18	18		18	18
26	Supplies and materials	1	(1)	1	2	(1)	2	2	(1)	2
30	Acquisition of capital assets	211	(1)	211	295	100	395	305	(1)	306
31	Equipment	1	(1)	1	1	(1)	1	1	(1)	1
32	Lands and structures									
33	Investments and loans	210		210	295	100	395	304		304
40	Grants and fixed charges	477	2,523	3,000	480	2,428	2,908	503	2,414	2,917
41	Grants, subsidies, and contributions	402	536	938	403	605	1,008	411	638	1,049
42	Insurance claims and indemnities	75	1,974	2,049	77	1,810	1,887	93	1,764	1,857
43	Interest and dividends		13	13		13	13		12	12
44	Refunds									
90	Other	(1)	122	122	12	99	111		92	92
91	Unvouchered									
92	Not distributed otherwise		122	122		99	99		92	92
93	Administrative and nonadministrative expenses									
94	Change in selected resources	(1)	(1)	(1)	(1)		(1)			
95	Quarters and subsistence charges									
96	Changes in object classification									
	Proposed for separate transmittal				12		12			
	Total obligations incurred	927	2,671	3,598	997	2,655	3,652	1,031	2,535	3,565
	Less obligations financed from other sources	−276	(1)	−276	−370	(1)	−371	−385	(1)	−385
	Reimbursements from administrative budget accounts	−43		−43	−51		−51	−53		−53
	Reimbursements from trust funds	−229	(1)	−230	−318	(1)	−318	−328	(1)	−328
	Receipts from the public	(1)		(1)	(1)		(1)	−3		−3
	Comparative transfers	−1		−1	(1)		(1)			
	Recoveries of prior year obligations	−3		−3	−1		−1			
	Net obligations incurred	652	2,670	3,322	627	2,655	3,281	646	2,534	3,180

See footnotes at end of table, p. 89.

Obligations by objects for the fiscal years 1966, 1967, and 1968—Continued

	Description	1966 actual			1967 estimated			1968 estimated		
		Administrative budget	Trust funds	Total	Administrative budget	Trust funds	Total	Administrative budget	Trust funds	Total
	POST OFFICE DEPARTMENT									
10	Personal services and benefits	4,519		4,519	5,050		5,050	5,268		5,268
11	Personnel compensation:									
	Permanent positions	3,045		3,045	3,359		3,359	3,492		3,492
	Military personnel									
	Positions other than permanent	822		822	974		974	1,017		1,017
	Other personnel compensation	329		329	348		348	365		365
	Special personal service payments									
12	Personnel benefits	323		323	369		369	395		395
	Personnel benefits, military									
13	Benefits for former personnel									
20	Contractual services and supplies	1,094		1,094	1,159		1,159	1,255		1,255
21	Travel and transportation, persons	28		28	28		28	30		30
22	Transportation of things	776		776	820		820	858		858
23	Rent, communications and utilities	151		151	165		165	184		184
24	Printing and reproduction	7		7	7		7	9		9
25	Other services	48		48	52		52	71		71
	Services of other agencies	2		2	2		2	2		2
	Payments to specified accounts									
26	Supplies and materials	82		82	85		85	102		102
30	Acquisition of capital assets	115		115	155		155	266		266
31	Equipment	94		94	124		124	152		152
32	Lands and structures	21		21	31		31	114		114
33	Investments and loans									
48	Grants and fixed charges	12		12	13		13	14		14
41	Grants, subsidies, and contributions									
42	Insurance claims and indemnities	12		12	13		13	14		14
43	Interest and dividends									
44	Refunds									

90 Other									
91 Unvouchered									
92 Not distributed otherwise									
93 Administrative and nonadministrative expenses									
94 Change in selected resources									
95 Quarters and subsistence charges									
96 Changes in object classification									
Proposed for separate transmittal									
Total obligations incurred	5,740		5,740	6,378		6,378	6,804		6,804
Less obligations financed from other sources	−4,793		−4,793	−5,151		−5,151	−6,153		−6,153
Reimbursements from administrative budget account	−218		−218	−238		−238	−257		−257
Reimbursements from trust funds									
Receipts from the public	−4,574		−4,574	−4,912		−4,912	−5,896		−5,896
Comparative transfers									
Recoveries of prior year obligations	−1		−1						
Net obligations incurred	947		947	1,227		1,227	651		651
DEPARTMENT OF STATE									
10 Personal services and benefits	210	(1)	211	226	1	227	234	1	235
11 Personnel compensation:									
Permanent positions	174	(1)	174	187	(1)	188	194	1	194
Military personnel									
Positions other than permanent	2	(1)	2	2		2	2		2
Other personnel compensation	7		7	7		7	8		8
Special personal service payments	2		2	2		2	2		2
12 Personnel benefits	25	(1)	25	27	(1)	28	29	(1)	29
Personnel benefits, military									
13 Benefits for former personnel									
20 Contractual services and supplies	130	(1)	130	139	(1)	139	143	(1)	140
21 Travel and transportation, persons	21	(1)	21	21	(1)	21	21	(1)	21
22 Transportation of things	16	(1)	16	17	(1)	18	18	(1)	18
23 Rent, communications and utilities	24	(1)	24	27	(1)	27	29	(1)	29
24 Printing and reproduction	1	(1)	1	2	(1)	2	2	(1)	2
25 Other services	28	(1)	28	30	(1)	30	30	(1)	30
Services of other agencies	24		24	26		26	24		24
Payments to specified accounts	3		3	3		3	3		3
26 Supplies and materials	12	(1)	12	13	(1)	13	14	(1)	14
30 Acquisition of capital assets	52	(1)	52	59	(1)	59	35	(1)	35
31 Equipment	11	(1)	11	12	(1)	12	12	(1)	12
32 Lands and structures	41		41	47		47	23		23
33 Investments and loans									

See footnotes at end of table, p. 89.

Obligations by objects for the fiscal years 1966, 1967, and 1968—Continued

	Description	1966 actual			1967 estimated			1968 estimated		
		Administrative budget	Trust funds	Total	Administrative budget	Trust funds	Total	Administrative budget	Trust funds	Total
40	Grants and fixed charges	149	9	158	148	12	160	157	13	170
41	Grants, subsidies, and contributions	149	(1)	149	148	(1)	148	157	(1)	157
42	Insurance claims and indemnities	(1)	9	9	(1)	11	11	(1)	12	12
43	Interest and dividends									
44	Refunds		(1)	(1)		(1)	(1)		(1)	(1)
90	Other	1		1	5		5	2		2
91	Unvouchered	2		2	2		2	2		2
92	Not distributed otherwise									
93	Administrative and nonadministrative expenses									
94	Change in selected resources									
95	Quarters and subsistence charges	(1)		(1)	(1)		(1)	(1)		(1)
96	Changes in object classification	−1		−1						
	Proposed for separate transmittal				3		3			
	Total obligations incurred	543	10	553	578	12	590	569	14	582
	Less obligations financed from other sources	−130	(1)	−130	−165		−165	−152		−152
	Reimbursements from administrative budget account	−128		−128	−142		−142	−148		−148
	Reimbursements from trust funds									
	Receipts from the public	−2		−2	−6		−6	−4		−4
	Comparative transfers									
	Recoveries of prior year obligations	(1)	(1)	(1)	−18		−18			
	Net obligations incurred	413	10	422	413	12	425	417	14	430
	DEPARTMENT OF TRANSPORTATION									
10	Personal services and benefits	762	42	803	817	46	862	842	47	889
11	Personnel compensation:									
	Permanent positions	478	38	516	498	41	538	515	42	556
	Military personnel	133		133	151		151	154		154
	Positions other than permanent	5	(1)	6	5	(1)	6	5	(1)	5
	Other personnel compensation	23	1	24	30	1	31	31	1	32
	Special personal service payments	1		1	1		1	1		1
12	Personnel benefits	38	3	41	42	4	46	43	4	47
	Personnel benefits, military	43		43	45		45	45		45

13	Benefits for former personnel	41		41	45		45	48		48
20	Contractual services and supplies	443	18	461	636	23	659	485	26	512
21	Travel and transportation, persons	27	3	30	31	3	34	35	3	38
22	Transportation of things	16	3	19	17	3	20	17	3	21
23	Rent, communications, and utilities	54	3	58	57	3	61	61	3	65
24	Printing and reproduction	2	(1)	2	3	(1)	3	3	(1)	3
25	Other services	205	5	210	373	8	382	202	11	214
	Services of other agencies	30	1	31	45	1	46	51	1	52
	Payments to specified accounts	(1)		(1)	(1)		(1)	(1)		(1)
26	Supplies and materials	109	3	112	110	4	114	116	4	120
30	Acquisition of capital assets	157	16	173	304	18	322	254	15	269
31	Equipment	76	9	85	218	10	228	163	11	174
32	Lands and structures	80	7	87	86	7	94	91	4	95
33	Investments and loans									
40	Grants and fixed charges	146	4,001	4,147	194	3,386	3,579	2,271	4,402	4,630
41	Grants, subsidies, and contributions	140	4,001	4,140	188	3,386	3,574	207	4,402	4,609
42	Insurance claims and indemnities	1	(1)	1	1		1	(1)		(1)
43	Interest and dividends	5	1	5	5		5	5		5
44	Refunds							15		15
90	Other	471	(1)	47	−15	(1)	−15	−218	561	343
91	Unvouchered, administrative									
92	Not distributed otherwise									
93	Administrative and nonadministrative expenses									
94	Change in selected resources	48	(1)	48	−14	(1)	−14	−13		−13
95	Quarters and subsistence charges	−1		−1	−1		−1	−1		−1
96	Changes in object classification									
	Proposed for separate transmittal				(1)		(1)	−204	561	357
	Total obligations incurred	1,554	4,077	5,631	1,935	3,472	5,407	1,591	5,051	6,642
	Less obligations financed from other sources	−130	−16	−147	−132	−20	−152	−105	−26	−131
	Reimbursements from administrative budget account	−95	−16	−111	−97	−20	−117	−79	−21	−101
	Reimbursements from trust funds	−1	(1)	−1	−1		−1		−5	−5
	Receipts from the public	−24	(1)	−24	−25	(1)	−25	−25	(1)	−25
	Comparative transfers	−10		−10	−9		−9			
	Recoveries of prior year obligations	(1)	(1)	(1)						
	Net obligations incurred	1,423	4,061	5,484	1,803	3,452	5,255	1,486	5,025	6,511

See footnotes at end of table, p. 89.

Obligations by objects for the fiscal years 1966, 1967, and 1968—Continued

Description	1966 actual			1967 estimated			1968 estimated		
	Administrative budget	Trust funds	Total	Administrative budget	Trust funds	Total	Administrative budget	Trust funds	Total
TREASURY DEPARTMENT									
10 Personal services and benefits	735	2	738	798	3	801	815	3	818
11 Personnel compensation:									
Permanent positions	639	2	641	685	2	688	708	2	710
Military personnel	21	(1)	21	30	(1)	30	24	(1)	24
Positions other than permanent	24	(1)	24	26	(1)	26	24	(1)	24
Other personnel compensation	1	(1)	1	1	(1)	1	1	(1)	1
Special personal service payments	50	(1)	51	56	(1)	56	58	(1)	59
12 Personnel benefits									
Personnel benefits, military									
13 Benefits for former personnel									
20 Contractual services and supplies	153	1	153	168	1	168	165	1	166
21 Travel and transportation, persons	21	(1)	21	23	(1)	23	25	(1)	25
22 Transportation of things	6	(1)	6	7	(1)	7	7	(1)	7
23 Rent, communications and utilities	45	(1)	45	46	(1)	46	54	(1)	54
24 Printing and reproduction	16		16	16		16	17		17
25 Other services	13	1	14	13	1	14	14	1	15
Services of other agencies	32		32	42		42	28		28
Payments to specified accounts									
26 Supplies and materials	18	(1)	18	20	(1)	20	20	(1)	20
30 Acquisition of capital assets	27	(1)	27	22	(1)	22	22	(1)	22
31 Equipment	27	(1)	27	21	(1)	21	20	(1)	20
32 Lands and structures	(1)		(1)	(1)		(1)	(1)		(1)
33 Investments and loans		(1)	(1)				1		1
40 Grants and fixed charges	12,228	23	12,251	13,580	36	13,616	14,212	35	14,247
41 Grants, subsidies, and contributions	52	20	71	52	28	80	52	25	77
42 Insurance claims and indemnities	44	3	47	19	7	26	7	9	16
43 Interest and dividends	12,132		12,132	13,509	(1)	13,509	14,153		14,153
44 Refunds		1	1		1	1		1	1
90 Other	−2		−2	(1)		(1)	76		76

91	Unvouchered	(1)		(1)	(1)		(1)	( )		(1)
92	Not distributed otherwise									
93	Administrative and nonadministrative expenses									
94	Change in selected resources	−2		−2	(1)		(1)	(1)		(1)
95	Quarters and subsistence charges	(1)		(1)	(1)		(1)	(1)		(1)
96	Changes in object classification									
	Proposed for separate transmittal				(1)		(1)	76		76
	Total obligations incurred	13,141	26	13,167	14,569	39	14,608	15,290	38	15.328
	Less obligations financed from other sources	−60	(1)	−60	−93		−93	−162		−162
	Reimbursements from administrative budget account	−25		−25	−29		−29	−32		−32
	Reimbursements from trust funds	−1		−1	−1		−1	−1		−1
	Receipts from the public	−35		−35	−63		−63	−129		−129
	Comparative transfers									
	Recoveries of prior year obligations	(1)	(1)	(1)	(1)		(1)	(1)		(1)
	Net obligations incurred	13,081	26	13,107	14,476	39	14,515	15,129	38	15,167

ATOMIC ENERGY COMMISSION

10	Personal services and benefits	84	(1)	84	90	(1)	90	92	(1)	92
11	Personnel compensation:									
	Permanent positions	75	(1)	75	80	(1)	80	82	(1)	82
	Military personnel									
	Positions other than permanent	1		1	1		1	1		1
	Other personnel compensation	1		1	1		1	1		1
	Special personal service payments	(1)		(1)	(1)		(1)	(1)		(1)
12	Personnel benefits	6	(1)	6	6	(1)	6	7	(1)	7
	Personnel benefits, military									
13	Benefits for former personnel	(1)		(1)	(1)		(1)	(1)		(1)
20	Contractual services and supplies	2,267	1	2,268	2,364	1	2,365	2,379	(1)	2,379
21	Travel and transportation, persons	4		4	4	(1)	4	4	(1)	4
22	Transportation of things	3		3	5		5	5		5
23	Rent, communications, and utilities	145		145	128		128	118		118
24	Printing and reproduction	1		1	1		1	1		1
25	Other services	1,827	1	1,828	1,979	1	1,980	2,022	(1)	2,023
	Services of other agencies	70		70	68		68	83		83
	Payments to specified accounts									
26	Supplies and materials	217		217	179		179	146		146
30	Acquisition of capital assets	313		313	267		267	287		287
31	Equipment	151		151	152		152	153		153
32	Lands and structures	163		163	115		115	134		134
33	Investments and loans									

See footnotes at end of table, p. 89.

Obligations by objects for the fiscal years 1976, 1967, and 1968—Continued

	Description	1966 actual			1967 estimated			1968 estimated		
		Administrative budget	Trust funds	Total	Administrative budget	Trust funds	Total	Administrative budget	Trust funds	Total
40	Grants and fixed charges	3		3	6		6	6		6
41	Grants, subsidies, and contributions	3		3	6		6	6		6
42	Insurance claims and indemnities	(1)		(1)	(1)		(1)	(1)		(1)
43	Interest and dividends									
44	Refunds									
90	Other	46	(1)	46	220	(1)	220	48		48
91	Unvouchered				(1)		(1)	(1)		(1)
92	Not distributed otherwise									
93	Adminstration and nonadministration expenses									
94	Change in selected resources	46	(1)	46	220	(1)	220	48		48
95	Quarters and subsistence charges									
96	Changes in object classification									
	Proposed for separate transmittal									
	Total obligations incurred	2,714	1	2,715	2,948	1	2,984	2,812	(1)	2,812
	Less obligations financed from other sources	−343		−343	−355		−355	−319		−319
	Reimbursements from administrative budget account	−209		−209	−239		−239	−217		−217
	Reimbursements from trust funds	−2		−2	−7		−7	−3		−3
	Receipts from the public	−130		−130	−109		−109	−98		−98
	Comparative transfers									
	Recoveries of prior year obligations	−3		−3	(1)		(1)			
	Net obligations incurred	2,371	1	2,372	2,593	1	2,594	2,493	(1)	2,493
	GENERAL SERVICES ADMINISTRATION									
10	Personal services and benefits	260	1	260	282	1	282	294	1	295
11	Personnel compensation:									
	Permanent positions	230	1	231	246	1	247	259	1	259
	Military personnel									
	Positions other than permanent	4	(1)	4	6	(1)	6	6	(1)	6
	Other personnel compensation	7	(1)	7	9	(1)	9	8	(1)	8
	Special personal service payments									

12	Personnel benefits	18	(1)	18	21	(1)	21	21	(1)	22
	Personnel benefits, military									
13	Benefits for former personnel	(1)		(1)	(1)		(1)	(1)		(1)
20	Contractual services and supplies	1,427	(1)	1,428	1,564	(1)	1,564	1,606	(1)	1,606
21	Travel and transportation, persons	3	(1)	3	4	(1)	4	4	(1)	4
22	Transportation of things	29	(1)	29	37	(1)	37	43	(1)	43
23	Rent, communications, and utilities	241	(1)	241	262	(1)	262	266	(1)	266
24	Printing and reproduction	3	(1)	3	3	(1)	3	3	(1)	3
25	Other services	19	(1)	190	199	(1)	199	213	(1)	213
	Services of other agencies	12	(1)	12	12		12	12		12
	Payments to specified accounts	255		255	276		276	281		281
26	Supplies and materials	694	(1)	694	771	(1)	771	784	(1)	784
30	Acquisition of capital assets	1,931	(1)	193	234	(1)	234	255	(1)	255
31	Equipment	29	(1)	29	18	(1)	18	48	(1)	49
32	Lands and structures	164	(1)	164	216	(1)	216	206		206
33	Investments and loans	(1)		(1)						
40	Grants and fixed charges	31	(1)	3	3	(1)	3	3	(1)	3
41	Grants, subsidies, and contributions	2	(1)	2	2	(1)	2	2	(1)	
42	Insurance claims and indemnities	(1)		(1)	(1)		(1)	(1)		(1)
43	Interest and dividends	1		1	1		1	1		1
44	Refunds									
90	Other	85	(1)	85	124		124	144		144
91	Unvouchered									
92	Not distributed otherwise	1		1						
93	Administrative and nonadministrative expenses									
94	Change in selected resources	84	(1)	84	14		14	30		30
95	Quarters and subsistence charges									
96	Changes in object classification									
	Proposed for separate transmittal				110		110	114		114
	Total obligations incurred	1,968	1	1,969	2,207	1	2,208	2,301	1	2,302
	Less obligations financed from other sources	−1,357	−1	−1,358	−1,540	−1	−1,541	−1,601	−1	−1,602
	Reimbursements from administrative budget accounts	−1,317	(1)	−1,317	−1,501	(1)	−1,501	−1,554	(1)	−1,554
	Reimbursements from trust funds	−35		−35	−36		−36	−40		−40
	Receipts from the public	−4	−1	−5	−2	−1	−3	−7	−1	−8
	Comparative transfers	(1)		(1)						
	Recoveries of prior year obligations	−1		−1	−1		−1			
	Net obligations incurred	611	(1)	611	667	(1)	667	700	(1)	700

See footnotes at end of table, p. 89.

Obligations by objects for the fiscal years 1966, 1967, and 1968—Continued

Description	1967 actual			1967 estimated			1968 estimated		
	Administrative budget	Trust funds	Total	Administrative budget	Trust funds	Total	Administrative budget	Trust funds	funds
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION									
10 Personal services and benefits	380		380	410		410	419		419
11 Personnel compensation:									
Permanent positions	332		332	360		360	369		369
Military personnel	2		2	4		4	3		3
Positions other than permanent	5		5	5		5	5		5
Other personnel compensation	14		14	11		11	11		11
Special personal service payments	(1)		(1)	(1)		(1)	(1)		(1)
12 Personnel benefits	26		26	29		29	30		30
Personnel benefits, military									
13 Benefits for former personnel	(1)		(1)	(1)		(1)	(1)		(1)
20 Contractual services and supplies	4,573	(1)	4,573	4,474	1	4,475	4,492	2	4,494
21 Travel and transportation, persons	20		20	21		21	21		21
22 Transportation of things	18		18	18		18	17		17
23 Rent, communications and utilities	86		86	113		113	124		124
24 Printing and reproduction	7		7	8		8	8		8
25 Other services	3,973	(1)	3,973	3,959	1	3,959	3,963	2	3,966
Services of other agencies	220		220	122		122	127		127
Payments to specified accounts									
26 Supplies and materials	250		250	233		233	232		232
30 Acquisition of capital assets	483		483	378		378	312	(1)	312
31 Equipment	244		244	262		262	227	(1)	227
32 Lands and structures	239		239	116		116	85		85
33 Investments and loans									
40 Grants and fixed charges	3		3	3		3	3		3
41 Grants, subsidies, and contributions	3		3	3		3	3		3
42 Insurance claims and indemnities	(1)		(1)	(1)		(1)	(1)		(1)
43 Interest and dividends									
44 Refunds									

90	Other								
91	Unvouchered								
92	Not distributed otherwise								
93	Administrative and nonadministrative expenses								
94	Change in selected resources								
95	Quarters and subsistence charges								
96	Changes in object classification								
	Proposed for separate transmittal								
	Total obligations incurred	5,439	(1)	5,439	5,264	1	5,265	5,226	2	5,229
	Less obligations financed from other sources	−57		−57	−102		−102	−79		−79
	Reimbursements from administrative budget accounts	−56		−56	−91		−91	−65		−65
	Reimbursements from trust funds									
	Receipts from the public	(1)		(1)	−12		−12	−14		−14
	Comparative transfers									
	Recoveries of prior year obligations									
	Net obligations incurred	5,382	(1)	5,382	5,162	1	5,163	5,148	2	5,150

VETERANS' ADMINISTRATION

10	Personal services and benefits	1,219		1,219	1,348		1,348	1,390		1,390
11	Personnel compensation:									
	Permanent positions	977		977	1,054		1,054	1,094		1,094
	Military personnel									
	Positions other than permanent	64		64	59		59	57		57
	Other personnel compensation	21		21	28		28	29		29
	Special personal service payments	(1)		(1)	(1)		(1)	(1)		(1)
12	Personnel benefits	80		80	88		88	91		91
	Personnel benefits, military	78		78	119		119	119		119
13	Benefits for former personnel	(1)		(1)	(1)		(1)	(1)		(1)
20	Contractual services and supplies	487	1	488	466	2	468	486	1	488
21	Travel and transportation, persons	17		17	17		17	18		18
22	Transportation of things	5		5	5		5	5		5
23	Rent, communications, and utilities	30	(1)	30	32	(1)	32	34	(1)	34
24	Printing and reproduction	5		5	5		5	5		5
25	Other services	99	(1)	100	102	(1)	102	111	(1)	111
	Services of other agencies	10		10	10		10	12		12
	Payments to specified accounts	5		5	2		2	1		1
26	Supplies and materials	316	1	317	293	2	295	301	1	302
30	Acquisition of capital assets	532	116	647	611	217	828	656	117	772
31	Equipment	46	1	46	58	1	59	64	(1)	65
32	Lands and structures	71	(1)	71	60	(1)	60	78	(1)	78
33	Investments and loans	415	115	530	493	216	709	513	116	630

See footnotes at end of table, p. 89.

Obligations by objects for the fiscal years 1966, 1967, and 1968—Continued

	Description	1966 actual			1967 estimated			1968 estimated		
		Administrative budget	Trust funds	Total	Administrative budget	Trust funds	Total	Administrative budget	Trust funds	Total
	VETERANS' ADMINISTRATION—Continued									
40	Grants and fixed charges	4,507	612	5,119	4,865	863	5,728	5,064	641	5,705
41	Grants, subsidies and contributions	56		56	387		387	442		442
42	Insurance claims and indemnities	4,429	612	5,040	4,457	863	5,319	4,600	641	5,241
43	Interest and dividends	23		23	22		22	22		22
44	Refunds		(1)	(1)		(1)	(1)		(1)	(1)
90	Other	−28		−28	135		135	78		78
91	Unvouchered administrative									
92	Not distributed otherwise									
93	Administrative and nonadministrative expenses									
94	Change in selected resources	−20		−20	2		2	88		88
95	Quarters and subsistence charges	−8		−8	−8		−8	−8		−8
96	Changes in object classification									
	Proposed for separate transmittal				141		141	−3		−3
	Total obligations incurred	6,717	728	7,445	7,426	1,081	8,507	7,674	759	8,433
	Less obligations financed from other sources	−1,483	−176	−1,659	−768	−187	−955	−1,395	−189	−1,585
	Reimbursements from administrative budget accounts	−180		−180	−176		−176	−176		−176
	Reimbursements from trust funds	−3		−3						
	Receipts from the public	−1,301	−176	−1,477	−592	−187	−779	−1,219	−189	−1,409
	Comparative transfers									
	Recoveries of prior year obligations									
	Net obligations incurred	5,234	553	5,786	6,658	895	7,552	6,279	570	6,848
	OTHER INDEPENDENT AGENCIES									
10	Personal services and benefits	637	20	657	694	21	716	729	24	753
11	Personnel compensation:									
	Permanent positions	422	12	434	464	13	477	488	14	502
	Military personnel	4		4	4		4	4		4
	Positions other than permanent	51	(1)	52	54	(1)	54	58	(1)	58

	Other personnel compensation	18	1	19	16	(1)	17	16	(1)	16
	Special personal service payments	1	(1)	1	1	(1)	2	1	1	1
12	Personnel benefits	43	1	43	48	1	49	50	1	51
	Personnel benefits, military									
13	Benefits for former personnel	97	6	104	106	6	112	113	7	119
20	Contractual services and supplies	453	712	1,164	475	777	1,253	493	866	1,359
21	Travel and transportation, persons	32	(1)	32	32	(1)	33	36	(1)	36
22	Transportation of things	31	(1)	31	35	(1)	35	35	(1)	35
23	Rent, communications and utilities	35	3	38	36	3	39	39	4	42
24	Printing and reproduction	10	(1)	10	11	(1)	11	13	(1)	13
25	Other services	123	705	828	116	765	882	118	853	971
	Services of other agencies	38	1	38	40	1	40	41	1	42
	Payments to specified accounts	36	2	38	46	7	53	48	6	55
26	Supplies and materials	148	1	149	159	1	160	164	1	165
30	Acquisition of capital assets	2,266	47	2,312	4,178	200	4,379	3,548	45	3,592
31	Equipment	65	(1)	65	88	(1)	88	85	1	86
32	Lands and structures	85	6	91	63	11	74	50	5	55
33	Investments and loans	2,116	41	2,157	4,027	189	4,216	3,413	39	3,452
40	Grants and fixed charges	637	2,926	3,563	701	3,296	3,997	722	3,589	4,311
41	Grants, subsidies, and contributions	513	(1)	513	560	2	562	598	2	600
42	Insurance claims and indemnities	47	2,766	2,813	55	3,133	3,188	56	3,425	3,481
43	Interest and dividends	77	3	80	86	3	89	68	4	72
44	Refunds		158	158		158	158		158	158
90	Other	146	261	172	−6	30	24	1	161	162
91	Unvouchered									
92	Not distributed otherwise		30	30	7	28	35	5	60	5
93	Administrative and nonadministrative expenses									
94	Change in selected resources	146	−2	145	−28	1	−27	−4	(1)	−4
95	Quarters and subsistence charges									
96	Changes in object classification		−2	−2						
	Proposed for separate transmittal				15	1	16	(1)	100	101
	Total obligations incurred	4,138	3,731	7,869	6,043	4,325	10,368	5,493	4,684	10,177
	Less obligations financed from other sources	−3,293	−785	−4,078	−3,225	−859	−4,085	−3,594	−957	−4,551
	Reimbursements from administrative budget account	−234	−253	−488	−254	−310	−564	−247	−320	−567
	Reimbursements from trust funds	−2		−2	−88	(1)	−88	−9	(1)	−9
	Receipts from the public	−2,358	−53[2]	−2,890	−2,216	−549	−2,765	−2,866	−637	−3,503
	Comparative transfers	8		8	6		6			
	Recoveries of prior year obligations	−706	(1)	−706	−674		−674	−473		−473
	Net obligations incurred	845	2,946	3,791	2,818	3,466	6,283	1,899	3,727	5,626

See footnotes at end of table, p.89.

Obligations by objects for the fiscal years 1966, 1967, and 1968—Continued

Description	1967 actual			1967 estimated			1968 estimated		
	Administrative budget	Trust funds	Total	Administrative budget	Trust funds	Total	Administrative budget	Trust funds	funds
DISTRICT OF COLUMBIA									
10 Personal services and benefits		247	247		292	292		318	318
11 Personnel compensation:									
Permanent positions		196	196		232	232		253	253
Military personnel									
Positions other than permanent		13	13		16	16		19	19
Other personnel compensation		8	8		8	8		7	7
Special personal service payments		(1)	(1)		(1)	(1)		(1)	(1)
12 Personnel benefits		17	17		20	20		23	23
Personnel benefits, military									
13 Benefits for former personnel		13	13		15	15		16	16
20 Contractual services and supplies	3	120	123	3	132	136	3	151	154
21 Travel and transportation, persons		1	1		1	1		1	1
22 Transportation of things		(1)	(1)		(1)	(1)		(1)	(1)
23 Rent, communications, and utilities	3	9	12	3	11	15	3	13	17
24 Printing and reproduction		1	1		1	1		1	1
25 Other services		68	68		75	75		87	87
Services of other agencies		16	16		18	18		19	19
Payments to specified amounts		7	7		8	8		9	9
Supplies and materials		19	19		19	19		21	21
30 Acquisition of capital assets	71	73	144	90	187	278	53	260	312
31 Equipment		8	8		12	12		15	15
32 Lands and structures		57	57		168	168		236	236
33 Investments and loans	71	8	79	90	8	98	53	9	62
40 Grants, and fixed charges	44	38	83	50	41	91	60	52	112
41 Grants, subsidies, and contributions	44	17	61	50	21	71	60	28	88
42 Insurance claims and indemnities		8	8		9	9		9	9
43 Interest and dividends		9	9		10	10		13	13
44 Refunds		5	5		1	1		1	1

90 Other		(1)	(1)	10	2	12	11	1	12
91 Unvouchered		(1)	(1)		(1)	(1)		(1)	(1)
92 Not distributed otherwise									
93 Administrative and nonadministrative expenses									
94 Change in selected resources									
95 Quarters and subsistnce charges		(1)	(1)		(1)	(1)		(1)	(1)
96 Changes in object classification									
Proposed for separate transmittal				10	2	12	11	1	12
Total obligations incurred	118	478	596	154	655	809	127	782	908
Less obligations financed from other sources	−47	−61	−108	−35	−114	−149		−156	−156
Reimbursements from administrative budget account		−58	−58		−111	−111		−153	−153
Reimbursements from trust funds	−47		−47	−35		−35			
Receipts from the public		−3	−3		−3	−3		−3	−3
Comparative transfers									
Recoveries of prior year obligations									
Net obligations incurred	71	417	488	119	541	660	127	626	752

[1] Less than $500,000.

Source: Budget Bureau.

NOTE.—Details may not add due to rounding.

77-601—67——7

Appendix 2

Year End Fiscal Year 1966 Department of Defense Cost Reduction Program Status Report [1]

Assistant Secretary of Defense
(Installations and Logistics),
October 10, 1966.

Memorandum for the Secretary of Defense.

Subject: Year end fiscal year 1966 cost reduction program status report.

The Department of Defense cost reduction program has now been fully operational for 4 years. During this time observers of the Department of Defense have witnessed a new era of management improvement and emphasis. Also, for the first time, the actual dollar effects of increased management effort have been measured and reported to all levels of the Department of Defense through the mechanism of the cost reduction program. Major improvements have occurred in such areas as the development of materiel requirements, reutilization of excess materiel, value engineering, procurement, base utilization, transportation, telecommunications, equipment and real property management, packaging, etc. New areas for increased emphasis are constantly being sought. In future periods increased attention will be directed to such major areas as the management of ADP, increased productivity, and in conjunction with the OASD (Manpower), DOD military and civilian personnel training requirements.

In view of the increased activity experienced in southeast Asia, savings reported in fiscal year 1966 are indeed noteworthy. Final year end fiscal year 1966 hard savings amounted to $4.5 billion which is about $300 million less than the total hard savings achieved in fiscal year 1965.

The reduction in hard savings reported in fiscal year 1966 can be primarily attributed to reduced savings of over $900 million which occurred in areas concerned with the refinement of requirement calculations. A substantial portion of the $900 million reduction results from increased materiel and funding requirements for southeast Asia. Much of this reduction was offset by unexpected increases in savings reported in other areas. These areas include value engineering, procurement, terminating unnecessary operations, departmental operating expense, telecommunications, transportation and packaging.

[1] Source: Office of Secretary of Defense.

The final year end fiscal year 1966 status by major DOD components is as follows (all tabular dollar data in this report are stated in millions unless otherwise indicated):

	Fiscal year 1966			Fiscal year 1966 goal to be realized by fiscal year 1968	Fiscal year 1967 goal to be realized by fiscal year 1969
	Hard savings	Cost avoidance and decision savings	Total savings		
Army	$785	$567	$1,352	$1,164	$1,197
Navy	1,508	330	1,838	1,827	1,865
Air Force	2,001	939	2,940	2,721	2,791
DSA	163	35	198	185	177
DCA	3	----------	3	2	2
MAP	3	6	9	100	30
Total	4,463	1,877	6,340	5,999	6,062

The report contains six attachments. Attachment A is a summary of cost reduction savings reflected in DOD budget estimates for fiscal years 1964 through 1967. Attachment B is a summary of the status of each cost reduction area as of June 30, 1966. Attachment C shows the disposition of fund savings realized during fiscal year 1966. Attachment D is a summary of man-years of effort saved in fiscal year 1966 from cost reduction actions reported since fiscal year 1961. Attachment E contains examples of items converted from sole source procurement to price competition. Attachment F is the audit opinion for this report.

I. BUYING ONLY WHAT WE NEED

I.A. Refining requirements calculations

I.A.1. Major items of equipment

A summary of the savings realized in this area during fiscal year 1966 is as follows:

	Realized hard savings			Realized cost avoidance savings	Total realized savings	Fiscal year 1966 goal
	Budgeted savings	Fund savings	Total			
Army	$132	$5	$137	----------	$137	$120
Navy	500	61	561	----------	561	652
Air Force	96	9	105	$15	120	107
Total	728	75	803	15	818	879

Almost 90 percent of the savings reported in this area represent reductions in fiscal year 1966 requirements as a result of management actions taken prior to submission of the fiscal year 1966 Department of Defense budget estimates. The remaining 10 percent of the savings resulted from more recent actions.

Some examples of actions which have produced savings follow:

Army

Detailed studies were made of Army regulations, supply bulletins, other guidance documents and management practices throughout the

Army. Based upon these studies, maintenance float factors for select major items of equipment were revised and requirements for fiscal year 1966 were reduced by $8.1 million.

A contract for UH–1 aircraft required one set of ground handling wheels to be supplied with each aircraft. A subsequent review revealed that two sets of these ground handling wheels would support three aircraft. The buy rates were reduced, the contract was modified and a saving of approximately $500,000 was realized.

Change in the method of computing both the worldwide inventory and annual service practice requirements for the Nike-Hercules missile was made as a result of recommendations contained in an Army audit agency report. This action reduced the Army funding requirements for fiscal year 1966 by $4.2 million.

Navy

Savings of $1.5 million were realized based upon an analysis and decision to eliminate front mounted winches from 2½-ton and 5-ton trucks procured during fiscal year 1966.

Air Force

Prior to fiscal year 1966, two camera analyzers were authorized for each RF–4C squadron. Based upon an evaluation of category II testing, the authorization per squadron was reduced to one camera analyzer per squadron. Fiscal year 1966 procurement of this item was reduced from 25 to 9 for a saving of $614,000.

I.A.2. Initial provisioning

A summary of the savings realized in this area during fiscal year 1966 is as follows:

	Realized hard savings			Realized cost avoidance savings	Total realized savings	Fiscal year 1966 goal
	Budgeted savings	Fund savings	Total			
Army	----------	$1	$1	$1	$2	$20
Navy	$25	14	39	----------	39	109
Air Force	175	----------	175	7	182	78
Total	200	15	215	8	223	207

The Army savings resulted from numerous individual actions, many of which produced savings of $100,000 or less. Typical actions were (1) elimination of the allowance for a main armament part as an on-board spare self-propelled combat vehicles, (2) deletion of a hoist assembly as an authorized repair part for the Sergeant missile system and (3) expediting the return of unserviceable fire control devices and considering such returns in requirement computations for the first time.

The Navy savings resulted from several different types of actions. Savings of $13.8 million in missile spares (for other than Polaris) resulted from the nonnuclear ordnance study. Budgeted savings on Polaris missile spares totaled $10.9 million resulting primarily from a decision to extend the service use of the A–2 missile for the 608 and 616 classes of submarines in lieu of the previously planned con-

version to the A–3 missile. Additional savings were realized from a computerized method of determining the amount of repair parts required in support of new equipment being placed on board ships. This method of calculating savings is known as the mean family replacement factor (MFRF).

A substantial part of the Air Force savings resulted from actions which reduced the ratio of initial aircraft spares cost to end item cost. This ratio has been reduced from 16.7 percent in fiscal year 1961 to 11.8 percent in fiscal year 1966. Additionally, savings of over $23 million were realized in the communications and electronics area by actions such as (1) developing improved computation techniques, (2) limiting quantities initially provisioned to a 12-month operating program in lieu of provisioning for the life of the end items, and (3) establishing new management review levels.

I.A.3. Secondary items

A summary of the savings realized in this area during fiscal year 1966 is as follows:

	Realized hard savings			Realized cost avoidance savings	Total realized savings	Fiscal year 1966 goal
	Budgeted savings	Hard savings	Total			
Army	$3	----	$3	$5	$8	$35
Navy	17	$17	34	----	34	100
Air Force	----	2	2	5	7	594
DSA	14	----	14	----	14	46
Total	34	19	53	10	63	775

During the past 4 years this area of the cost reduction program has probably witnessed a greater degree of management attention than any other single area of the program. Requirements factors have been refined, computational techniques have been improved, inventory control systems have been revised, high-speed transportation systems have been used to move key items to points of need with resultant savings in time and in inventory investment and the increased application of ADP capabilities have greatly increased the timeliness of data elements needed by supply and inventory control managers in making day-to-day decisions concerning whether to buy, repair, substitute or dispose of individual items. In short, the entire system for managing secondary items has undergone significant refinement in the past 4 years. These changes have had a substantial impact on the range and quantity of secondary item requirements and produced large savings in fiscal year 1963, fiscal year 1964, and fiscal year 1965. In fiscal year 1966, savings of $63 million were achieved against an objective of $775 million, a shortfall of over $700 million. This reduction in dollar savings does not imply that management improvement actions initiated over the past 4 years are no longer effective. To the contrary, with substantially increased requirements now being generated in southeast Asia, these actions are more meaningful today than ever before.

In the past most savings reported in this area have been measured on a funding level basis—the difference between funds appropriated for secondary items in the base year versus those required in the

reporting year, supported with appropriate examples of management improvement actions. This method of measurement is quite valid when force levels and activity rates remain relatively stable. When these elements fluctuate either up or down, however, an erroneous result is obtained. When they increase, as was the case in fiscal year 1966, reportable savings are reduced. As a consequence, the savings of $63 million reported in fiscal year 1966 does not accurately reflect the true effects of management actions taken since fiscal year 1961. Without them, we believe that procurement requirements for fiscal year 1966 would have been substantially greater than those actually experienced.

The funding level method of measurement will not be authorized for use in this area for fiscal year 1967.

I.A.4. Technical manuals

A summary of the savings realized in this area during fiscal year 1966 is as follows:

	Realized hard savings			Realized cost avoidance savings	Total realized savings	Fiscal year 1966 goal
	Budgeted savings	Fund savings	Total			
Army	$3	----------	$3	----------	$3	$3
Navy	----------	$1	1	----------	1	3
Air Force	2	2	4	$5	9	6
Total	5	3	8	5	13	12

Savings realized on the procurement of new technical manuals as well as on revisions to existing manuals are reported in this area. New and intensified actions which (1) reduce quantitative requirements or (2) relax qualitative requirements of technical manuals without adversely affecting mission accomplishments are the type of actions which produce reportable savings.

This is a very difficult area in which to measure the dollar savings resulting from management improvement actions. In many instances, particularly for new weapon systems an actual "before" and "after" cost comparison cannot be made. Therefore, the "before" cost must be estimated in many cases.

Several examples of savings reported in this area are as follows:

Army

Savings of $55,000 were realized by using manufacturer's manuals in lieu of requiring new manuals in military format as previously prescribed.

Navy

Savings of $400,000 were realized by changing the specifications on preliminary technical manuals for the A7A aircraft.

Air Force

Savings of $112,700 were realized by reducing the number of technical publications for electronic equipment.

I.A.5. Technical data and reports

A summary of the savings realized in this area during fiscal year 1966 is as follows:

	Realized hard savings			Realized cost avoidance savings	Total realized savings	Fiscal year 1966 goal
	Budgeted savings	Fund savings	Total			
Army	$1	$1	$2	$5	$7	$5
Navy	2	2	4	----------	4	5
Air Force	----------	7	7	8	15	18
Total	3	10	13	13	26	28

Examples of savings achieved in this area follow:

Army

Savings of $26,880 were achieved by changing from hard copy drawings to microfilm image cards used in bid sets and other procurement actions.

Navy

Net savings of $520,000 were achieved by institution of computer programing techniques in analyzing electronic circuits.

Air Force

Savings of $300,000 were achieved by implementation of a standardization program for selected generator sets. This action permitted the identification and one-time procurement of all needed engineering data, which can also be utilized each time a future procurement is made, regardless of the contracting source.

I.A.6. Production base facilities

A summary of the savings realized in this area during fiscal year 1966 is as follows:

	Realized hard savings			Realized cost avoidance savings	Total realized savings	Fiscal year 1966 goal
	Budgeted savings	Fund savings	Total			
Army	----------	----------	----------	----------	----------	$4
Navy	----------	----------	----------	----------	----------	2
Air Force	----------	$4	$4	----------	$4	3
Total	----------	4	4	----------	4	9

The Air Force realized $4 million of fund savings by actions which reduced production base requirements which had been budgeted, appropriated, and apportioned.

I.B. Increased use of excess inventory

I.B.1. Equipment and supplies

A summary of the savings realized in this area during fiscal year 1966 is as follows:

	Realized hard savings			Realized cost avoidance savings	Total realized savings	Fiscal year 1966 goal
	Budgeted savings	Fund savings	Total			
Army	$3	$3	$6	$142	$148	$222
Navy	46	25	71	213	284	190
Air Force	11	17	28	169	197	20
DSA	9	----------	9	2	11	15
Total	69	45	114	526	640	447

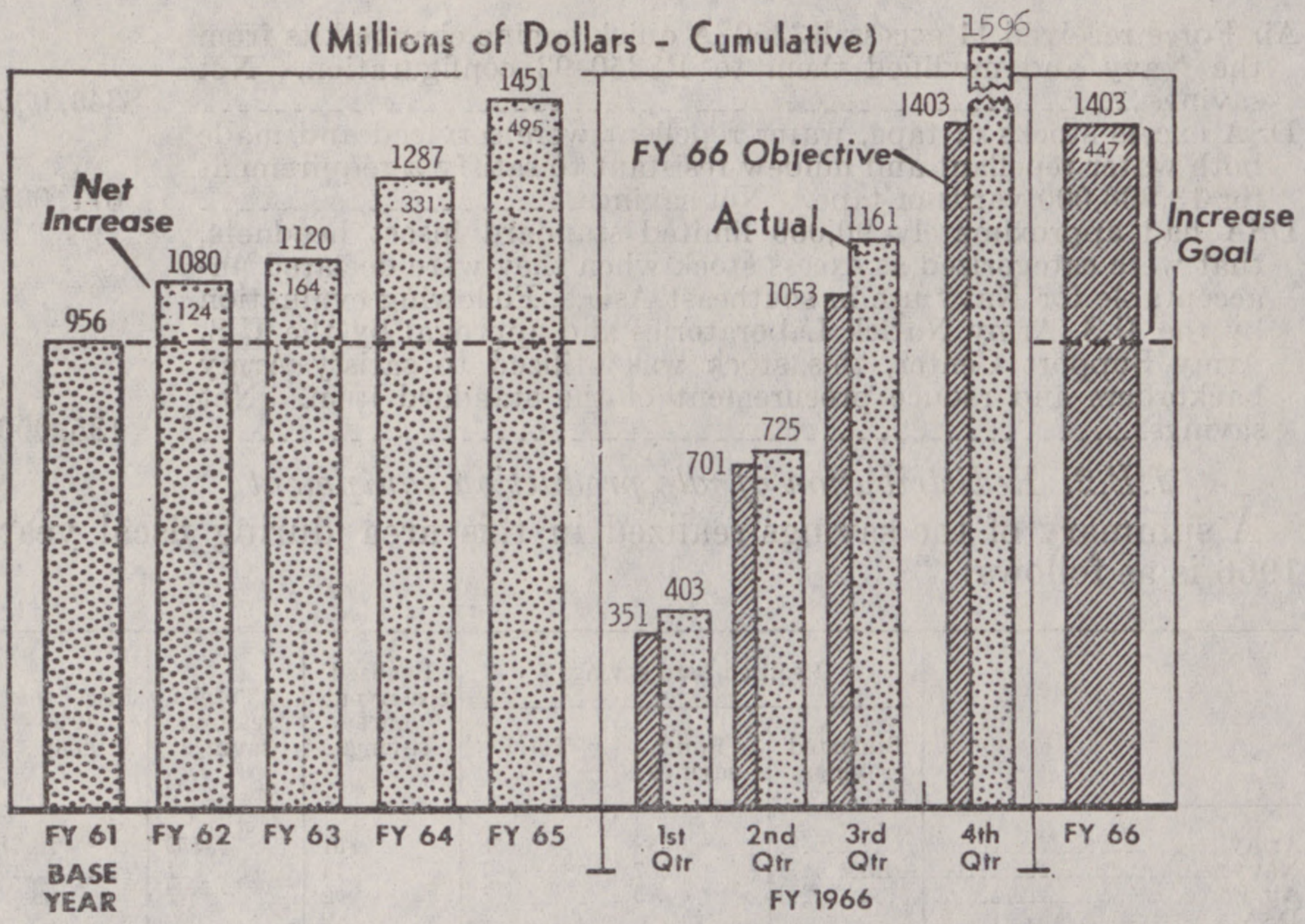
Achievements during fiscal year 1966 were as follows:

	Utilization		Increased utilization
	Base year	Fiscal year 1966	
Army	$187	$335.5	$148.5
Navy	239	523.4	284.4
Air Force	530	726.7	196.7
DSA	----------	10.5	10.5
Total	956	1,596.1	640.1

The two basic types of transactions included in this area of the DOD cost reduction program are (1) receipts by an ICP or central inventory manager; and (2) receipts by other than an ICP or central inventory manager of excess and long supply inventories required to meet a valid need of the receiving DOD component.

Nonreimbursable interservice and intraservice transfers of potential and declared DOD excess materiel accomplished within the framework of the Defense materiel utilization program contribute significantly to the cost reduction area "Increased use of excess inventory—Equipment and supplies." Savings in this cost reduction area are based on the *net increase* in DOD materiel utilization over the level of reutilization over the level of reutilization accomplished during fiscal year 1961.

The fiscal year 1966 objective in this area was to achieve gross reutilization of $1,403 million. Total DOD reutilization accomplished during fiscal year 1966 was $1,596.1 million, or 13.6 percent more than the fiscal year 1966 objective as shown on the following chart:



Examples of savings reported in this area follows:

Army obtained from the Air Force and Navy a total of 117 aircraft engines for use on the CV2 aircraft. Net savings	$2, 901, 518
Army received from the Air Force on a nonreimbursable basis 14 U6A aircraft to satisfy CONUS requirements. Net value	1, 019, 917
Army received from the Navy on a nonreimbursable basis 1 TC47 aircraft and 3 C45 aircraft. Net savings	362, 190
Army received from the Air Force 1,783,249 cartridge, caliber .30, tracer, on a nonreimbursable basis thereby precluding Army procurement of a like item. Net savings	213, 990
Army received from the Navy 14,382 demolition kits on a nonreimbursable basis thereby precluding Army procurement of a like item. Net savings	890, 307
Army obtained 1,078,764 grenades which were excess to Navy and Marine requirement but needed by the Army. Net savings	2, 268, 451
Navy reclaimed parts and other items from stricken aircraft valued at	7, 593, 527
Navy obtained from Air Force four components of the AN/ALE2 chaff dispenser on a nonreimbursable bais. Net savings	268, 435
Navy received from Army 1,200 caliber .50 heavy barrel, machine-guns. Net savings	780, 000
Navy received from Air Force and Army excess materiel needed for Talos operational requirements. Net savings	354, 000
Navy received from Army without reimbursement 2 harbor tug boats and 12 barges for use in support of construction in Vietnam. Net savings	875, 300
Marine Corps received from Army on a nonreimbursable basis, ammunition for small arms, mortars, artillery, also rockets, mines, and demolition material. Net savings	36, 226, 508
Air Force obtained through coordination with GSA and the Bureau of the Mint 7,414.24 troy ounces of platinum without reimbursement. Platinum was used to meet Air Force requirements for fine wire spark plugs. Net savings	725, 605
Air Force received from the Navy excess A1E type aircraft. Net savings	12, 329, 800

Air Force received 11 excess R3350–A quick engine change kits from the Navy and modified them to R3350–93 configuration. Net savings $343,035

DSA excess stocks of tape, water repellent were serviced and made both water repellant and mildew resistant to satisfy a requirement for 13,906,000 yards of tape. Net savings 671,035

DSA had approximately 90,000 limited standard insect headnets, that were categorized as excess stock when they were declared unacceptable for Navy use in southeast Asia. Following evaluation by the U.S. Army Natick Laboratories and approval by the U.S. Army Support Center, this stock was utilized to satisfy Army backorders and reduce procurement of the standard item. Net savings 135,000

I.B.2. Redistribution of idle production equipment

A summary of the savings realized in this area during fiscal year 1966 is as follows:

	Realized hard savings			Realized cost avoidance savings	Total realized savings	Fiscal year 1966 goal
	Budgeted savings	Fund savings	Total			
Army	----------	$8	$8	$51	$59	$1
Navy	----------	7	7	14	21	----------
Air Force	----------	5	5	2	7	2
DSA	----------	----------	----------	2	2	----------
Total	----------	20	20	69	89	3

The basic objective of this area is to increase the utilization of idle production equipment. Savings are reported when redistributions of idle production equipment during a reporting period exceed the redistributions made during a corresponding period in the base year (fiscal year 1963). Redistributions during this year exceeded the base year by more than 130 percent. This represents an outstanding achievement by the defense industrial plant equipment center and the military departments. Accomplishments during fiscal year 1966 were as follows:

	Redistributions		Increased redistributions
	Base year (fiscal year 1963)	Fiscal year 1966	
Army	$15.7	$74.7	$59.0
Navy	10.9	31.3	20.4
Air Force	40.4	48.0	7.6
DSA	----------	1.8	1.8
Total	67.0	155.8	88.8

I.B.3. Excess contractor inventory

A summary of the savings realized in this area during fiscal year 1966 is as follows:

	Realized hard savings			Realized cost avoidance savings	Total realized savings	Fiscal year 1966 goal
	Budgeted savings	Fund savings	Total			
Army	$3	----------	$3	----------	$3	$4
Navy	----------	$28	28	----------	28	5
Air Force	----------	(2)	(2)	----------	(2)	8
Total	3	26	29	----------	29	17

The basic objective of this area is to increase the utilization of excess contractor inventory. Savings are reported when the amount of excess contractor inventory reutilized during a current reporting period exceeds the amount of reutilization made during a corresponding period in the base year (fiscal year 1962).

Achievements during fiscal year 1966 were:

	Reutilization		Increased reutilization
	Base year (fiscal year 1962)	Fiscal year 1966	
Army	$2.9	$6.0	$3.1
Navy	4.9	32.9	28.0
Air Force	6.7	4.9	(1.8)
Total	14.5	43.8	29.3

The amount of reutilization achieved during fiscal year 1966, particularly by the Navy, is very commendable. Some examples of reutilizations during fiscal year 1966 follow:

Army

Components, M527 fuse.—Five types of components, total value $245,574, became excess to a completed contract for M527 fuses. These components were transferred to another contractor for use in the M527B1 fuse loading program.

Ammunition containers, M353, 90MM packing material.—Excess ammunition containers used for shipping ammunition items to the Army contractor for operation of a portion of Joliet Arsenal were determined to be usable by the Army contractor operating the Milan Army Ammunition Plant (MAAP). A total of 46,683 boxes and 101,649 fiber containers were transferred for use under the MAAP contract. New boxes and fiber containers would have cost $248,151. The used boxes and fiber containers were renovated for $43,505.

Components, CBU–3 bomb dispenser items.—Contractor inventory of containers and bomblette components (CBU–3) consisting of dispensers, retainers, straps, clips, protectors, arming devices and cable assemblies, in the total value of approximately $100,060, became excess to a contract for operation of the Louisiana Army Ammunition

Plant. They were transferred to contracts being performed at the Milan Army Ammunition Plant.

Navy

Mauler missile.—Following termination of an Army contract for the Mauler missile system with General Dynamics, an intensive screening of available excess property was undertaken. This resulted in the transfer of property in the approximate value of $30.7 million for use by General Dynamics in the performance of a Navy R&D contract for the Terrier-Tartar missile system. The property included two mobile launching pads, 1,336 line items of electronic parts, 154 line items of special test equipment, as well as large quantities of miscellaneous purchased parts.

Polaris system.—Excess property previously used for Polaris research and development by Lockheed Missiles & Space Co. was transferred for use in the manufacture of missile components and in providing tactical engineering services. The property, valued at approximately $691,000, included a high-speed digital conversion station console and seven special test consoles.

Air Force

Minuteman.—Used magnetic tapes, which became excess to certain contracts with TRW systems, were reconditioned and used in lieu of procurement of new tapes under another contract with TRW systems in support of the Minuteman program. Savings, after deduction of reconditioning costs, were $136,000.

Communications sets, AN/TRC–87.—Various materials, valued at $142,000, which became excess as a result of the termination of a production contract for UHF communications sets, MN/TRC–87 were retained at cost by the contractor for use in the performance of a contract for another type of communication set.

Electronics items.—Property consisting largely of high reliability electronics items, became excess to various contracts with North American Aviation (Autonetics) in support of certain phases of the Minuteman program. This property, valued at $3.8 million, was transferred for use in performance of other contracts with North American for certain other phases of the Minuteman program.

I.C. Eliminating goldplating

A summary of the savings realized in this area during fiscal year 1966 is as follows:

	Realized hard savings			Realized cost avoidance savings	Total realized savings	Fiscal year 1966 goal
	Budgeted savings	Fund savings	Total			
Army	$48	$36	$84	$76	$160	$70
Navy	44	62	106	8	[1] 114	132
Air Force	71	39	110	84	194	150
DSA	5	19	24	3	27	12
Total	168	156	324	171	495	364

[1] In addition, savings of $34,000,000 were realized in Army and Air Force funds as a result of Navy VE actions.

Typical examples of savings in this area follow:

Army

Modification of design for decontamination and reimpregnating kits.—A value engineering review of the kit design suggested the use of lower cost plastic materials and simplification of the design. The changes were implemented and net savings of $934,363 were realized.

Shillelagh missile test requirements.—Individual reliability, quality and engineering test data requirements were subjected to a value analysis. As a result, a combined missile test plan was proposed and adopted. This combined missile test plan eliminated redundant testing and provided the required test data. Savings of $326,700 resulted from this action.

High Cost Electronic Amplifier Tube.—A VE study of a high cost klystron amplifier tube produced new technical guidance for industry enabling competitive manufacture of the tube. As a result of this VE study a net saving of $261,800 was realized.

Navy

Elimination of Unnecessary Design Elements on Prefabricated Buildings.—Prior to procurement of prefabricated steel buildings, a VE study of applicable specifications led to elimination of several specification provisions and simplification of others. As a result of the design changes developed during the VE study, $2.1 million was saved.

Airframe of Terrier/Tartar Nonflight missile.—Application of value engineering to the design for high cost nonflight training, handling and test missiles led to their redesign using less costly pressed wood in lieu of a metal airframe. Net savings on the initial procurement amounted to $444,850.

Change in specification on 2.75-inch rocket dummy warhead.—Prior to application of VE, the 2.75-inch FFAR dummy warhead was plaster loaded, assembled and painted per specification. A new design specification setting forth requirements for key parameters of weight, shape, size, etc., leaving material selection and method of manufacture at the contractors' option resulted from a VE effort with a resultant net saving of $1.4 million.

Air Force

Specification of sensor tests and change in model utilization. A value engineering change proposal recommended modification of qualification sensor tests and changes in qualification model utilization. The VE action was approved and a saving of $205,600 was realized.

C–141 walkways. Custom built aluminum honeycomb panels were fabricated by the contractor and used as walkways in the C–141 aircraft. After the application of value engineering, the honeycomb panels were replaced by less expensive plywood panels. A saving of $131,500 was realized from this action.

DSA

Black leather gloves.—The range of thickness in leather as specified in Mil Spec MIL–G–17602B (S. & A.) dated December 3, 1963, and deviation list dated June 3, 1964, made it necessary for industry to be

very selective in obtaining skins intended for production of gloves. It was estimated that only 50 percent of the skins available would meet the requirements. Through a value analysis study, it was determined that this thickness range could be changed to "1½ ounces to 2¾ ounces." In addition, the requirement for the seamless knit liner yarn was changed from "2 ply only" to "single or 2 ply." These changes were reflected/in current contracts and savings amounting to $100,224 were realized from the changes.

Pipe, steel FSN 4710–162–1022.—Prior to value engineering, DCSC procured 2-inch pipe, steel, zinc coated with a requirement of "Electric resistance welded or seamless pipe." A value engineering study of this item found that adhering to, "Electric resistance welded", restricted procurement to a small group of bidders. The VE study resulted in a change of the purchase requirement to "seamed or seamless." This action produced savings of $103,700.

I.D. Inventory item reduction

A summary of the savings realized in this area during fiscal year 1966 is as follows:

	Realized hard savings			Realized cost avoidance savings	Total realized savings	Fiscal year 1966 goal
	Budgeted savings	Fund savings	Total			
Army	($1)	($4)	($8)	----------	($8)	----------
Navy	(1)	(4)	(5)	----------	(5)	$1
Air Force	68	(3)	65	----------	65	62
DSA	17	13	30	----------	30	19
Total	80	2	82	----------	82	82

The basic objective of this area of savings is to reduce the number of items in the Department of Defense supply system. For cost reduction reporting, a cost factor of $100 per item has been established as the annual average cost of managing an item of supply. Savings are reported when the number of items eliminated during a current reporting period exceed the number of items eliminated during a corresponding period in the base year (fiscal year 1961). The effect of the increase in number of items eliminated during prior years is reported as a budgeted saving. The effect of the increase in items eliminated during the current year is reported as a fund saving.

Achievements during fiscal year 1966 were as follows:

	Items eliminated		Increase in number of items eliminated
	Base year fiscal year 1961	Fiscal year 1966	
Army	81,154	42,289	−38,865
Navy	128,058	81,810	−46,248
Air Force	163,052	132,992	−30,060
DSA	35,027	164,027	129,000
Total	407,291	421,118	13,827

As a result of reviews performed under the standardization program items are being designated standard, limited standard, or nonstandard. items designated nonstandard are eliminated from the DOD supply system when existing stocks are disposed of by consumption, sale, or disposal.

The following examples demonstrate the results of reviews performed during fiscal year 1966:

Item description	Number of items	
	Reviewed	Designated nonstandard
Fixed composition resistors	1,637	1,248
Electrical plug connectors	1,031	558
Quartz crystal unit	11,864	5,961
Fixed film resistors	4,714	3,731
Cotter pins	1,037	719
Eye bolts	3,545	1,780
Retaining rings	199	102
Flat washers	3,182	1,817
Engine starter	1,052	575
Radiator cap	168	132
Pneumatic tank valves	74	34
Intake air cleaner	875	411
Butterfly valve	69	47

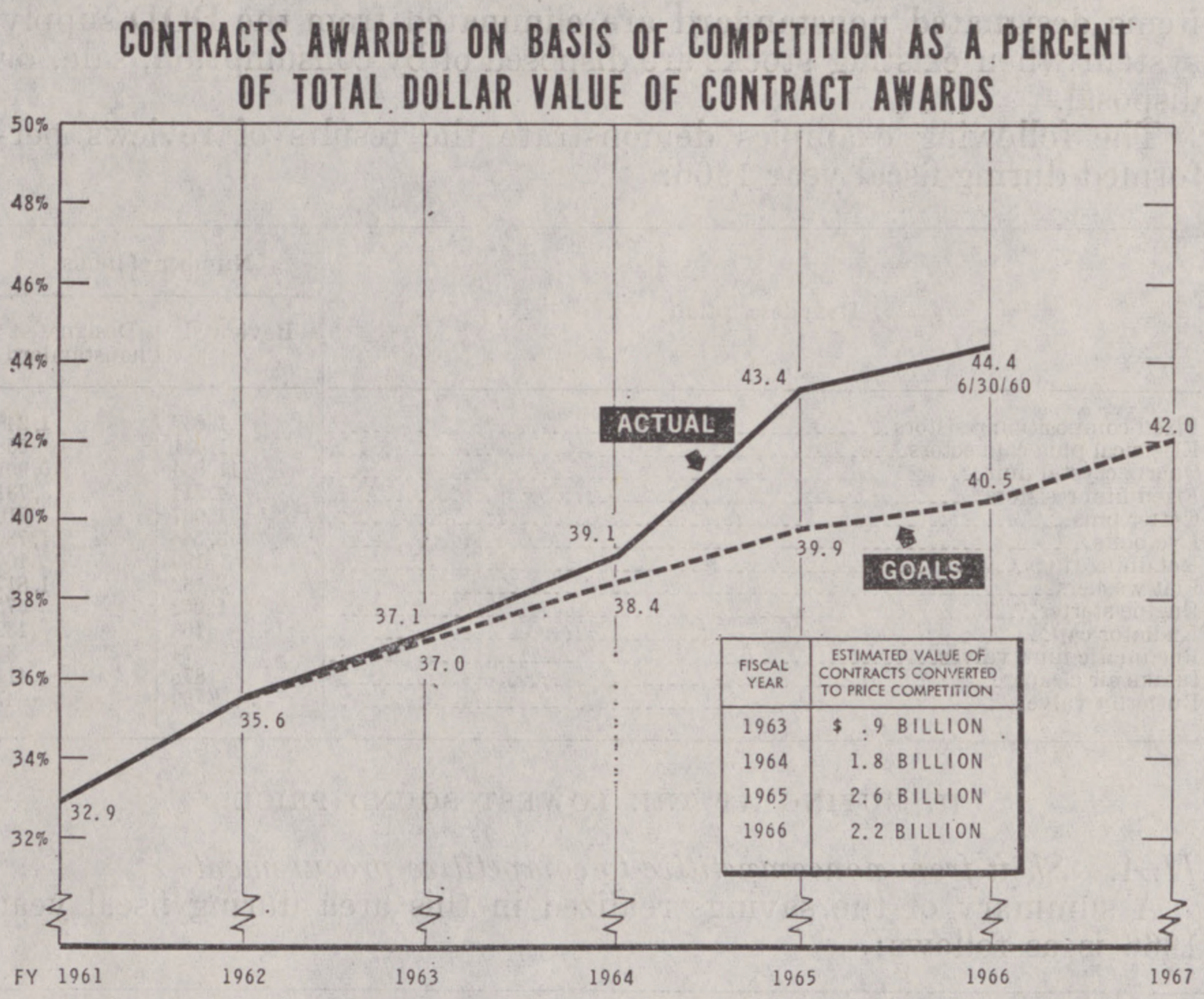
II. BUYING AT THE LOWEST SOUND PRICE

II.A. Shift from noncompetitive to competitive procurement

A summary of the savings realized in this area during fiscal year 1966 is as follows:

	Realized hard savings			Realized cost avoidance savings	Total realized savings	Fiscal year 1966 goal
	Budgeted savings	Fund savings	Total			
Army	$65	----------	$65	----------	$65	$116
Navy	128	$59	187	----------	187	155
Air Force	167	116	283	----------	283	167
DSA	3	13	16	----------	16	3
Total	363	188	551	----------	551	441

Actual progress in this area through June 30, 1966, is charted below:



The percentage of price competitive awards to total awards by DOD components since fiscal year 1962 is as follows:

[In percent]

	Fiscal year—				
	1962	1963	1964	1965	1966
Army	43.9	48.3	51.8	52.8	43.9
Navy	35.4	39.1	36.7	41.7	38.4
Air Force	17.3	18.0	21.2	25.2	25.8
DSA	93.7	91.3	91.5	90.3	92.1
DOD average	35.6	37.1	39.1	43.4	44.4

Every effort is being made to increase the use of formal advertising in competitive procurement awards. The ratios of formal advertised procurement to total procurement and two-step formal advertising to total formal advertising since fiscal year 1961 follow:

[Dollar amounts in billions]

Fiscal year	Total price competition		Formal advertising			
			Total		2-Step	
	Amount	Percent	Amount	Percent	Amount	Percent of formal advertising
1961	$8.1	32.9	$2.9	11.9	(1)	(1)
1962	10.1	35.6	3.5	12.6	$0.085	2.4
1963	10.8	37.1	3.7	12.7	.275	7.5
1964	11.0	39.1	4.1	14.4	.416	10.1
1965	11.9	43.4	4.8	17.6	.726	15.1
1966	16.5	44.4	5.3	14.2	.926	17.5

[1] Not available.

The increase in the use of price competitive awards continues—increasing from 32.9 percent to total obligations in fiscal year 1961 to 44.4 percent at the end of fiscal year 1966. During this same period, competition by formal advertising increased from 11.9 percent of obligations in fiscal year 1961 to 14.2 percent in fiscal year 1966.

Increases in the use of two-step advertising have also been achieved. Two-step advertising was at a level of $85 million in fiscal year 1962; increasing to $726 million in fiscal year 1965 and equaling $926 million in fiscal year 1966. Two-step advertising is an example of consolidation and refinement of existing procurement management improvement programs designed to provide increased cost savings.

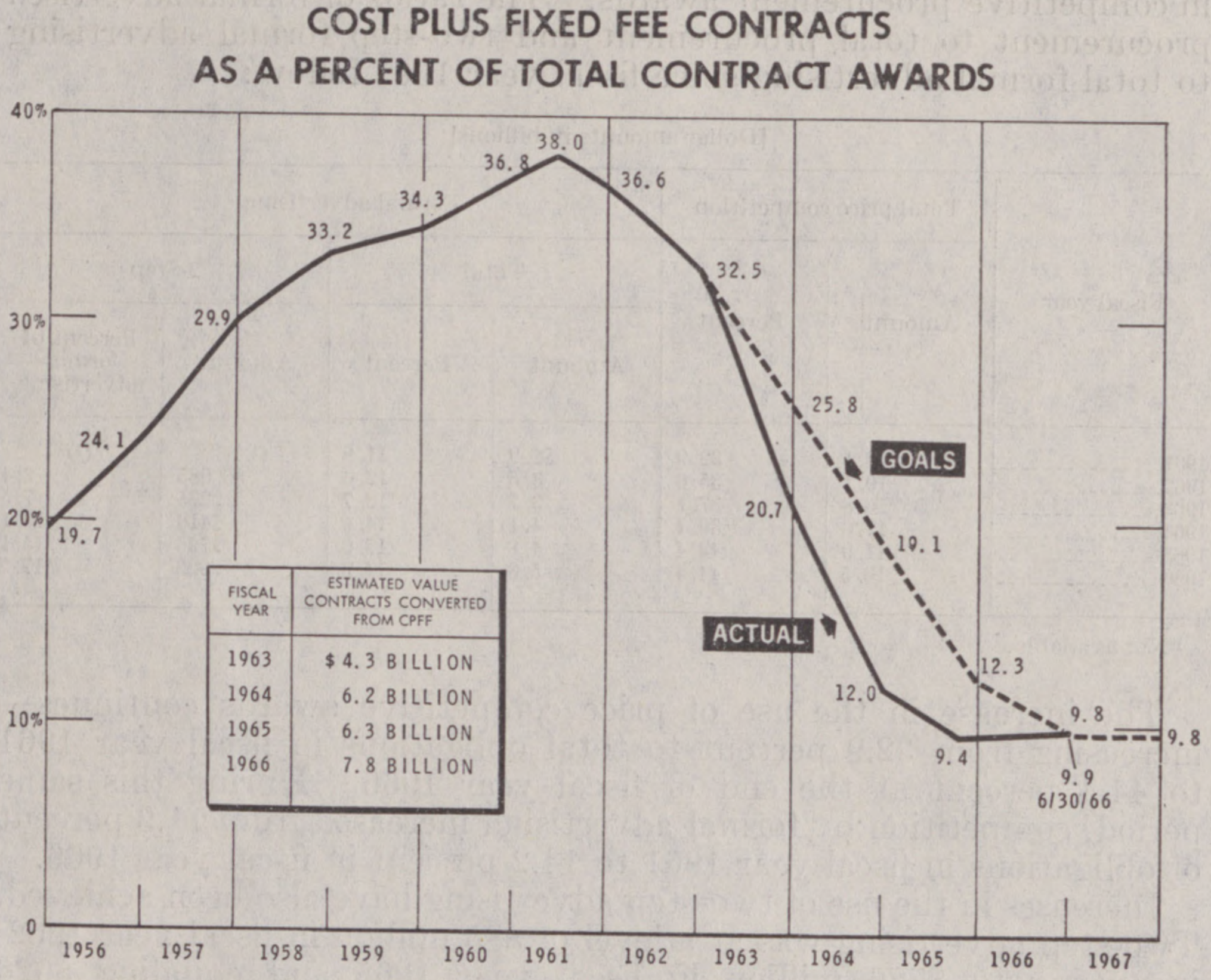
The concepts of the cost reduction program are more important now than ever before. In particular, procurements must continue on a sound rather than an expedient basis in order to offset the increasing costs of SEA operations. Extraordinary disciplines have been established to review any proposed shift from competitive procurement to sole source procurement.

II.B. Shift from CPFF to fixed or incentive price contracts

A summary of the savings realized in this area during fiscal year 1966 is as follows:

	Realized hard savings			Realized cost avoidance savings	Total realized savings	Fiscal year 1966 goal
	Budgeted savings	Fund savings	Total			
Army	$111	----------	$111	$123	$234	$151
Navy	142	----------	142	(9)	133	151
Air Force	347	----------	347	66	413	368
Total	600	----------	600	180	780	670

Progress in this area through fiscal year 1966 is charted below:



The percentage of CPFF awards to total awards by military department is as follows:

[In percent]

	Fiscal year—			
	1961 (9 months)	1964	1965	1966
Army	32.8	13.5	11.9	13.8
Navy	24.3	11.1	9.4	14.2
Air Force	50.6	14.4	10.4	6.7
DOD average	38.0	12.0	9.4	9.9

The following table shows the trend away from CPFF contracts since 1961 and the shift to fixed-price and incentive types:

Year	Percent							
	Fixed price types less incentive			Incentive type			CPFF	Other
	Firm	Other	Total	CPIF	FPI	Total		
961	31.5	15.2	46.7	3.2	11.2	14.4	36.6	2.3
1962	38.0	10.8	48.8	4.1	12.0	16.1	32.5	2.6
1963	41.5	7.6	49.1	11.7	15.8	27.5	20.7	2.7
1964	46.3	6.4	52.7	14.1	18.5	32.6	12.0	2.7
1965	52.8	4.9	57.7	11.2	16.6	27.8	9.4	5.1
1966	57.5	3.5	61.0	8.3	15.9	24.2	9.9	4.9

Early progress reports in this area were mainly concerned with reporting the shift from CPFF contracts to incentive contracts. Qualitative improvement in incentives as well as the quantitative increases were discussed in subsequent reports. The sizable shift from CPFF contracts to firm-fixed-price contracts should be highlighted.

The firm-fixed-price contract is the preferred contract type under most conditions. Under the firm-fixed-price contracts, the contractor assumes full cost responsibility and guarantees to deliver a product meeting our specifications—this is, in effect, the best form of incentive contract, with the contractor assuming responsibility for all costs under or over target at the start of the contract period.

Firm-fixed-price contracts, as a percent of total obligations, have increased from 31.5 percent in 1961 to 57.5 percent as of June 30, 1966. During the same period, incentive contracts (both CPIF and FPIF) have increased from 14.4 percent in 1961 to 24.2 percent of total obligations as of June 30, 1966.

Studies have been initiated to seek out improvements that can be made in incentive contracting and contract management procedures. This is part of a continuing evaluation program to develop the best interrelated support that can be provided for the procurement process.

Moving away from the less desirable CPFF form of contracting does not imply a total shift away from CPFF. The CPFF form of contract may be used where appropriate for the performance of research, or preliminary exploration or study were the level of effort is unknown.

One of the first multiple-incentive contracts, the contract for the VELA Nuclear Detection Satellite, has been completed. Under this CPIF development contract, the contractor earned 11.9 percent fee (profit) on target cost compared with a target fee of 8.3 percent. The incentive increase in fee of $869,000 over target fee was the result of the contractor achieving 97.2 percent of the possible performance awards. The contractor for this important arms control satellite has stated that technical excellence and effective cost controls are not at odds. The multiple-incentive concept emphasizes these mutually reinforcing objectives.

II.C. Direct purchase breakout

A summary of the savings realized in this area during fiscal year 1966 is as follows:

	Realized hard savings			Realized cost avoidance savings	Total realized savings	Fiscal year 1966 goal
	Budgeted savings	Fund savings	Total			
Army	----------	$1	$1	----------	$1	----------
Navy	$2	6	8	----------	8	$5
Air Force	----------	5	5	----------	5	1
Total	2	12	14	----------	14	6

Direct purchase breakout concerns the purchase of items by the Government directly from item manufacturers instead of through prime contractors. The objective is to eliminate middleman costs.

The preponderance of the savings realized during fiscal year 1966 was on the procurement of spares and repair parts as documented in the DOD spare parts procurement report.

II.D. Multiyear procurement

A summary of the savings realized in this area during fiscal year 1966 is as follows:

	Realized hard savings			Realized cost avoidance savings	Total realized savings	Fiscal year 1966 goal
	Budgeted savings	Fund savings	Total			
Army		$30	$30		$30	$22
Navy		23	23		23	12
Air Force		17	17		17	6
Total		70	70		70	40

The objective of this area is to obtain lower contract prices by awarding contracts covering requirements for two or more program years in lieu of separate contracts each year. All departments exceeded their respective fiscal year 1966 goals.

Examples of savings reported in this area follow:

	Unit price		Fiscal year 1966 net savings
	Single year	Multiyear	
Army:			
Personnel carrier, M–113	$19,313	$17,369	$1,769,040
Engines, LD–465	1,743	1,625	930,430
Recovery vehicle, M–578	49,536	47,492	367,948
Gun, howitzer, 8-inch, M110	43,642	42,356	149,658
Receiver-transmitter, RT–246	1,917	1,720	169,684
Projectile, 105 mm., M456E1	24	22	233,000
Navy:			
Bomb fin, MK 14	56	52	141,290
Bomb, MK 81 (empty)	101	94	335,511
Bomb, MK 82–1 (empty)	153	135	1,089,152
UHF multicoupler AN/SRA–33	8,600	7,462	255,865
Sonobuoy, AN/SSQ–41	116	88	697,425
Aircraft C–2A	2,501,895	2,024,118	2,388,885
Air Force:			
Attitude ref. and computer system	15,509	14,498	244,662
Pylon assembly, SUU–1	1,967	1,547	448,100
Altimeter, AAU–19/A	910	845	101,800

II.E. Letter contracts

The status of letter contracts as of June 30, 1966 was:

[In millions of dollars]

	On hand	Overage	Percent overage
Army	$831	$148	17.8
Navy	1,070	574	53.6
Air Force	809	539	66.6
Department of Defense	2,710	1,261	46.5

The dollar volume of letter contracts on hand continues to increase, from $1.9 billion as of March 31, 1966, to $2.7 billion on June 30, 1966. This increase is largely attributable to priority actions required in support of Vietnam operations.

Of more significance, however, is the increase in timely definitization of letter contracts. On December 31, 1962, when letter contracts on hand reached a peak of over $3 billion, 66 percent of the dollar volume were over 6 months old. As of March 31, 1962, only 47 percent of the dollar volume were overage and as of June 30, 1966, only 46.5 percent of the dollar volume on hand were over 6 months old.

II.F. Reduction in undefinitized change orders

The dollar value of undefinitized changes increased during fiscal year 1966, primarily as a result of increased southeast Asia activity. However, the percentage of dollar value of undefinitized change orders over 6 months old decreased from 45 percent at the end of fiscal year 1965 to 38 percent at the end of fiscal year 1966. This is most significant as timely definitization is necessary to insure minimum risk to the Government.

III. REDUCING OPERATING COSTS

III.A. Terminating unnecessary operations

A summary of the savings realized in this area during fiscal year 1966 is as follows:

The net annual savings expected to ultimately accrue from decisions to terminate unnecessary operations are reported as decision savings when such decisions are announced. Hard savings are reported in the year actually realized.

Savings and related data pertaining to decision actions through June 30, 1966, follow:

	Realized hard savings			Unrealized decision savings	Total hard and unrealized decision savings	Fiscal year 1966 goal
	Budgeted savings	Fund savings	Total			
Army	$196	----------	$196	$65	$261	$200
Navy	137	----------	137	76	213	185
Air Force	432	$26	458	507	965	750
DSA	3	----------	3	8	11	13
Total	768	26	794	656	1,450	1,148

[Dollar amounts in millions]

	Army	Navy	Air Force	DSA	Total
A. Number of actions	268	274	329	7	878
B. Acres released (thousands)	430	263	1,116	----------	1,809
C. Acquisition cost	$1,434	$1,371	$3,561	----------	$6,366
D. Personnel space reduction	36,309	34,117	130,734	1,113	202,273
1. Military	11,409	18,100	101,993	129	131,631
2. Civilian	24,900	16,017	28,741	984	70,642
E. Annual savings	$261	$213	$965	$11	$1,450

III.B.1. DSA operating expense savings

A summary of the savings realized in this area during fiscal year 1966 is as follows:

	Realized hard savings			Realized cost avoidance savings	Total realized savings	Fiscal year 1966 goal
	Budgeted savings	Fund savings	Total			
DSA	$58	$2	$60	$4	$64	$57

Total savings of $64.4 million have been achieved in this area as follows: $31.3 million in personnel savings initially achieved upon the establishment of DSA; $11.9 million in distribution system savings; $6.1 million from consolidation of the Defense Automotive Supply Center and Defense Construction Supply Center; $4.9 million from productivity increases; $2.3 million from improvements in the management of ADPE; $1.7 million from closures of Defense Surplus Sales Office and $6.2 million from miscellaneous actions.

III.B.2. Consolidation of contract administration

A summary of the savings realized in this area during fiscal year 1966 is as follows:

DSA	Realized hard savings			Unrealized decision savings	Total hard and unrealized decision savings	Fiscal year 1966 goal
	Budgeted savings	Fund savings	Total			
DSA	$5	----------	$5	$14	$19	$19

The total savings ($19 million) for this area are anticipated to be achieved by personnel reductions resulting from the consolidation of contract administration functions within the Department of Defense. A hard saving of $4.6 million was achieved by end of fiscal year 1966.

III.B.3. Departmental operating expense savings

A summary of the savings realized in this area during fiscal year 1966 is as follows:

	Realized hard savings			Realized cost avoidance savings	Total realized savings	Fiscal year 1966 goal
	Budgeted savings	Fund savings	Total			
Army	$6	$16	$22	$25	$47	$20
Navy	30	10	40	3	43	15
Air Force	104	64	168	15	183	100
Total	140	90	230	43	273	135

This area is used to report savings which are not specifically reportable in any other cost reduction area. During fiscal year 1966 there were many thousands of individual actions reported by the military departments which produced savings in departmental

operating expenses. Most of these actions were initiated at field installations and produced savings of less than $100,000 each.

Several examples of the savings reported in this area follow:

Army

Savings of more than $3 million were realized during fiscal year 1966 through improved management of automatic data processing systems. Consolidation of ADP activities, improved equipment utilization management, use of metering devices to compute ADPE utilization and purchasing rather than leasing ADP equipment are typical types of actions which produced savings.

Installation of an automated cargo planning data system produced savings of $131,000 by reducing demurrage costs, increasing the tonnage loaded per rail car and eliminating double handling of cargo.

Air Force

Net savings of $638,900 were realized by improvements in the area of automatic data processing. One typical action was the replacement of PCAM equipment with B263 computers at Air Training Command bases. This action saved $242,800 after deducting the cost of the new equipment.

Net savings of $124,300 were realized by a change in processing vinyl base charts. Previously, vinyl charts were printed on only one side. Under the new process, two-side printing is accomplished.

III.C.1. Improving telecommunications management

A summary of the savings realized in this area during fiscal year 1966 is as follows:

	Realized hard savings			Realized cost avoidance savings	Total realized savings	Fiscal year 1966 goal
	Budgeted savings	Fund savings	Total			
Army	$47	$1	$48	$2	$50	$46
Navy	9	1	10	----------	10	6
Air Force	89	3	92	21	113	83
DCA	2	1	3	----------	3	2
Total	147	6	153	23	176	137

Savings were achieved in this area from the following actions:

Action	Army	Navy	Air Force	DCA	Total
Consolidation and integration of leased lines TELPAK	$25.4	$10.1	$66.8	$0.7	$103.0
Disapproval of program objectives	19.2	----------	----------	----------	19.2
Conolidation, elimination, and noninstallation of circuits, equipment and systems, including maintenance and operations	5.2	.2	45.5	1.9	52.8
Reduction in base communications and maintenance operations	.5	----------	.7	----------	1.2
Miscellaneous	----------	----------	.3	----------	.3
Total	50.3	10.3	113.3	2.6	176.5

III.C.2. Improving transportation and traffic management

A summary of the savings realized in this area during fiscal year 1966 is as follows:

	Realized hard savings			Realized cost avoidance savings	Total realized savings	Fiscal year 1966 goal
	Budgeted savings	Fund savings	Total			
Army	$31	$1	$32	$25	$57	$14
Navy	12	1	13	10	23	7
Air Force	37	2	39	14	53	25
Total	80	4	84	49	133	46

Savings were achieved in this area from the following actions:

	Army	Navy	Air Force	Total
Reduction in overseas mail costs	$12.8	$1.8	$5.0	$19.6
Reduction in through bill household goods costs	10.6	2.5	10.6	23.7
Increased use of less than 1st class air travel	5.5	6.6	5.4	17.5
Reduction in MAC airlift contract costs	21.3	9.2	18.5	49.0
Miscellaneous	6.7	3.0	13.9	23.6
Total	56.9	23.1	53.4	133.4

III.C.3. Equipment maintenance management

A summary of the savings realized in this area during fiscal year 1966 is as follows:

	Realized hard savings			Realized cost avoidance savings	Total realized savings	Fiscal year 1966 goal
	Budgeted savings	Fund savings	Total			
Army	$9	----------	$9	$24	$33	$58
Navy	44	$14	58	6	64	60
Air Force	23	3	26	6	32	110
Total	76	17	93	36	129	228

Examples of savings achieved in this area are as follows:

Army

Budgeted savings of $3.2 million were realized during fiscal year 1966 by elimination of depot level maintenance on general purpose tactical support vehicles (¾-, 2½-, and 5-ton trucks). Maintenance support is now provided at the general support level.

The consolidation of maintenance activities in Army operations in Europe (USAREUR) improved maintenance management, reduced manpower and saved $224,000 during fiscal year 1966.

Navy

Adoption of a process for reclaiming turbine nozzle guide vanes on J–52 and J–57 engines produced savings of $9.7 million during fiscal

year 1966. Bent, bowed, and distorted guide vanes which were previously discarded are now reclaimed, repaired, and used in the engine overhaul program.

Savings totaling $668,211 were realized through reorganizations and improvements in procedures.

Air Force

Savings of $548,000 were achieved from a review of operational training requirements and analysis of maintenance data with a resultant reduction in inspection requirements.

III.C.4. Noncombat vehicle management

A summary of the savings realized in this area during fiscal year 1966 is as follows:

	Realized hard savings			Realized cost avoidance savings	Total realized savings	Fiscal year 1966 goal
	Budgeted savings	Fund savings	Total			
Army	$8	$4	$12	$7	$19	$18
Navy	6	----------	6	2	8	3
Air Force	10	2	12	5	17	12
Total	24	6	30	14	44	33

Savings of $9.9 million were realized through procurement of 2,745 commercial type vehicles in lieu of military design vehicles.

The balance of the savings reported in this area resulted from many individual actions. These include the consolidation and realinement of functions, improved methods and procedures, reduction in vehicle inspections, increased time between maintenance cycles with improved maintenance scheduling, increased use of motor pools and radio controlled operations through more effective dispatching, reduction in personnel required through additional application of user driver operation of vehicles, and reduction in overage vehicles.

III.C.5. Use of contract technicians

A summary of the savings realized in this area during fiscal year 1966 is as follows:

	Realized hard savings			Realized cost avoidance savings	Total realized savings	Fiscal year 1966 goal
	Budgeted savings	Fund savings	Total			
Army	$7	$1	$8	----------	$8	$9
Navy	----------	1	1	----------	1	4
Air Force	----------	----------	----------	----------	----------	17
Total	7	2	9	----------	9	30

The reported savings resulted from an accumulation of many individual actions. Typical actions were the replacement of contract technical instructors with direct hire civilians, reductions through consolidation of requirements, reduced travel and overtime by im-

proved work scheduling, and replacement of contract technicians with military or civilian direct hire personnel.

III.C.6. Improving military housing management

A summary of the savings realized in this area during fiscal year 1966 is as follows:

	Realized hard savings			Realized cost avoidance savings	Total realized savings	Fiscal year 1966 goal
	Budgeted savings	Fund savings	Total			
Army	$4	----------	$4	$4	$8	$7
Navy	6	----------	6	4	10	5
Air Force	5	$3	8	2	10	7
Total	15	3	18	10	28	19

Savings in this area were achieved from many actions taken at installations throughout the world. Implementation of a DOD policy decision prohibiting furniture procurement for initial issue in new housing units produced significant savings in fiscal year 1966. Increased utilization of family housing quarters, intensified engineering reviews of repair projects, centralized labor force scheduling, utility conservation programs and use of satisfactory but less costly materials for repairs and maintenance are other typical actions which produced savings during fiscal year 1966.

III.C.7. Real property management

A summary of the savings realized in this area during fiscal year 1966 is as follows:

	Realized hard savings			Realized cost avoidance savings	Total realized savings	Fiscal year 1966 goal
	Budgeted savings	Fund savings	Total			
Army	$7	----------	$7	$8	$15	$16
Navy	19	$4	23	1	24	16
Air Force	15	9	24	5	29	22
Total	41	13	54	14	68	54

The savings achieved in this area represent the accumulation of many individual actions in the functions necessary to maintain and operate the real property at the more than 7,000 installations throughout the world. Typical management actions are those which resulted in lower utility rates, adapting modern methods and techniques to increase labor performance and consolidation and simplification of the maintenance and operation functions to reduce manpower, material and equipment requirements.

III.C.8. Packaging, preservation, and packing

A summary of the savings realized in this area during fiscal year 1966 is as follows:

	Realized hard savings			Realized cost avoidance savings	Total realized savings	Fiscal year 1966 goal
	Budgeted savings	Fund savings	Total			
Army	----------	$1	$1	$5	$6	$3
Navy	$6	2	8	1	9	4
Air Force	4	15	19	4	23	5
DSA	1	1	2	1	3	1
Total	11	19	30	11	41	13

Achievements in this area during fiscal year 1966 were outstanding. Each military department and the DSA exceeded their individual goal by more than 100 percent. In total, savings for this area exceeded the goal by more than 210 percent. Examples of savings achieved during fiscal year 1966 are as follows:

Army

A saving of $262,400 was realized by using wood skids in lieu of pallets for shipping 105mm cartridges.

In the past, fuzes were repacked in a metal box with polystyrene supports and two such boxes were overpacked in a wirebound wooden box. Savings of $426,000 were realized during fiscal year 1966 by changing the method of packing so that use is made of the same material in which the fuzes were received.

Navy

Savings of over $1.9 million were realized during fiscal year 1966 by using salvage ships in lieu of MSTS ships, as previously used, to dispose of unserviceable ammunition.

Savings of $505,000 were realized from a management action whereby removal of the ICC hazardous classification ("class A explosive") for otto fuel was obtained. This permitted use of a less expensive container. Formerly, regulations required use of a polyethlene container packed in sawdust inside a 15-gallon stainless steel drum.

Air Force

Savings of $13.8 million were realized by redesigning the packing used for bomb fin assemblies so that 6 to 12 assemblies could be shipped in cleated plywood containers instead of packing each assembly in a separate metal crate.

Savings of $341,000 were achieved by developing a new container concept for C–141 aircraft engines which would satisfy both air and surface shipment requirements plus long-term storage requirements. A moisture vaporproof flexible container is used under this new concept. Previously metal containers were isued.

DSA

Savings of $93,000 were realized by accepting the contractor's modified commercial packaging for engine repair parts in lieu of military level A packaging as previously required.

IV. MILITARY ASSISTANCE PROGRAM (MAP)

A summary of the savings realized in this area during fiscal year 1966 is as follows:

	Realized hard savings			Realized cost avoidance savings	Total realized savings	Fiscal year 1966 goal
	Budgeted savings	Fund savings	Total			
MAP		$3	$3	$6	$9	$100

All savings in this area have resulted from actions reported by the four Unified Commands (CINCPAC, CINCSOUTH, CINCSTRIKE and CINCEUR). Details on most of the individual actions are classified.

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Assistant Secretary of Defense
(Installations and Logistics).

ATTACHMENT A

DOD cost reduction program—Cost reduction savings reflected in budget estimates [1]

[In millions of dollars]

	Fiscal year					
	1964 total	1965 total	1966 total	1967		
				Accomplished	Planned	Total
I. BUYING ONLY WHAT WE NEED						
A. Refining requirements calculations:						
1. Major items of equipment:						
Army	$69	$36	$80	$75		$75
Navy	190	240	624	413	$156	569
Air Force	34	97	43	2		2
Total	293	373	747	490	156	646
2. Initial provisioning:						
Army	9	19				
Navy	37	86	106	47		47
Air Force	86	28	78		24	24
DSA	1					
Total	133	133	184	47	24	71
3. Secondary items:						
Army	34	25	22			
Navy	78	81	55	6	3	9
Air Force	525	448	661	469		469
DSA	33	52	61		5	5
Total	670	607	799	475	8	483
4. Technical manuals:						
Army			3	5		5
Navy			1		1	1
Air Force			4	1	1	2
Total			8	6	2	8

See footnote at end of table, p. 119.

DOD cost reduction program—Cost reduction savings reflected in budget estimates [1]—Continued

[In millions of dollars]

	Fiscal year					
	1964 total	1965 total	1966 total	1967		
				Accomplished	Planned	Total
BUYING ONLY WHAT WE NEED—con.						
A. Refining requirements, etc.—Con.						
5. Technical data and reports:						
Army				$1		$1
Navy	$2	$4			$1	1
Air Force			$2	1		1
DSA						
Total	2	4	2	2	1	3
6. Production base facilities:						
Army		2				
Navy	13	17				
Air Force						
Total	13	19				
B. Increased use of excess inventory:						
1. Equipment and supplies:						
Army	9	5	3			
Navy	7	11	41		30	30
Air Force			31			
DSA					5	5
Total	16	16	75		35	35
2. Redistribution of idle production equipment:						
Army						
Navy					1	1
Air Force						
Total					1	1
3. Excess contractor inventory:						
Army	1	1	3		3	3
Navy						
Air Force						
Total	1	1	3		3	3
C. Eliminating goldplating:						
Army	6	3	20		33	33
Navy	5	7	10	19	12	31
Air Force			48	37	60	97
DSA	3	5	5		7	7
Total	14	15	83	56	112	168
D. Inventory item reduction:						
Army						
Navy			1	1		1
Air Force			52	68		68
DSA			19	20	6	26
Total			72	89	6	95
Total, buying only what we need	1,142	1,168	1,973	1,165	348	1,513
II. BUYING AT THE LOWEST SOUND PRICE						
A. Shift from noncompetitive to competitive procurement:						
Army	53	67	116		44	44
Navy	61	71	128		206	206
Air Force	60	75	167		205	205
DSA	2	3	3			
Total	176	216	414		455	455

See footnote at end of table, p. 119.

DOD cost reduction program—Cost reduction savings reflected in budget estimates [1]—Continued

[In millions of dollars]

	Fiscal year					
	1964 total	1965 total	1966 total	1967		
				Accomplished	Planned	Total
II. BUYING AT THE LOWEST SOUND PRICE—continued						
B. Shift from CPFF to fixed or incentive price:						
Army	----------	$120	$111	----------	$132	$132
Navy	----------	65	142	----------	153	153
Air Force	----------	251	346	----------	346	346
DSA	----------	----------	----------	----------	----------	----------
Total	----------	436	599	----------	631	631
C. Direct purchase breakout:						
Army	----------	----------	----------	----------	----------	----------
Navy	----------	----------	2	----------	----------	----------
Air Force	----------	----------	----------	----------	----------	----------
Total	----------	----------	2	----------	----------	----------
D. Multiyear procurement:						
Army	----------	----------	----------	----------	21	21
Navy	----------	----------	*	$9	42	51
Air Force	----------	----------	----------	1	----------	1
Total	----------	----------	----------	10	63	73
Total, buying at lowest sound price	$176	652	1,015	10	1,149	1,159
III. REDUCING OPERATING COSTS						
A. Terminating unnecessary operations:						
Army	59	68	100	170	----------	170
Navy	52	55	67	152	----------	153
Air Force	199	236	382	581	----------	581
DSA	----------	----------	2	2	7	9
Total	310	359	551	905	7	912
B. Consolidation and standardization of operations:						
1. DSA operating expense savings	38	53	57	57	----------	57
2. Consolidation of contract administrator, DSA	----------	----------	----------	5	2	7
3. Departmental operating expense savings:						
Army	----------	5	2	6	----------	6
Navy	7	15	6	15	3	18
Air Force	----------	----------	86	137	----------	137
Total	7	20	94	158	3	161
C. Increasing efficiency of operation:						
1. Improving telecommunication management:						
Army	57	7	40	25	1	26
Navy	1	4	5	8	----------	8
Air Force	61	38	83	113	----------	113
DCA	----------	----------	1	1	----------	1
Total	119	49	129	147	1	148
2. Improving transportation and traffic management:						
Army	5	5	2	1	17	18
Navy	----------	----------	3	----------	3	3
Air Force	7	7	30	6	17	23
DSA	----------	----------	----------	----------	----------	----------
Total	12	12	35	7	37	44

See footnote at end of table, p. 119.

DOD cost reduction program—Cost reduction savings reflected in budget estimates[1]—Continued

[In millions of dollars]

	Fiscal year					
				1967		
	1964 total	1965 total	1966 total	Accomplished	Planned	Total
III. REDUCING OPERATING COSTS—con.						
C. Increasing efficiency of operation—Con.						
3. Improving equipment maintenance management:						
Army	$3	$9	$15	$7	----------	$7
Navy	25	37	24	32	$3	35
Air Force	----------	63	69	81	----------	81
Total	28	109	108	120	3	123
4. Noncombat vehicle management:						
Army	12	12	9	1	8	9
Navy	----------	----------	3	2	2	4
Air Force	----------	----------	9	12	----------	12
Total	12	12	21	15	10	25
5. Use of contract technicians:						
Army	1	1	8	7	2	9
Navy	1	1	2	1	1	2
Air Force	7	7	17	----------	18	18
Total	9	9	27	8	21	29
6. Improving military housing management:						
Army	2	4	4	2	2	4
Navy	4	4	8	4	----------	4
Air Force	----------	----------	2	6	----------	6
Total	6	8	14	12	2	14
7. Improving real property management:						
Army	2	8	8	6	6	12
Navy	1	1	8	11	2	13
Air Force	----------	----------	11	19	----------	19
Total	3	9	27	36	8	44
8. Packaging, preservation and packing:						
Army	----------	----------	----------	----------	----------	----------
Navy	----------	----------	1	3	----------	3
Air Force	----------	----------	1	2	3	5
DSA	1	1	1	----------	1	1
Total	1	1	3	5	4	9
Total, reducing operating costs	545	641	1,066	1,475	98	1,573
IV. MILITARY ASSISTANCE PROGRAM						
Total, MAP	----------	----------	----------	----------	----------	----------
Total program	1,863	2,461	4,054	2,650	1,595	4,245
Summary:						
Army	322	399	546	306	269	575
Navy	484	698	1,237	723	619	1,342
Air Force	979	1,250	2,122	1,536	674	2,210
DSA	78	114	148	84	33	117
DCA	----------	----------	1	1	----------	1
Total program	1,863	2,461	4,054	2,649	1,596	4,245

[1] Savings identified and reported as reflected in the original presidential budget for each fiscal year.

ATTACHMENT B

Department of Defense cost reduction program, fiscal year 1966

[In millions of dollars]

Summary of area	Realized hard savings			Cost avoidance and unrealized decision savings	Total savings [1]	Fiscal year 1966 goal	Fiscal year 1967 goal
	Budgeted savings	Fund savings	Total				
I. Buying only what we need:							
A. Refining requirements calculations:							
1. Major items of equipment:							
Army	$132	$5	$137	-------	$137	$120	$125
Navy	500	61	561	-------	561	652	665
Air Force	96	9	105	$15	120	107	100
Total	728	75	803	15	818	879	890
Initial provisioning:							
Army	-------	1	1	1	2	20	4
Navy	25	14	39	-------	39	109	50
Air Force	175	-------	175	7	182	78	50
Total	200	15	215	8	223	207	104
3. Secondary items:							
Army	3	-------	3	5	8	35	16
Navy	17	17	34	-------	34	100	30
Air Force	-------	2	2	5	7	594	300
DSA	14	-------	14	-------	14	46	10
Total	34	19	53	10	63	775	356
4. Technical manuals:							
Army	3	-------	3	-------	3	3	3
Navy	-------	1	1	-------	1	3	1
Air Force	2	2	4	5	9	6	4
Total	5	3	8	5	13	12	8
5. Technical data and reports:							
Army	1	1	2	5	7	5	5
Navy	2	2	4	-------	4	5	3
Air Force	-------	7	7	8	15	8	12
Total	3	10	13	13	26	28	20
6. Production base facilities:							
Army	-------	-------	-------	-------	-------	4	4
Navy	-------	-------	-------	-------	-------	2	-------
Air Force	-------	4	4	-------	4	3	3
Total	-------	4	4	-------	4	9	7
B. Increased use of excess inventory:							
1. Equipment and supplies:							
Army	3	3	6	142	148	222	157
Navy	46	25	71	213	284	190	200
Air Force	11	17	28	169	197	20	20
DSA	9	-------	9	2	11	15	10
Total	69	45	114	526	640	447	387
2. Redistribution of idle production equipment:							
Army	-------	8	8	51	59	1	5
Navy	-------	7	7	14	21	-------	7
Air Force	-------	5	5	2	7	2	2
DSA	-------	-------	-------	2	2	-------	-------
Total	-------	20	20	69	89	3	14

See footnotes at end of table, p. 123.

Department of Defense cost reduction program, fiscal year 1966—Continued

[In millions of dollars]

Summary of area	Realized hard savings			Cost avoidance and unrealized decision savings	Total savings [1]	Fiscal year 1966 goal	Fiscal year 1967 goal
	Budgeted savings	Fund savings	Total				
I. Buying only what we need—Continued							
B. Increased use of excess inventory—Con.							
3. Excess contractor inventory:							
Army	$3	--------	$3	--------	$3	$4	$3
Navy	--------	$28	28	--------	28	5	----------
Air Force	--------	(2)	(2)	--------	(2)	8	1
Total	3	26	29	--------	29	17	4
C. Eliminating goldplating:							
Army	48	36	84	$76	160	70	136
Navy	44	62	106	8	114	132	160
Air Force	71	39	110	84	194	150	200
DSA	5	19	24	3	27	12	20
Total	168	156	324	171	495	364	516
D. Inventory item reduction:							
Army	(4)	(4)	(8)	--------	(8)	----------	----------
Navy	(1)	(4)	(5)	--------	(5)	1	----------
Air Force	68	(3)	65	--------	65	62	62
DSA	17	13	30	--------	30	19	37
Total	80	2	82	--------	82	82	99
Total buying only what we need	1,290	375	1,665	817	2,482	2,823	2,405
II. Buying at the lowest sound price:							
A. Shift from noncompetitive to competitive procurement:					*percent* *dollars*	*percent* *dollars*	*percent* *dollars*
Army	65	--------	65	--------	43.9 65	49.0 116	43.0 40
Navy	128	59	187	--------	38.4 187	40.4 155	40.4 207
Air Force	167	116	283	--------	25.8 283	21.4 167	21.4 207
DSA	3	13	16	--------	92.1 16	91.6 3	91.6 3
Total percent competitive [2]	--------	--------	--------	--------	44.4 ------	40.5 ------	42.0 ------
Total amount of savings	363	188	551	--------	------ 551	------ 441	------ 457
B. Shift from CPFF to fixed or incentive price:					*percent* *dollars*	*percent* *dollars*	*percent* *dollars*
Army	1111	--------	111	123	13.8 234	10.0 151	15.0 180
Navy	142	--------	142	(9)	14.2 133	8.5 151	10.4 153
Air Force	347	--------	347	66	6.7 413	12.5 368	7.0 368
Total percent CPFF [3]	--------	--------	--------	--------	9.9 ------	9.8 ------	9.8 ------
Total amount of savings	[4] 600	--------	[4] 600	180	------ 780	------ 670	------ 701
C. Direct purchase breakout:							
Army	--------	1	1	--------	1	----------	----------
Navy	2	6	8	--------	8	5	6
Air Force	--------	5	5	--------	5	1	1
Total	2	12	14	--------	14	6	7
D. Multi-year procurement:							
Army	--------	30	30	--------	30	22	35
Navy	--------	23	23	--------	23	12	30
Air Force	--------	17	17	--------	17	6	10
Total	--------	70	70	--------	70	40	75
Total buying at lowest sound price	965	270	1,235	180	1,415	1,157	1,240

See footnotes at end of table, p. 123.

Department of Defense cost reduction program, fiscal year 1966—Continued

[In millions of dollars]

Summary of area	Realized hard savings			Cost avoidance and unrealized decision savings	Total savings [1]	Fiscal year 1966 goal	Fiscal year 1967 goal
	Budgeted savings	Fund savings	Total				
III. Reducing operating costs:							
A. Terminating unnecessary operations:							
Army	$196	----	$196	$65	$261	$200	$262
Navy	137	----	137	76	213	185	205
Air Force	432	$26	458	507	965	750	962
DSA	3	----	3	8	11	13	15
Total	768	26	794	[5] 656	1,450	1,148	1,444
B. Consolidation and standardization:							
1. DSA operating expense	58	2	60	4	64	57	62
2. Consolidation of contract administration	5	----	5	14	19	19	19
3. Departmental operating expense savings:							
Army	6	16	22	25	47	20	44
Navy	30	10	40	3	43	15	30
Air Force	104	64	168	15	183	100	230
Total	140	90	230	43	273	135	304
C. Increasing efficiency of operation:							
1. Improving telecommunication management:							
Army	47	1	48	2	50	46	33
Navy	9	1	10	----	10	6	10
Air Force	89	3	92	21	113	83	120
DCA	2	1	3	----	3	2	2
Total	147	6	153	23	176	137	165
2. Improving transportation and traffic management:							
Army	31	1	32	25	57	14	43
Navy	12	1	13	10	23	7	10
Air Force	37	2	39	14	53	25	30
Total	80	4	84	49	133	46	83
3. Improving equipment maintenance management:							
Army	9	----	9	24	33	58	45
Navy	44	14	58	6	64	60	60
Air Force	23	3	6	6	32	110	60
Total	76	17	73	36	129	228	165
4. Noncombat vehicle management:							
Army	8	4	12	7	19	18	19
Navy	6	----	6	2	8	3	7
Air Force	10	2	12	5	17	12	14
Total	24	6	30	14	44	33	40
5. Use of contract technicians:							
Army	7	1	8	----	8	9	9
Navy	----	1	1	----	1	4	1
Air Force	----	----	----	----	----	17	----
Total	7	2	9	----	9	30	10

See footnotes at end of table, p. 123.

Department of Defense cost reduction program, fiscal year 1966—Continued

[In millions of dollars]

Summary of area	Realized hard savings			Cost avoidance and unrealized decision savings	Total savings [1]	Fiscal year 1966 goal	Fiscal year 1967 goal
	Budgeted savings	Fund savings	Total				
III. Reducing operating costs—Continued							
C. Increasing efficiency of operation—Con.							
6. Improving military housing management:							
Army	$4	----	$4	$4	$8	$7	$6
Navy	6	----	6	4	10	5	8
Air Force	5	$3	8	2	10	7	7
Total	15	3	18	10	28	19	21
7. Improving real property management:							
Army	7	----	7	8	15	16	19
Navy	19	4	23	1	24	16	17
Air Force	15	9	24	5	29	22	22
Total	41	13	54	14	68	54	58
8. Packaging, preservation and packing:							
Army	----	1	1	5	6	3	4
Navy	6	2	8	1	9	4	5
Air Force	4	15	19	4	23	5	5
DSA	1	1	2	1	3	1	1
Total	11	19	30	11	41	13	15
Total reducing operating costs	1,372	188	1,560	874	2,434	1,919	2,386
IV. Military assistance program (MAP):							
ISA	----	3	3	6	9	100	30
Air Force	----	----	----	----	----	----	1
Total MAP	----	3	3	6	9	100	31
Total program	3,627	836	4,463	1,877	6,340	5,999	6,062
Summary by major category							
I. Buying only what we need	1,290	375	1,665	817	2,482	2,823	2,405
II. Buying at the lowest sound price	965	270	1,235	180	1,415	1,157	1,240
III. Reducing operating costs	1,372	188	1,560	874	2,434	1,919	2,386
IV. Military assistance program	----	3	3	6	9	100	31
Total program	3,627	836	4,463	1,877	6,340	5,999	6,062
Summary by Department/Agency							
Army	680	105	785	567	1,352	1,164	1,197
Navy	1,174	334	1,508	330	1,838	1,827	1,865
Air Force	1,656	345	2,001	939	2,940	2,721	2,791
DSA	115	48	163	35	198	185	177
DCA	2	1	3	----	3	2	2
MAP	----	3	3	6	9	100	30
Total program	3,627	836	4,463	1,877	6,340	5,999	6,062

[1] Includes certain one-time savings not expected to recur in the same amounts in future years.

[2] Fiscal year 1961 actual was 32.9 percent; fiscal year 1966 actual was 44.4 percent; savings are 25 percent per dollar converted.

[3] 1st 9 months of fiscal year 1961 was 38 percent; fiscal year 1966 actual was 9.9 percent; savings are 10 percent per dollar converted.

[4] Represent savings realized from dollars converted in fiscal year 1964 and reflected in the fiscal year 1966 budget estimate. Savings are considered to be realized 2 years subsequent to year of conversion.

[5] Unrealized decision savings totaling $10,000,000 have not yet been processed for audit validation.

ATTACHMENT C

DOD cost reduction program—Disposition of realized fund savings, fiscal year 1966

[In millions of dollars]

Area number	Cost reduction area/appropriation and budget activity	Amount	Disposition
	ARMY		
I-A-1	Major items of equipment	$5.022	
	PEMA:		
	4000	.744	Reprogramed.
	4200	4.248	Do.
I-A-2	Initial provisioning	.923	
	ASF:		
	0700	.136	Provisioning for XM-551 vehicle.
	PEMA:		
	4000	.065	Reprogramed.
	4400	.157	Returned to higher headquarters.
	4600	.535	Reprogramed.
	4900	.030	Do.
I-A-3	Secondary items, ASF	.016	Fiscal year 1966 small arms repair program.
I-A-5	Technical data and reports	1.362	
	MPA	.154	Military-reassigned.
	OMA:		
	2000	.052	Reprogramed.
	2100	.014	Do.
	2200	.180	Do.
	2300	.018	Do.
	2500	.010	Do.
	2600	.006	Do.
	2800	.020	Do.
	2900	.042	Do.
	PEMA:		
	4000	.009	Do.
	4200	.190	Do.
	4400	.002	Do.
	4800	.003	Do.
	4900	.026	Do
	RDTE:		
	5000	.034	Do.
	5100	.023	Do.
	5200	.070	Do.
	5500	.042	Do.
	5700	.003	Do.
	5900	.016	Do.
	MCA:		
	6100	.040	Do.
	6300	.014	Do.
	AIF	.217	Do.
	OMF	.065	Do.
I-B-1	Equipment and supplies	3.450	
	ASF:		
	700	.913	Do.
	PEMA:		
	4000	.409	Do.
	4300	.015	Do.
	4100	.090	Do.
	4900	.381	Do.
	ASF and PEMA	1.642	Do.
I-B-2	Idle production equipment, PEMA: 4900.	8.484	Do.
I-C	Eliminating goldplating	35,401	
	ASF: 700	1.091	Do.
	MIL HSG: 1800	.958	Do.
	OMA: 2200	.041	Do.
	PEMA:		
	4000	.785	Do.
	4100	.667	Do.
	4200	.950	Do.
	4300	.020	Do.
	4400	2.974	Do.
	4500	6.571	Do.
	4600	.421	Do.
	4700	7.041	Do.
	4800	8.716	Do.
	4900	.209	Do.

DOD cost reduction program—Disposition of realized fund savings, fiscal year 1966—Continued

[In millions of dollars]

Area number	Cost reduction area/appropriation and budget activity	Amount	Disposition
	ARMY—continued		
I-C	RDTE:		
	5000	$0.005	Reprogramed.
	5100	.071	Do.
	5200	.476	Do.
	5300	1.372	Do.
	5500	.488	Do.
	5600	.106	Do.
	MCA:		
	6100	1.270	Do.
	6300	.062	Do.
	6700	.323	Do.
	6800	.058	Do.
	21X4991.6	.571	Do.
	23L0102	.155	Do.
II-C	Direct purchase breakout	1.144	
	OMA:		
	2030	.099	Do.
	2300	.003	Do.
	PEMA: 4900	1.042	Do.
II-D	Multiyear procurement	29.873	
	ASF:		
	0700	.046	Do.
	1620	.005	Do.
	4000	5.764	Do.
	4400	2.977	Do.
	4500	9.939	Do.
	4600	4.029	Do.
	4700	5.734	Do.
	4800	1.087	Do.
	4900	.292	Do.
III-B-2	Army operating expense savings	16.744	
	MPA	4.708	Do.
	MIL HSG: 1900	.011	Do.
	OMA:		
	2000	1.930	Do.
	2100	1.293	Do.
	2200	2.789	Do.
	2300	.101	Do.
	2400	.243	Do.
	2500	1.054	Do.
	2600	.101	Do.
	2800	.192	Do.
	2900	.042	Do.
	3000	.059	Do.
	OMF	1.467	Do.
	PEMA:		
	4000	.069	Do.
	4400	.355	Do.
	4800	.121	Do.
	RDTE:		
	5000	.269	Do.
	5200	.062	Do.
	5700	.245	Do.
	MCA: 6100	.645	Do.
	AIF	.988	Do.
III-C-1	Improving telecommunications management.	1.037	
	MPA	.154	Military reassigned.
	OMA:		
	2000	.013	Reprogramed.
	2100	.016	Do.
	2200	.009	Do.
	2600	.002	Do.
	2900	.605	Do.
	OMF	.218	Do.
	PEMA: 4100	.009	Do.
	RDTE: 5200	.010	Do.
	AIF	.001	Do.

DOD cost reduction program—Disposition of realized fund savings, fiscal year 1966—Continued

[In millions of dollars]

Area number	Cost reduction area/appropriation and budget activity	Amount	Disposition
	ARMY—continued		
III-C-2	Improving transportation and traffic management.	$1.723	
	MPA	.159	Reprogramed.
	OMA:		
	2200	1.360	Do.
	2300	.094	Do.
	2800	.006	Do.
	OMF	.104	Do.
III-C-3	Improving equipment maintenance management.	.382	
	MPA	.041	Do.
	OMA:		
	2300	.060	Do.
	2900	.004	Do.
	OMF	.112	Do.
	RDTE: 5700	.165	Do.
III-C-4	Improving noncombat vehicles management.	3.866	
	MPA	.006	Military reassigned.
	OMA:		
	2400	.001	Reprogramed.
	2800	.002	Do.
	2900	.101	Do.
	2000	.019	Do.
	PEMA: 4500	3.828	Do.
III-C-5	Use of contract technicians	.575	
	OMA:		
	2100	.306	Do.
	2300	.033	Do.
	23L	.326	Do.
III-C-6	Improving military housing management, military housing: 1700.	.800	Do.
III-C-7	Improving real property management, RDTE: 5700.	.028	Do.
III-C-8	Packaging, preserving and packing	.752	
	ASF	.259	Do.
	PEMA:		
	4100	.097	Do.
	4200	.017	Do.
	4600	.142	Do.
	4700	.162	Do.
	4800	.065	Do.
	RDTE: 5700	.010	Do.
	NAVY		
I-A-1	Major items of equipment	60.800	
	SCN: 5	59.600	By S/I 744, funds already authorized in fiscal year 1966 will be utilized as an offset against the fiscal year 1967 shipbuilding program financed by SCN.
	OPN:		
	1940	.200	Reprogramed to other OPN accounts by fiscal year 1966 apportionment process.
	1950	.600	Do.
	1980	.400	Do.

DOD cost reduction program—Disposition of realized fund savings, fiscal year 1966—Continued

[In millions of dollars]

Area number	Cost reduction area/appropriation and budget activity	Amount	Disposition
	NAVY—continued		
I-A-2	Initial provisioning	$14.635	
	NSF	4.099	Reprogramed to purchase additional material.
	SCN: 2435	.011	Reprogramed to other elements (cost overruns).
	PAMN: 5741	.566	Reprogramed $235,000 to satisfy other requirements under program (5741); reprogramed $331,000 within the same appropriation to procure other urgently needed items.
		9.355	Reprogramed within the same appropriation to procure urgently needed items.
	OPN: Not identified	.624	Reprogramed to procure other urgently needed items within same appropriation.
I-A-3	Secondary items	16.762	
	R.D.T. & E., N: Various	.003	Reprogramed.
	PAMN:		
	6	.036	Do.
	1637	.357	Do.
	2693	.721	Do.
	O. & M.N.:		
	1916	.621	Do.
	1920	.013	Do.
	OPN:		
	1920	1.165	Do.
	1925	.283	Do.
	1945	.005	Do.
	2410	.077	Do.
	2415	.855	Do.
	2426	2.382	Do.
	2526	.009	Do.
	NMF	3.279	Do.
	NSF	5.389	Do.
	NIF	.286	Do.
	Miscellaneous	.078	Do.
	PMC: Various	1.140	Do.
	MC, SP: Various	.072	Do.
I-A-3	Technical manuals	1.240	
	PAMN:		
	1033	.001	Do.
	1402	.002	Do.
	1407	.011	Retained in sec. C limitation of various contracts to fund whatever manuals or changes that may be required during the production span.
	1507	.034	Do.
	1515	.400	Do.
	1925	.080	Do.
	1535	.028	Do.
	2032	.018	Do.
	OMN:		
	1925	.031	Reprogramed to other elements (cost overruns) of the same fiscal year programs.
	1918	.001	Do.
	2410	.003	Do.
	NIF	.006	Reprogramed to reduce overhead costs.
	SCN:		
	2445	.003	Do.
	2455	.003	Reprogramed to other elements (cost overruns) of same fiscal year program.
	2457	.001	Do.
	BA: 5	.002	Do.
	R.D.T. & E.:		
	1920	.005	Do.
	9615	.105	Reprogramed against other approved requirements.
	Various	.007	Reprogramed to reduce overhead costs.

DOD cost reduction program—Disposition of realized fund savings, fiscal year 1966—Continued

[In millions of dollars]

Area number	Cost reduction area/appropriation and budget activity	Amount	Disposition
	NAVY—continued		
I-A-5	Technical data and reports	$2.264	
	NIF	.102	Reprogramed.
	O. & M.N.:		
	1804	.020	Do.
	1920	.024	Do.
	2410	.070	Do.
	2415	.015	Do.
	2500	.028	Reprogramed to offset increased cost in the operations area.
	4105	.009	Do.
	Not identified	.098	Do.
	SCN:		
	BA-2	.023	Reprogramed to other elements (cost overruns) of the same fiscal year program.
	BA-5	.074	Do.
	2454 and 2455	.005	Do.
	MPN: 2202	.010	Reprogramed.
	R.D.T. & E., N:		
	1935	.694	Reprogramed to other elements (cost overruns) of the same fiscal year program.
	9340	.531	Do.
	9689	.227	Represents several actions each under $100,000.
	NMF	.002	Reprogramed.
	PAMN:		
	1036	.055	Do.
	1535	.004	Do.
	2698	.078	Do.
	Miscellaneous	.167	Do.
	Miscellaneous	.015	Do.
I-B-1	Equipment and supplies	23.421	
	PAMN:		
	1637	19.947	Reprogramed to other requirements under program 6320-1, $467,000,000, balance.
	1945	.054	Reprogramed.
	NMF	.006	Do.
	NSF	.124	Do.
	C. & M.N.:		
	1918	.011	Do.
	2315	.010	Do.
	Various	.028	Do.
	MCN: 2561	.023	Do.
	R.D.T. & E., N:		
	9481	.276	Reprogramed to finance other approved unfunded programs under project AUTEC.
	9620	.015	Reprogramed within the same appropriation.
	9674	.037	Do.
	9689	.412	Do.
	Various	.050	Do.
	SCN:		
	BA-5	.015	Reprogramed to other elements (cost overruns) of applicable fiscal year program.
	2424	.125	Reprogramed to other elements (cos-overruns) within the same appropriation.
	NIF	.040	Reprogramed to reduce overhead costs.
	OPN:		
	1915	.001	Reprogramed to other procurements within same appropriation.
	1961	.680	Do.
	1926	.055	Do.
	2316	.039	Do.
	2426	.333	Reprogramed to other elements (cost overruns) within the same appropriation.
	Not identified	.915	Reprogramed.
	Various	.219	Represents several actions each under $100,000.

DOD cost reduction program—Disposition of realized fund savings, fiscal year 1966—Continued

[In millions of dollars]

Area number	Cost reduction area/appropriation and budget activity	Amount	Disposition
	NAVY—continued		
I-B-2	Redistribution of idle production equipment, various	$7.029	Data on appropriations (re DOD-owned production equipment) furnished by DIPEC/DSA is too general to permit identification of disposition.
I-C	Eliminating goldplating	62.443	
	PAMN:		
	4	.039	Reprogramed.
	6	.801	Do.
	9	.881	Do.
	1036	.002	Do.
	1492	.378	Do.
	1505	.530	Do.
	1511	.122	Do.
	1523	.016	Do.
	1637	.644	Do.
	1605	.291	Do.
	1611	2.190	Do.
	1615	.040	Do.
	1632	.080	Do.
	1637	2.278	Do.
	1920	.667	Do.
	2685	.037	Do.
	Various	.380	Do.
	OPN:		
	2	.015	Reprogramed to other elements (cost overruns) of the applicable fiscal year year.
	1913	.010	Do.
	1914	.256	Reprogramed.
	1915	1.026	Do.
	1916	3.004	Do.
	1924	.048	Do.
	1930	.086	Do.
	1945	.088	Do.
	1946	.436	Do.
	1956	4.241	Do.
	1980	4.763	Do.
	2425	.185	Do.
	2426	.295	Do.
	8416	.030	Do.
	Various	2.378	Do.
	O. & M.N.:		
	1610	.109	Do.
	1916	.652	Do.
	O. & M.N:		
	1918	4.120	Do.
	1920	.008	Do.
	1925	.001	Do.
	2315	.021	Do.
	2410	2.797	Do.
	2415	2.331	Do.
	2420	.351	Do.
	2445	.037	Do.
	2515	.002	Do.
	2710	.035	Do.
	4505	.098	Do.
	5105	.001	Do.
	Various	.178	Do.
	SCN:		
	1	.684	Reprogramed to other elements (cost over runs) of the applicable fiscal year programs.
	2	2.192	Do.
	3	1.674	Do.
	4	.372	Do.
	5	2.684	Do.
	1945	1.851	Do.
	8476	.060	Do.
	Various	.007	Reprogramed.
	NSF	2.291	Do.
	NIF	2.691	Do.

DOD cost reduction program—Disposition of realized fund savings, fiscal year 1966—Continued

[In millions of dollars]

Area number	Cost reduction area/appropriation and budget activity	Amount	Disposition
	NAVY—continued		
I-C	R.D.T. & E.N:		
	2441	$0.237	Reprogramed to other elements (cost overruns) of the applicable fiscal year program.
	2445	.237	Do.
	2451	.237	Reprogramed.
	2465	.241	Do.
	Various	1.016	Do.
	FH, N	.181	Reprogramed to offset increased costs.
	MCN:		
	2531	.001	Reprogramed.
	2541	.023	Do.
	2551	.119	Do.
	2552	.001	Do.
	2559	.006	Do.
	2561	.032	Do.
	Various	6.060	Reprogramed to offset cost overruns.
	MCNR: 2561	.002	Reprogramed.
	NMF	2.534	Do.
II-A	Shift from noncompetitive to competitive procurement.	59.700	Because of the statistical method of calculating savings in this area, it is not possible to identify realized fund savings to appropriations or budget activities.
II-C	Direct purchase breakout	5.514	Due to the great number of individual items involved, time and workload did not allow for provision of appropriation and budget accounting documentation.
II-D	Multiyear procurement	22.827	
	PAMN:		
	1	2.411	Reprogramed to offset items of increased expense.
	9	.386	Do.
	Various	1.933	Do.
	PMC	.321	Price of award exceeded budget account. The additional funding required was reduced by the savings.
	OPN:		
	1910	.350	Reprogramed to finance other elements cost overruns).
	2215	.003	Do.
	2415	.004	Do.
	2426	.339	Do.
	8416	3.154	Do.
	Various	6.629	Reprogramed to offset items of increased expense.
	O. & M.N: Various	3.484	Reprogramed $1,186,000 to offset items of increased expense, balance $2,298,000 reprogramed.
	SCN:		
	2435	.007	Reprogramed to offset items of increased expense.
	2444	.013	Do.
	2445	.021	Do.
	8426	1.785	Reprogramed to finance other elements (cost overruns) within the same appropriation.
	8436	1.190	Do.
	SCN:		
	8446	.180	Do.
	8456	.227	Do.
	Various	.378	Reprogramed to offset items of increased expense.
	NMF	.001	Reprogramed.
	MCN	.011	Do.
III-A	Terminating unnecessary operations, MPCMC.	.100	Reprogramed to other activities.

DOD cost reduction program—Disposition of realized fund savings, fiscal year 1966—Continued

[In millions of dollars]

Area number	Cost reduction area/appropriation and budget activity	Amount	Disposition
	NAVY—continued		
III-B-3...	Navy operating expense savings..... -	$9.617	
	O. & M.N.:		
	1010.....	.088	Reprogramed to support new positions and procure essential supplies.
	1911.....	.001	Reprogramed to satisfy other requirements.
	1912.....	.001	Do.
	1916.....	.138	Do.
	1918.....	.580	Do.
	1920.....	1.023	Do.
	1925.....	.026	Do.
	2210.....	.045	Reprogramed to defray increases in costs of operation and maintenance increased utility costs and other approved but unfunded programs.
	2215.....	.005	Do.
	2220.....	.056	Do.
	2225.....	.020	Do.
	2310.....	.305	Do.
	2315.....	.105	Do.
	2410.....	1.271	Do.
	2415.....	.349	Do.
	2445.....	.022	Do.
	2500.....	.237	Do.
	2510.....	.037	Do.
	4105.....	.001	Do.
	4225.....	.018	Do.
	4805.....	.001	Do.
	5405.....	.020	Do.
	Various.....	.093	Represents several actions each under $100,000.
	Various.....	.730	Do.
	NSF.....	.038	Reprogramed to satisfy other requirements.
	NIF.....	1.167	Reprogramed to reduce overhead costs.
	MCSF.....	.001	Do.
	R.D.T. & E., N:		
	1861.....	.038	Reprogramed to finance other elements (cost overruns).
	2455.....	.018	Do.
	2461.....	.065	Do.
	2465.....	.091	Do.
	9600.....	.063	Do.
	9611.....	.575	Do.
	9620.....	.043	Do.
	9659.....	.026	Do.
	9664.....	.012	Do.
	9674.....	.074	Do.
	9677.....	.032	Do.
	9681.....	.041	Do.
	9689.....	.187	Do.
	Various.....	.008	Represents several actions each under $100,000.
	Unknown.....	.013	Do.
	MP, N:		
	2201.....	.026	Reprogramed.
	2202.....	.158	Do.
	OPN:		
	2.....	.185	Reprogramed to other elements (cost overruns of the applicable fiscal year program.
	1925.....	.007	Do.
	2415.....	.005	Do.
	Various.....	.080	Represents several actions each under $100,000.
	SCN:		
	1.....	.006	Reprogramed to other elements (cost overruns) of the applicable fiscal year programs.
	2.....	.772	Do.
	4.....	.059	Do.
	5.....	.314	Do.
	NMF.....	.086	Reprogramed against other existing requirements.

DOD cost reduction program—Disposition of realized fund savings, fiscal year 1966—Continued

[In millions of dollars]

Area number	Cost reduction area/appropriation and budget activity	Amount	Disposition
	NAVY—continued		
III-B-3	MP, MC:		
	2702	$0.018	Reprogramed.
	2741	.072	Do.
	3/003	.016	Do.
	Unidentified	.032	Do.
	O. & M, MC:		
	2710	.089	Reprogramed to satisfy other requirements.
	2715	.006	Do.
	MC, N: 2561	.011	Do.
III-C-1	Improving telecommunications management, O. & M., N: 1115.	1.200	Reprogramed to fund unprogramed requirements resulting from the current southeast Asia operations.
III-C-2	Improving transportation and traffic management.	.645	
	NSF	.063	Reprogramed to meet other approved requirements.
	Various	.582	Represents several actions each under $100,000.
III-C-3	Improving equipment maintenance management.	13.399	
	NIF	4,957	Reprogramed to reduce overhead costs.
	O. & M.N:		
	1916	3.372	Reprogramed within the same appropriation.
	1918	.182	Do.
	1920	.005	Do.
	2410	1.099	Reprogramed to other elements (cost overruns) of the applicable fiscal year programs.
	2415	1.045	Do.
	5105	.001	Do.
	5205	.002	Do.
	Various	.243	Reprogramed.
	O. & M, MC: Various	.175	Do.
	SCN:		
	1	.014	Reprogramed to other elements (cost overruns) of the applicable fiscal year programs.
	2	.635	Do.
	3	.028	Do.
	4	.010	Do.
	5	.200	Do.
	OPN:		
	MA 2	.012	Reprogramed.
	1924	.004	Do.
	1946	.039	Do.
	1980	.049	Do.
	PAMN:		
	1439	.352	Do.
	2689	.747	Do.
	OM, MC: 2710	.003	Do.
	Various	.225	Represents several actions each under $100,000.
III-C-4	Noncombat vehicle management	.598	
	OPN: Various	.007	Represents several actions each under $100,000.
	O. & M, N: Various	.245	Do.
	Various	.258	Do.
	NIF	.088	Reprogramed to reduce overhead costs.
III-C-5	Use of contract technicians	.506	
	OMN:		
	2400	.118	Reprogramed to finance other elements (cost overruns) of the same fiscal year program.
	2410	.058	Do.
	Various	.017	Do.
	SCN:		
	1941	0.31	Do.
	2462	.024	Do.
	R.D.T. & E, N: 9659	.243	Reprogramed to procure other items within the same funding area.
	Various	.015	Reprogramed.

DOD cost reduction program—Disposition of realized fund savings, fiscal year 1966—Continued

[In millions of dollars]

Area number	Cost reduction area/appropriation and budget activity	Amount	Disposition
	NAVY—continued		
III-C-7	Improving real property management	$3.464	
	NIF	.076	Reprogramed to cover urgent station requirements.
	O. & M, N:		
	1918	.156	Do.
	1920	.081	Reprogramed to other essential requirements.
	O. & M., N:		
	2310	.039	Do.
	2410	.535	Do.
	2410A	.042	Do.
	2415	.274	Do.
	2415A	.014	Do.
	2445	.003	Do.
	2500	1.253	Reprogramed to finance increased costs of maintenance and utilities.
	4650	.001	Do.
	4805	.002	Do.
	4905	.005	Reprogramed to other essential requirements.
	5105	.007	Do.
	5305	.001	Do.
	Various	.232	Do.
	O. & M., MC	.182	Reprogramed.
	Various	.007	Do.
	SCN:		
	BA-2	.210	Reprogramed to other elements (cost overruns) of the applicable fiscal year program.
	BA-4	.192	Do.
	BA-5	.054	Do.
	2424	.017	Reprogramed to other elements.
	2454	.003	Do.
	2462	.018	Do.
	R.D.T. & E., N:		
	2455	.010	Do.
	2465	.011	Do.
	9689	.022	Do.
	Miscellaneous	.007	Do.
	OPN: 2415	.010	Do.
III-C-8	Packaging, preserving, and packing	2.210	
	OPN:		
	1916	.225	Reprogramed within the same area.
	1925	.003	Do.
	1926	.001	Do.
	1997	.048	Do.
	2596	.229	Do.
	8406	.003	Do.
	8416	.123	Do.
	Various	.026	Do.
	NMF	1.029	Reprogramed to other areas of expense without an increase in deposit by funding activity.
	PAMN:		
	1033	.020	Reprogramed to cover other areas of expense within the same appropriation.
	1505	.030	Do.
	1537	.005	Do.
	1637	.264	Do.
	1925	.002	Do.
	Program 6320.1	.078	Do.
	Program 6320.2E	.002	Do.
	Program 6366.3	.053	Do.
	Miscellaneous	.005	Do.
	O. & M. N:		
	1918	.081	Do.
	1920	.030	Do.
	2310	.064	Do.
	2410	.014	Do.
	2520	.004	Do.
	NIF	.052	Reprogramed to reduce overhead costs.
	R.D.T. & E., N: 9689	.006	Reprogramed.
	SCN:		
	1924	.001	Do.
	1933	.002	Do.
	MP, N: 2253	.001	Do.

DOD cost reduction program—Disposition of realized fund savings, fiscal year 1966—Continued

[In millions of dollars]

Area number	Cost reduction area/appropriation and budget activity	Amount	Disposition
	AIR FORCE		
1-A-1	Major items of equipment	$8.711	
	A/C procurement: 1100	1.924	Reprogramed.
	Missile procurement: 21133A	.104	Do.
	2200	.004	Do.
	Other procurement:		
	8300	.010	Do.
	8400	.248	Do.
	8500	.175	Do.
	RDTE:		
	620673	4.228	Do.
	63680-A	.030	Do.
	671357	.100	Do.
	6900	.268	Do.
	A/C procurement:		
	1029	.075	To be explained.
	1040	.783	Do.
	1500	.050	Do.
	Other procurement:		
	84412-L	.097	Do.
	8500	.034	Do.
	RDTE:		
	620,673	.292	Do.
	62325-A	.083	Do.
	6362	.048	Do.
	671559	.090	Do.
	6300	.067	Do.
I-A-3	Secondary items	1.895	
	O. & M.:		
	412	.003	Reprogramed.
	438	.114	Do.
	448	.071	Do.
	458	1.212	Do.
	489	.048	Do.
	458	.032	Retained in 3,100 area for purchase of additional equipment.
	458	.292	Savings reprogramed for other essential O. & M. equipment and supplies.
	478	.121	Reprogramed.
	RDTE: 620	.002	To be explained.
I-A-4	Technical manuals	2.245	
	Other procurement: 8424	.113	Reprogramed.
	O. & M.: 431	.122	Do.
	RDTE:		
	620673	.011	Do.
	6337	1.126	Reallocated within program 624-A to fund requirements.
	670	.420	Reprogramed.
	A/C procurement: 10443-Q	.080	To be explained.
	Missile procurement: 20133	.004	Do.
	Other procurement: 84474-L	.075	Do.
	O. & M.: 431	.009	Do.
	RDTE:		
	6337	.057	Do.
	63624-A	.213	Do.
	P6199	.015	Do.
I-A-5	Technical data and reports	6.686	
	A/C procurement: 10476-L	.244	Reprogramed.
	Missile procurement: 2013	.152	Withdrawn—applied to other programs by P/A BSD 64-81 dated Sept. 15, 1965.
	Other procurement:		
	8205	.302	Reprogramed to procurement of cargo handling equipment.
	8440	.103	Reprogramed.
	O. & M.:		
	437	.057	Reprogramed to fund a new ECAC request "Klystron aging study."
	431	.002	Funds utilized for repair of other components.

DOD cost reduction program—Disposition of realized fund savings, fiscal year 1966—Continued

[In millions of dollars]

Area number	Cost reduction area/appropriation and budget activity	Amount	Disposition
	AIR FORCE—continued		
I-A-5	RDTE:		
	6262	$0.052	Reprogramed to cover cost overrun (AF04-(694)-516).
	6304	.038	Reprogramed to support program slippage.
	6304	.014	Applied with other funds to headquarters USAF directed requirements.
	6363	$4.023	Reprogramed.
	6369-AJ/6380-A	.082	Funds reprogramed to other requirements.
	6399	.062	Reprogramed.
	6206	.009	Applied with other funds for unscheduled spares requirement.
	A/C procurement:		
	6141	1.208	To be determined.
	Various	.038	Do.
	O. & M.: 8440	.024	Do.
	RDTE:		
	6132	.236	Do.
	Various	.040	Do.
I-A-6	Industrial production base	3.960	
	A/C procurement: 149999	3.438	Reprogramed.
	Missile procurement:		
	249999	.247	Retained to meet funding requirements for other nonrecurring maintenance work.
	249999	.073	$58.2 returned to headquarters AFSC and the fiscal year 1965 PA reduced. Balance of $15 retained and applied to other fiscal year 1965 projects.
	249999	.044	Applied to fiscal year 1966 requirements contract AF 33(038)-18896.
	RDTE: 63649-D	.158	Returned to SSD (SSY) for use on 649D end item.
I-B-1	Use of excess equipment and supplies	16.642	
	A/C procurement:		
	1299	.010	Reprogramed.
	1500	.758	Do.
	1510	.029	Do.
	1599	6.983	Do.
	2010	.800	Reprogramed to support AIM-7E Sparrow missile.
	2011	.002	Reprogramed.
	2013	.672	Do.
	2043	.035	Do.
	2513	.002	Do.
	2522	.297	Do.
	Other procurement:		
	8-M	.017	Do.
	8100	.179	Do.
	8500	.061	Do.
	O. & M.:		
	431	.002	Do.
	448	.042	Do.
	458	1.144	Do.
	478	.065	Do.
	489	.070	Do.
	RDTE:		
	6262	.196	Reprogramed to help fund overrun on MBRV contract AF04(694)516.
	6767	.033	Reprogramed.
	6813	.582	Do.
	6906	.187	Do.
	A/C procurement:		
	1032	2.880	To be explained.
	1040	.123	Do.
	1042	.057	Do.
	1044	.003	Do.
	1053	.006	Do.
	1842	.151	Do.
	Missile procurement:		
	2031	.698	Do.
	2042	.144	Do.
	2999	.019	Do.
	O. & M.: 478	.001	Do.

DOD cost reduction program—Disposition of realized fund savings, fiscal year 1966—Continued

[In millions of dollars]

Area number	Cost reduction area/appropriation and budget activity	Amount	Disposition
I-B-I	AIR FORCE—continued		
	RDTE:		
	6132	$0.018	To be explained.
	6242	.010	Do.
	6257	.055	Do.
	6362	.046	Do.
	6747	.160	Do.
	5655	.013	Do.
	6767	.003	Do.
I-C	Eliminating goldplating	38.471	
	A/C procurement:		
	1100	4.219	All reprogramed within same BPAC.
	1200	.072	Do.
	1500	1.375	Do.
	1600	.224	Do.
	Missile procurement:		
	2000	2.159	Do.
	2100	.143	Do.
	2200	.032	Do.
	Other procurement:		
	8100	.178	Do.
	8200	.058	Do.
	8400	1.849	Do.
	8500	.299	Do.
	8800	.188	Do.
	MCAF: P-321	.024	Do.
	O. & M.:		
	P-431	.003	Do.
	4300	.222	Do.
	RDTE:		
	2800	.021	Do.
	6200	1.332	Do.
	6300	4.045	Do.
	A/C procurement: 476-L	.040	Disposition to be determined.
	A/C procurement:		
	1000	2.976	Disposition to be determined.
	1100	.922	Do.
	1300	.083	Do.
	1500	.057	Do.
	1800	.038	Do.
	Missile procurement:		
	133B	2.036	Do.
	2000	1.536	Do.
	2100	.146	Do.
	Other procurement:		
	8100	10.691	Do.
	8200	.100	Do.
	8400	.003	Do.
	8700	.334	Do.
	8800	.286	Do.
	MCAF: P-331	.135	Do.
	RDTE:		
	2900	.135	Do.
	6100	.685	Do.
	6200	.973	Do.
	3600	.942	Do.
	6900	.037	Do.
II-A	Shift from noncompetitive to competitive.	$116.000	Not identified due to method of reporting in this area.
II-C	Direct purchase breakout	5.000	Do.
II-D	Multiyear procurement	17.400	
	A/C procurement	6.948	Reprogramed.
	Missile procurement	.026	Do.
	C. & M	1.736	Do.
		.524	Funds returned and applied to fund other requirements.
	A/C procurement	4.661	To be determined.
	Missle procurement (Navy)	2.140	Do.
	O. & M, (Navy)	.079	Do.
	RDTE	.054	Do.
	Unknown (Army)	1.232	Do.

DOD cost reduction program—Disposition of realized fund savings, fiscal year 1966—Continued

[In millions of dollars]

Area number	Cost reduction area/appropriation and budget activity	Amount	Disposition
	AIR FORCE—continued		
III-A	Terminating unnecessary operations	$26.057	
	MCAF	10.439	Reprogramed to other MCP projects.
	O. & M.	1.172	Reprogramed within appropriation to fund highest priority deficiencies, primarily increased costs associated with southeast Asia activities.
	Military personnel	14.446	Savings used to continue payment of military personnel released for reassignment to other essential programs.
III-B-2	Air Force operating expenses	63,968	
	Family housing:		
	700	.406	Reprogramed.
	711	.012	Do.
	Missile procurement:		
	210	.134	Do.
	290	.067	Do.
	Other procurement: 850	.071	Do.
	MCAF:		
	321	3.712	Do.
	331	2.001	Do.
	O. & M.:		
	430	3.054	Do.
	440	3.054	Do.
	450	7.110	Do.
	478	.849	Do.
	480	4.117	Do.
	Military personnel:		
	510	9.347	Do.
	530	11.853	Do.
	562	.230	Do.
	RDTE:		
	620	1.480	Do.
	630	1.110	Do.
	670	.285	Do.
	680	6.989	Do.
	690	.643	Do.
	National Guard: 529	.112	Do.
	Indus fund:		
	011	.015	Do.
	020	.454	Do.
III-C-1	Improving telecommunications management.	2.925	
	O. & M.:		
	438	.054	Do.
	448	.019	Do.
	450	.010	Do.
	458	.644	Do.
	482	1.428	Do.
	489	.008	Do.
	Military personnel:		
	500	.036	Do.
	510	.012	Do.
	530	.617	Do.
	RDTE: 690	.097	Do.
III-C-2	Improving transportation and traffic management.	2.241	
	O. & M.:		
	433	.059	Used to pay for diversion of personal parcel post mail from sea to air.
	448	.199	Reprogramed.
	450	.016	Do.
	458	.352	Do.
	481	.037	Do.
	485	.038	Do.
	489	.008	Do.
	Military personnel:		
	510	.459	Do.
	570	.053	Do.
	Claims: 911	1.020	To pay other claims for damages to household goods.

DOD cost reduction program—Disposition of realized fund savings, fiscal year 1966—Continued

[In millions of dollars]

Area number	Cost reduction area/appropriation and budget activity	Amount	Disposition
	AIR FORCE—Continued		
III-C-3	Equipment maintenance management	$3.113	
	Other: 830	.001	Reprogramed.
	O. & M.:		
	450	.060	Do.
	412	.002	Do.
	431	.414	Do.
	448	.116	Do.
	458	.223	Do.
	484	.003	Do.
	489	.022	Do.
	Military personnel:		
	510	.129	Do.
	530	1.387	Do.
	RDTE:		
	620	.285	Do.
	690	.001	Do.
	629	.470	Do.
III-C-4	Noncombat vehicle management	1.560	
	O. & M.:		
	438	.356	Do.
	440	.041	Do.
	448	.162	Do.
	458	.545	Do.
	481	.008	Do.
	489	.012	Do.
	Military personnel: 500	.435	Do.
	RDTE: 632	.001	Do.
III-C-6	Military housing management	2.735	
	Military housing:		
	720	.352	Do.
	721	.385	Do.
	722	.449	Do.
	Military personnel:		
	510	.653	Do.
	530	.896	Do.
III-C-7	Real property management	9.330	
	O. & M.:		
	438	2.522	Do.
	448	.756	Do.
	458	2.834	Do.
	478	.130	Do.
	489	.082	Do.
	Military personnel:		
	510	.061	Do.
	530	2.880	Do.
	RDTE: 690	.065	Do.
III-C-8	Packaging, preserving and packing	15.532	
	Aircraft: 1100	.142	Reprogramed.
	Missile:		
	2000	.006	Do.
	2013	.001	Do.
	Other:		
	8100	13.994	Do.
	8200	.034	Do.
	8400	.349	Do.
	8500	.005	Do.
	O. & M.:		
	431	.039	Do.
	432	.041	Do.
	433	.384	Do.
	442	.064	Do.
	448	.026	Do.
	458	.239	Do.
	478	.005	Do.
	489	.013	Do.
	Military personnel:		
	570	.018	Do.
	577	.003	Do.
	RDTE:		
	6300	.083	Do.
	6900	.008	Do.
	Aircraft: 1000	.034	Not yet determined.
	Other: 8840	.044	Do.

DOD cost reduction program—Disposition of realized fund savings, fiscal year 1966—Continued

[In millions of dollars]

Area number	Cost reduction area/appropriation and budget activity	Amount	Disposition
	DEFENSE SUPPLY AGENCY		
I-A-6	Industrial production base, defense stock funds.	$0.016	Reprogramed.
I-C	Eliminating goldplating, defense stock funds.	19.400	Do.
I-D	Inventory item reduction, defense stock funds.	12.900	Do.
II-A	Shift from noncompetitive to competitive unknown.	12.800	Not identifiable due to method of reporting in this area.
III-B-1	DSA operating expense savings, defense stock funds.	2.200	Reprogramed.
III-C-8	Packaging, preserving and packing, defense stock funds.	.500	Do.

ATTACHMENT D

Department of Defense cost reduction program—Summary of manpower savings, fiscal year 1966

Summary by area	Number of man-years saved						
	Hard		Cost avoidance		Total		
	Civilian	Military	Civilian	Military	Civilian	Military	Total
I. Buying only what we need:							
I.A.5. Technical data and reports:							
Army	17	30	99	1	116	31	147
Navy	74	2	6		80	2	82
Air Force							
Total	91	32	105	1	196	33	229
I.C Eliminating goldplating:							
Army			28		28		28
Navy	1,342	11	66		1,408	11	1,419
Air Force			6		6		6
Total	1,342	11	100		1,442	11	1,453
Total, buying only what we need	1,433	43	205	1	1,638	44	1,682
III. Reducing operating costs:							
III.A Terminating unnecessary operations:							
Army	15,649	9,823			15,649	9,823	25,472
Navy	869	16,445			869	16,445	17,314
Air Force	11,850	61,896			11,850	61,896	73,746
DSA	404	39			404	39	443
Total	28,772	88,203			28,772	88,203	116,975
III.B.1 GSA operating expense savings	7,770	357	310		8,080	357	8,437
III.B.2 Consolidation of contract administration	453	25			453	25	478
III.B.3 Departmental operating expense savings:							
Army	2,119	918	770	332	2,889	1,250	4,139
Navy	2,476	625	238	38	2,714	663	3,377
Air Force	4,773	16,298	118	178	4,891	16,476	21,367
Total	9,638	17,841	1,126	548	10,494	18,389	28,883
III.C.1 Improving telecommunications management							
Army	63	36	44	9	107	45	152
Navy							
Air Force		190				190	190
Total	63	226	44	9	107	235	342

III.C.2 Improving transportation and traffic management:							
Army	86	14	10		96	14	110
Navy							
Air Force							
Total	86	14	10		96	14	110
III.C.3 Improving equipment maintenance management:							
Army	235	181	349	1,388	584	1,569	2,153
Navy	1,074	5	148		1,222	5	1,227
Air Force	823	1,274			823	1,274	2,097
Total	2,132	1,460	497	1,388	2,629	2,848	5,477
III.C.4 Improving noncombat vehicle management:							
Army	350	16	130	30	480	46	526
Navy	292		1		293		293
Air Force	152	1,863			152	1,863	2,015
Total	794	1,879	131	30	925	1,909	2,834
III.C.6 Improving military housing management:							
Army	14				14		14
Navy							
Air Force	234	17	21	1	255	18	273
Total	248	17	21	1	269	18	287
III.C.7 Improving real property management:							
Army	968		105	9	1,073	9	1,082
Navy	1,755	19	47		1,802	19	1,821
Air Force	1,692	804	32	127	1,724	931	2,655
Total	4,415	823	184	136	4,599	959	5,558
III.C.8 Packaging, preserving, and packing:							
Army			113		113		113
Navy	88				88		88
Air Force	32	1			32	1	33
DSA							
Total	120	1	113		233	1	234
Total, reducing operating costs	54,221	110,846	2,436	2,112	56,657	112,958	169,615
Total program	55,654	110,889	2,641	2,113	58,295	113,002	171,297

Department of Defense cost reduction program—Summary of manpower savings, fiscal year 1966—Continued

Summary by area	Number of man-years saved						
	Hard		Cost avoidance		Total		
	Civilian	Military	Civilian	Military	Civilian	Military	Total
Summary by major category:							
I. Buying only what we need	1,433	43	205	1	1,638	44	1,682
III. Reducing operating costs	54,221	110,846	2,436	2,112	56,657	112,958	169,615
Total program	55,654	110,889	2,641	2,113	58,295	113,002	171,297
Summary by department or agency:							
Army	19,501	11,018	1,648	1,769	21,149	12,787	33,936
Navy	7,970	17,107	506	38	8,476	17,145	25,621
Air Force	19,556	82,343	177	306	19,733	82,649	102,382
DSA	8,627	421	310		8,937	421	9,358
Total program	55,654	110,889	2,641	2,113	58,295	113,002	171,297

ATTACHMENT E

Examples of increased price competition

Item	Noncompetitive unit price	Competitive unit price	Percent reduction	Total savings
Bomb fuze, M905, tail assembly	$15	$12	20	$168,780
Power supply, PP-2058/ULA-2(V)	1,239	834	32	27,118
Indicator pulse analyzer, IP-471/ULA-2(V)	4,113	3,072	25	88,890
Shroud, steering control module SP GAX-5766	750	538	28	27,560
AN/APN-153(V) doppler navigation radar	2,924	1,567	46	4,221,135
Extendible earth anchor, Harvey P/N44-56411	75	47	37	231,800
Oxytetracycline tablets	5	4	20	96,530
Voltage regulator, CN-514()/GRC	2,273	1,205	46	331,078
Case assembly, XM 188	2,392	1,622	32	13,090
Helicopter, 40 mm. grenade launcher, M5	18,827	12,518	33	1,072,545
Transistor test set, TS-1836()U	357	240	32	109,103
Accessory outfit, gasoline field range	123	98	20	44,577
Propellant loading, MK36, MOD 5	799	510	36	177,270
TALOS guidance control and airframe	138,091	99,679	28	3,534,870
Wing tank release, F-104	67	9	86	285,591
Attitude indicator	1,425	987	31	206,736
ASROC launcher	331,243	215,694	35	4,853,058

ATTACHMENT F

COST REDUCTION PROGRAM—AUDIT OPINION—YEAREND FISCAL YEAR 1966 COST REDUCTION STATUS REPORT

We have reviewed the yearend fiscal year 1966 cost reduction status report under the provision of DOD directive 5010.6, May 22, 1964, and DOD instruction 7720.6, January 20, 1964. Our review, which gave consideration to the cost reduction audits performed by the Defense audit organizations, included selective evaluation of pertinent documents, records, and data and other auditing procedures deemed appropriate in the circumstances. A detailed examination of all items was not performed.

Based on this review and subject to the comments contained in the body of the report and the footnotes to the report attachments, it is our opinion that, with the exception of man-years saved (attachment D) explained below, the savings reported conform to the criteria of the governing directive and instruction.

The summary of manpower savings (attachment D) continues to include a substantial number of man-years as hard savings without corresponding reductions in authorized manpower spaces as required by change 8, dated June 10, 1966, DOD instruction 7720.6. As stated in the third quarter fiscal year 1966 audit opinion, we believe the discrepancies in manpower reporting will be corrected when the DOD components have completed implementation of change 8 which clarifies this requirement.

K. K. KILGORE,
Deputy Comptroller for Audit Systems.

Appendix 3

Updated Progress Report of the Defense Supply Agency of the Department of Defense*

April 5, 1967.

PREFACE

The material which follows has been prepared for use of members of the Subcommittee on Economy in Government of the Joint Economic Committee of the Congress of the United States for their hearings of 1967.

J. C. Hetler,
Captain, SC, USN, Deputy Assistant Director, Plans, Programs, and Systems.

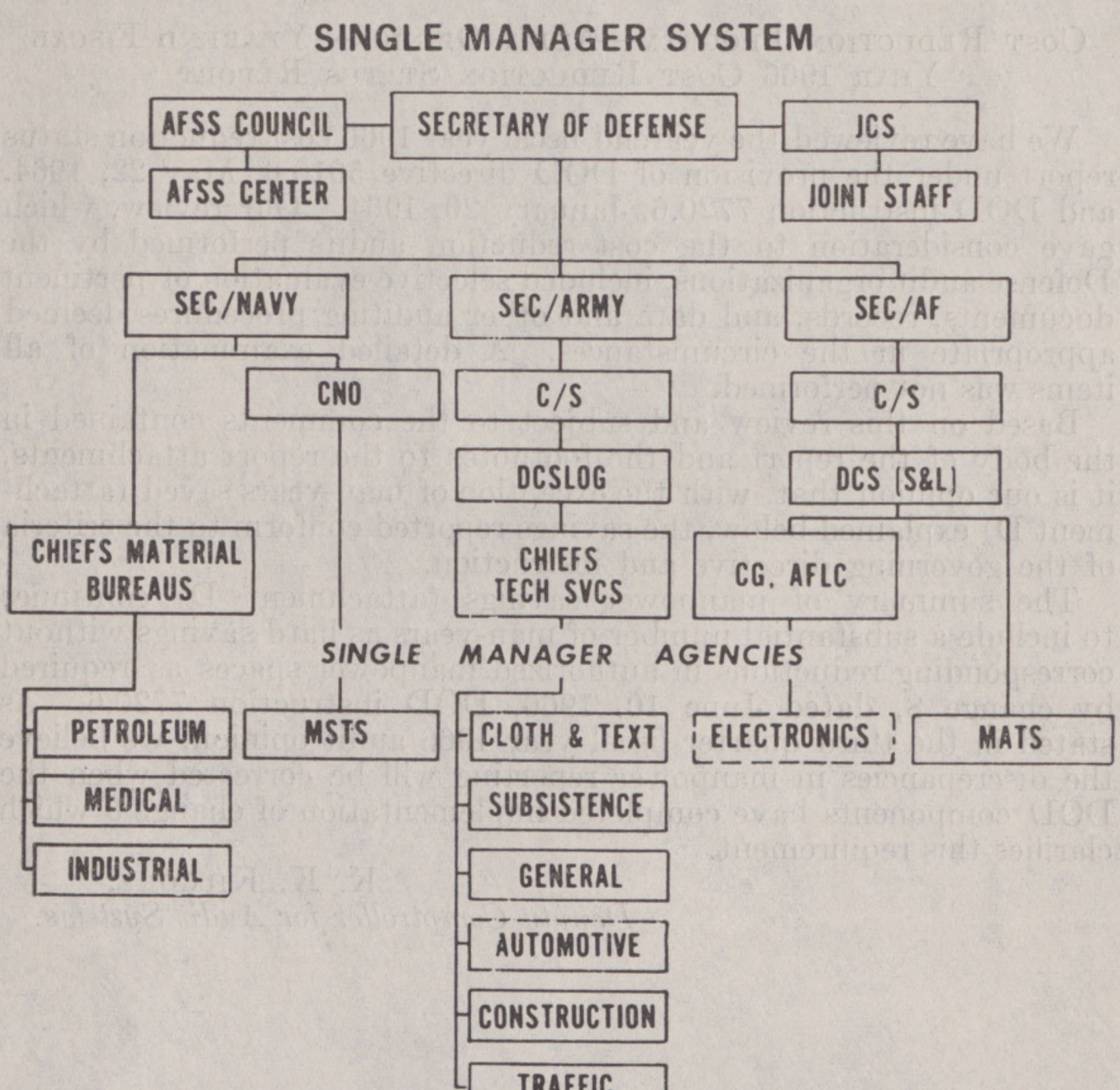


Figure 1

*Source: Director, Defense Supply Agency.

The Defense Supply Agency

The Defense Supply Agency has been in operation since January 1962 and is performing effectively all assigned missions and functions. As a major element of the Defense logistics establishment, the Agency provides responsive and efficient supply support and logistics services to its customers at less cost and thereby has fully justified its establishment.

History, Mission, and Organization

PRE-DSA ORGANIZATION

Prior to the establishment of the Defense Supply Agency, the Secretaries of the military departments were designated single managers of selected supply and service activities for all components of the Department of Defense (fig. 1). Their responsibilities were carried out by separately organized operating agencies within their respective military departments. These agencies achieved an enviable record of effective support to the military services with significant reductions in operating costs and inventories. Their experience demonstrated the merits of a single agency furnishing common supplies and services to all military departments.

Prior to the time DSA was organized, three commodity managers were assigned to the Navy, of which one, industrial, was still in the process of assuming management of assigned commodity classes. Five commodity managers and one service manager were assigned to the Army. Two of these commodity managers, automotive and construction, were still in the early phases of activation. Electronics management is shown in dashed lines under the Secretary of the Air Force because this commodity had already been studied and recommended for integrated management; and the present DSA electronics center, developed from the Air Force control center for electronics materiel, was turned over to DSA at the time of DSA's establishment. The Armed Forces Supply Support Center (AFSSC) administered the Defense-wide cataloging, standardization, and materiel utilization programs and conducted integrated management studies. Also transferred to the Defense Supply Agency, but not shown in figure 1, are the surplus property sales activities of the military departments. The Military Air and Military Sea Transport Services, shown in figure 1 as single-manager agencies, have remained in the Departments of the Air Force and Navy.

MISSION

The DSA mission consists basically of three major elements:

Providing wholesale supply support to the military services and other Defense activities with assigned supply commodities.

Administering logistics services and programs.

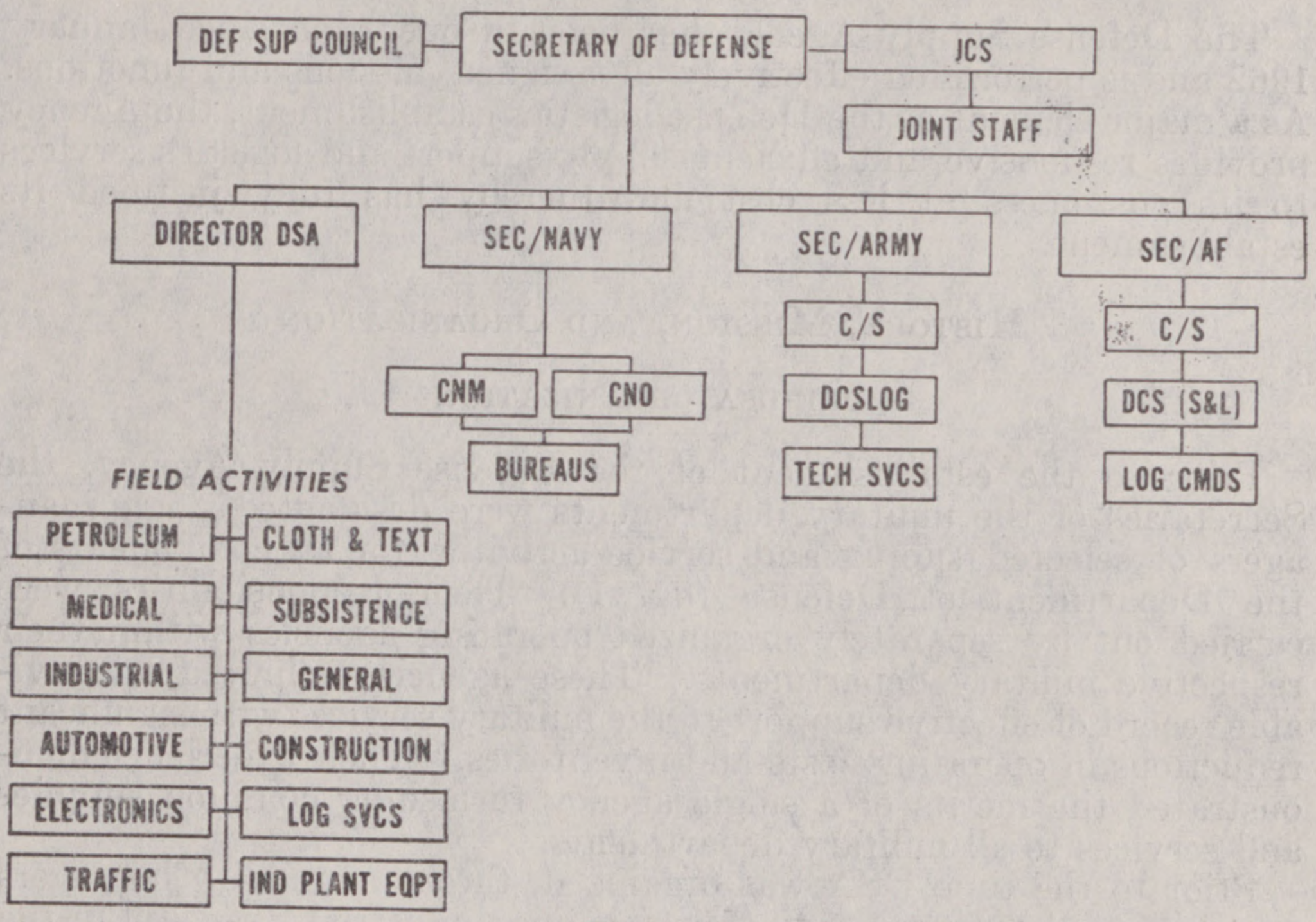


FIGURE 2

Providing field contract administration services to the Defense establishment and the National Aeronautics and Space Administration.

DSA ORGANIZATION

Figure 2 depicts the changes in the Defense supply and logistics service organization, authorized by the end of 1962. The departmental single managers were taken over in place, as field activities of the Defense Supply Agency, with assigned personnel, funds, equipment, and facilities. Their operations continued without interruption under a new and shortened chain of command. This was also true of the operational elements of the former Armed Forces Supply Support Center and the military surplus property sales activities, which were assigned to the Defense Logistics Services Center, a DSA field activity. Figure 3 depicts the DSA organization today and reflects the assignment in June 1964 of contract administration functions previously performed by some 165 contract management offices of the military services and DSA.

During the first 3 months of the Defense Supply Agency's existence, the Headquarters staff consisted of a planning group, most of whom were on loan from the military departments and the Office of the Secretary of Defense. Selection and assembly of a permanent staff began after the initial organization and staffing plan was approved in December 1962. The present headquarters staff, as depicted in figure 4, assists the director in the direction and control of the Agency and is concerned with broad planning and management of the total DSA mission and the establishment of long- and short-range objectives and standards of performance. Its key personnel exemplify the joint military staffing principle, with each of the military services represented at the directorate or immediately subordinate level. The assistant director, plans, programs, and systems is principal staff adviser and assistant to the director for development and application of policies, plans, programs, and systems affecting multiple DSA functional activities. The comptroller assists the director as principal financial management and manpower staff adviser. The deputy director for contract administration services acts for the director, DSA, in exercising management and operating control over CAS missions, operating programs, and supporting field activities; he is assisted by executive directors for contract administration, quality assurance, production, and by the chief of industrial security. The executive directors for supply operations, procurement, and production, and technical and logistics services are principal staff advisers and assistants to the director, DSA, in the development and application of policies, plans, programs, and systems for their respective functional areas. The counsel, the inspector general, the special assistant for public affairs, and the staff directors for installations and services, administration, military personnel, and civilian personnel perform staff support functions of a major headquarters.

The field establishment is comprised of 25 major activities, identified in figure (5) by name and activity head. The military command positions are staffed on the basis of balanced military representation and are rotated among the military services. The geographical locations of the 25 major DSA field activities are depicted in figure (6).

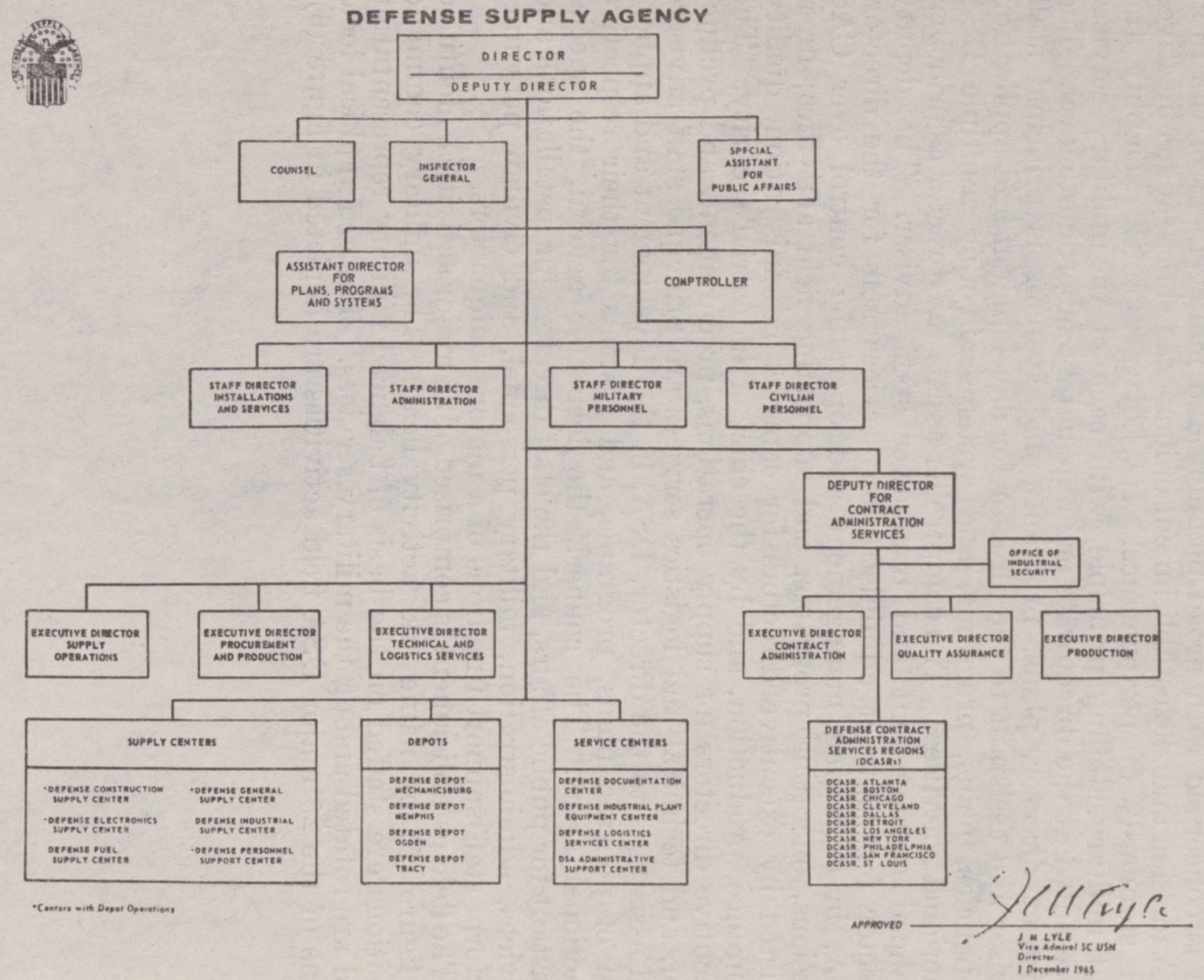

DEFENSE SUPPLY AGENCY
DIRECTOR
DEPUTY DIRECTOR
COUNSEL
INSPECTOR GENERAL
SPECIAL ASSISTANT FOR PUBLIC AFFAIRS
ASSISTANT DIRECTOR FOR PLANS, PROGRAMS AND SYSTEMS
COMPTROLLER
STAFF DIRECTOR INSTALLATIONS AND SERVICES
STAFF DIRECTOR ADMINISTRATION
STAFF DIRECTOR MILITARY PERSONNEL
STAFF DIRECTOR CIVILIAN PERSONNEL
DEPUTY DIRECTOR FOR CONTRACT ADMINISTRATION SERVICES
OFFICE OF INDUSTRIAL SECURITY
EXECUTIVE DIRECTOR SUPPLY OPERATIONS
EXECUTIVE DIRECTOR PROCUREMENT AND PRODUCTION
EXECUTIVE DIRECTOR TECHNICAL AND LOGISTICS SERVICES
EXECUTIVE DIRECTOR CONTRACT ADMINISTRATION
EXECUTIVE DIRECTOR QUALITY ASSURANCE
EXECUTIVE DIRECTOR PRODUCTION
SUPPLY CENTERS
*DEFENSE CONSTRUCTION SUPPLY CENTER
*DEFENSE GENERAL SUPPLY CENTER
*DEFENSE ELECTRONICS SUPPLY CENTER
DEFENSE INDUSTRIAL SUPPLY CENTER
DEFENSE FUEL SUPPLY CENTER
*DEFENSE PERSONNEL SUPPORT CENTER
DEPOTS
DEFENSE DEPOT MECHANICSBURG
DEFENSE DEPOT MEMPHIS
DEFENSE DEPOT OGDEN
DEFENSE DEPOT TRACY
SERVICE CENTERS
DEFENSE DOCUMENTATION CENTER
DEFENSE INDUSTRIAL PLANT EQUIPMENT CENTER
DEFENSE LOGISTICS SERVICES CENTER
DSA ADMINISTRATIVE SUPPORT CENTER
DEFENSE CONTRACT ADMINISTRATION SERVICES REGIONS (DCASRs)
DCASR, ATLANTA
DCASR, BOSTON
DCASR, CHICAGO
DCASR, CLEVELAND
DCASR, DALLAS
DCASR, DETROIT
DCASR, LOS ANGELES
DCASR, NEW YORK
DCASR, PHILADELPHIA
DCASR, SAN FRANCISCO
DCASR, ST LOUIS
*Centers with Depot Operations
APPROVED
J. M. LYLE
Vice Admiral SC USN
Director
1 December 1965

FIGURE 3

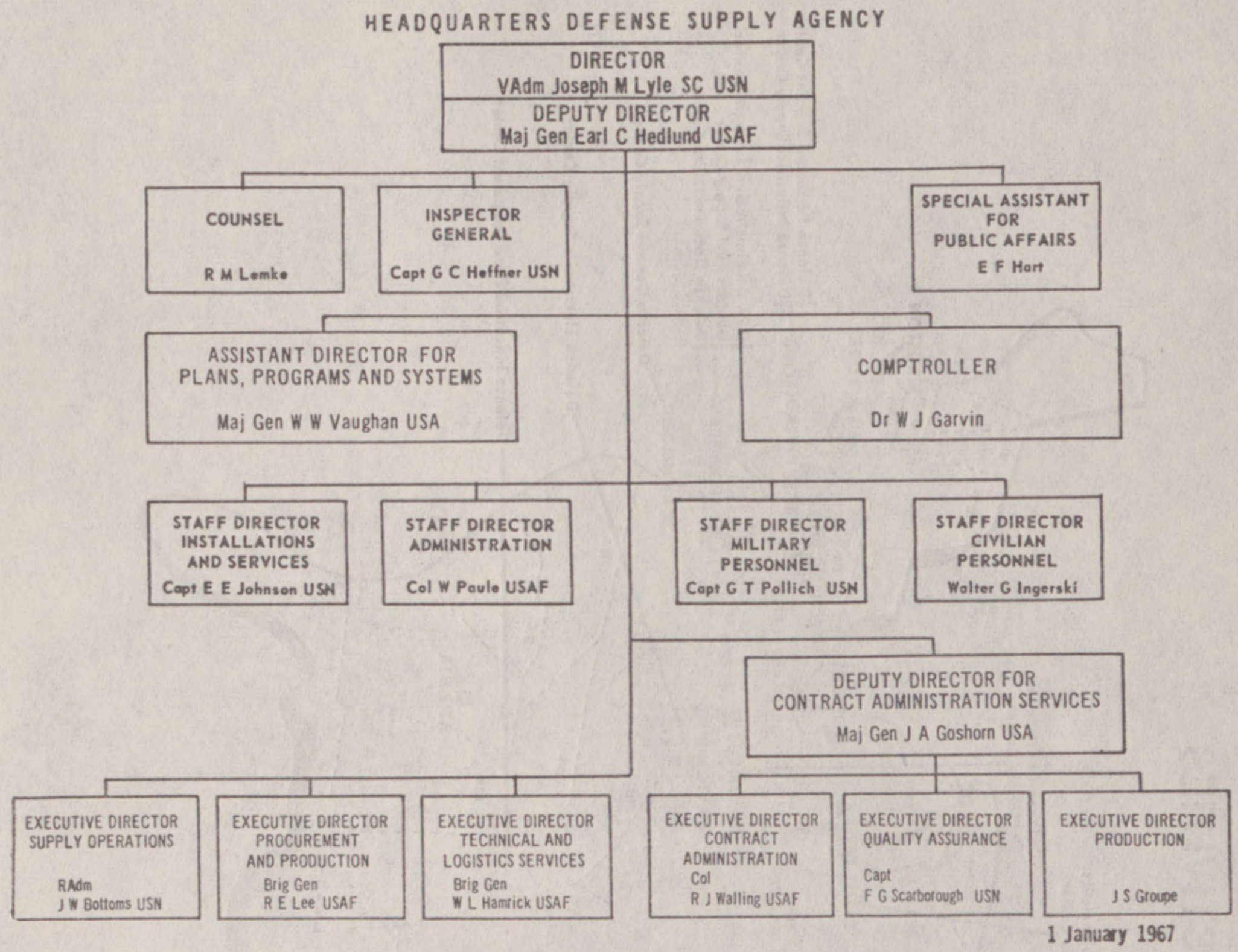


FIGURE 4

Defense Construction Supply Center: Rear Adm. I. F. Haddock, USN.
Defense Electronics Supply Center: Brig. Gen. G. J. McClernon, USAF.
Defense Fuel Supply Center: Rear Adm. F. W. Martin, Jr., USN.
Defense General Supply Center: Maj. Gen. R. J. Laux, USA.
Defense Industrial Supply Center: Brig. Gen. J. D. Hines, USA.
Defense Logistics Services Center: Col. F. Mercer, USAF.
Defense Personnel Support Center: Brig. Gen. J. M. Kenderdine, USA.
Defense Documentation Center: Dr. R. B. Stegmaier, Jr.
Defense Depot Mechanicsburg: Col. W. H. Herndon, USA.
Defense Depot Memphis: Col. T. I. Martin, USA.
Defense Depot Ogden: Capt. A. J. Fisher, USN.
Defense Depot Tracy: Capt. R. C. Dexter, Jr., USN.
Defense Industrial Plant Equipment Center: Col. F. H. Sitler, USAF.
DSA Administrative Support Center: Col. W. Paule, USAF.
Defense Contract Administration Services Region Atlanta: Col. L. P. Murray, Jr., USAF.
Defense Contract Administration Services Region Boston: Col. F. A. Bogart, USA.
Defense Contract Administration Services Region Chicago: Col. J. P. Gibbons, USAF.
Defense Contract Administration Services Region Cleveland: Col. N. T. Dennis, USA.
Defense Contract Administration Services Region Dallas: Capt. W. G. Normile, USN.
Defense Contract Administration Services Region Detroit: Capt. W. W. Tolson, USN.
Defense Contract Administration Services Region Los Angeles: Brig. Gen. A. E. Exon, USAF.
Defense Contract Administration Services Region New York: Brig. Gen. C. W. Clapsaddle, Jr., USA.
Defense Contract Administration Services Region Philadelphia: Col. G. Johnson, Jr., USA.
Defense Contract Administration Services Region San Francisco: Col. B. O. Montgomery, USAF.
Defense Contract Administration Services Region St. Louis: Capt. R. S. Sullivan, USN.

FIGURE 5.—*Major field activities*

DSA MAJOR FIELD ACTIVITIES

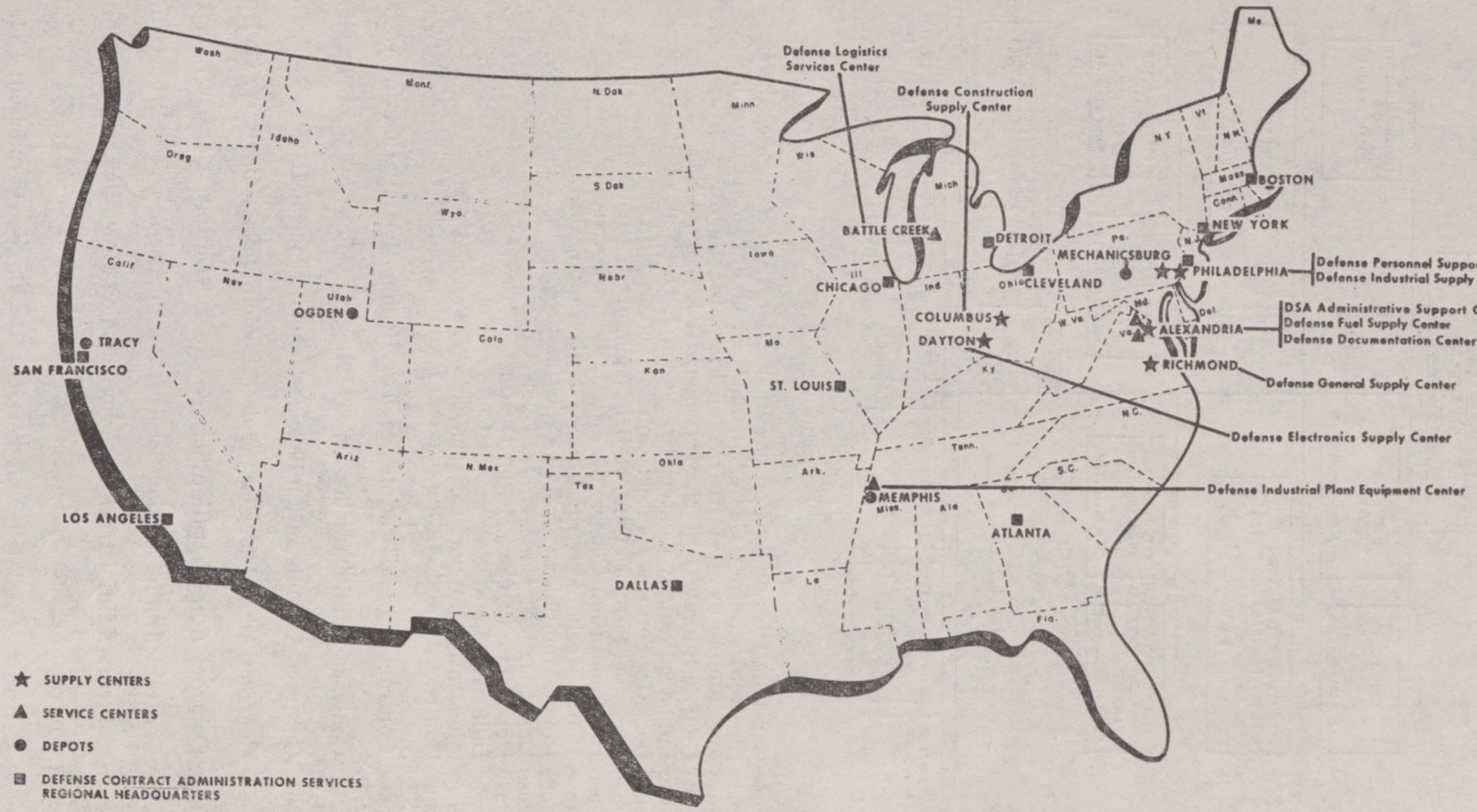


FIGURE 6

DSA OBJECTIVES

When Secretary McNamara established the Defense Supply Agency, he established two primary objectives for the Agency:

First, to insure effective and timely support of the military services in the event of mobilization, war, or other national emergency, as well as in peacetime.

Second, to furnish this support at the lowest feasible cost.

The order in which these objectives are stated is not accidental; it reflects the priority which governs all DSA programs. This priority and these objectives also govern the criteria against which DSA's achievements will be measured.

FIGURE 7.—*Indicators of DSA growth*

[Dollar amounts in millions]

	End January 1962	End fiscal year 1963	End fiscal year 1964	End fiscal year 1965	End fiscal year 1966	End fiscal year 1967 plan
Items centrally managed (thousands)	87	1,029	1,328	1,369	1,335	1,517
Inventory	$1,588	$2,412	$2,232	$1,977	$1,994	$2,276
Procurement	----------	$2,670	$2,701	$3,042	$5,740	$6,250
Personnel	9,500	25,970	31,141	34,128	[1] 53,554	[2] 56,683

[1] Excludes 3,426 temporary civilian personnel.
[2] Current OSD allocation (June 30, 1967) full-time permanent civilian and military personnel.

GROWTH OF DSA

DSA made rapid progress in the assumption of assigned functions, as indicated in figure (7). In January 1962, DSA took over wholesale management of 87,000 items with an inventory value of more than $1.58 billion. By the end of fiscal year 1966, the number of items centrally managed (excluding items designated for local purchase) exceeded 1.33 million, with a value of over $1.99 billion, and will approximate 1.51 million items by the end of fiscal year 1967. At that time, the inventory value is expected to be over $2.27 billion, and the annual rate of procurement will increase to over $6.25 billion.

The increase of personnel, both headquarters and field, has proceeded in phase with the assumption of management tasks and the increased workload as a result of Vietnam. As of the end of January 1962, over 9,500 military and civilian personnel had been transferred to DSA. At the end of fiscal year 1965, full-time DSA personnel numbered 34,128. By the end of fiscal year 1966, DSA personnel had increased to 53,554, principally due to assumption of contract administration services functions; and based on OSD allocation, full-time personnel can reach 56,683 by the end of fiscal year 1967.

By the end of fiscal year 1965, DSA had taken over management of all assigned commodities and services, except for 45 selected Federal supply classes. Items in these 45 classes, along with service-retained items in other DSA classes, are being reviewed against DOD-approved item management coding criteria. This review will be completed in December 1967.

Supply Support

INVENTORY CONTROL POINTS

DSA manages six supply centers (fig. 6) as follows:

Defense Construction Supply Center, Columbus Ohio.
Defense Electronics Supply Center, Dayton, Ohio.
Defense Fuel Supply Center, Alexandria, Va.
Defense General Supply Center, Richmond, Va.
Defense Industrial Supply Center, Philadelphia, Pa.
Defense Personnel Support Center, Philadelphia, Pa.

The Fuel Supply Center procures bulk and solid fuels but does not control inventories. Management of DSA inventories is currently distributed among the remaining five inventory control points, which compute replenishment requirements for assigned items, maintain inventory and transaction records, receive and edit requisitions, procure materiel, and direct shipment or procurement action, as appropriate. More than 8,000 personnel are employed in these functions. Other Center personnel are engaged in related activities, such as cataloging, standardization, and installation management. Assignments of commodities to centers were determined through separate commodity studies conducted over a 6-year period. Among centers, wide variations existed in the numbers of items managed and in the mix of technical, personnel-related, and bulk materiel items. Functional and commodity assignments, as well as location of centers at specified military installations, have been influenced by the availability of space and facilities and by considerations of improved customer service and reductions in operating costs. During 1965, DSA consolidated the functions of the Medical Supply Center, Brooklyn, the Subsistence Supply Center, Chicago, and the Clothing and Textile Supply Center, Philadelphia, into the Defense Personnel Support Center at Philadelphia.

DSA DISTRIBUTION SYSTEM

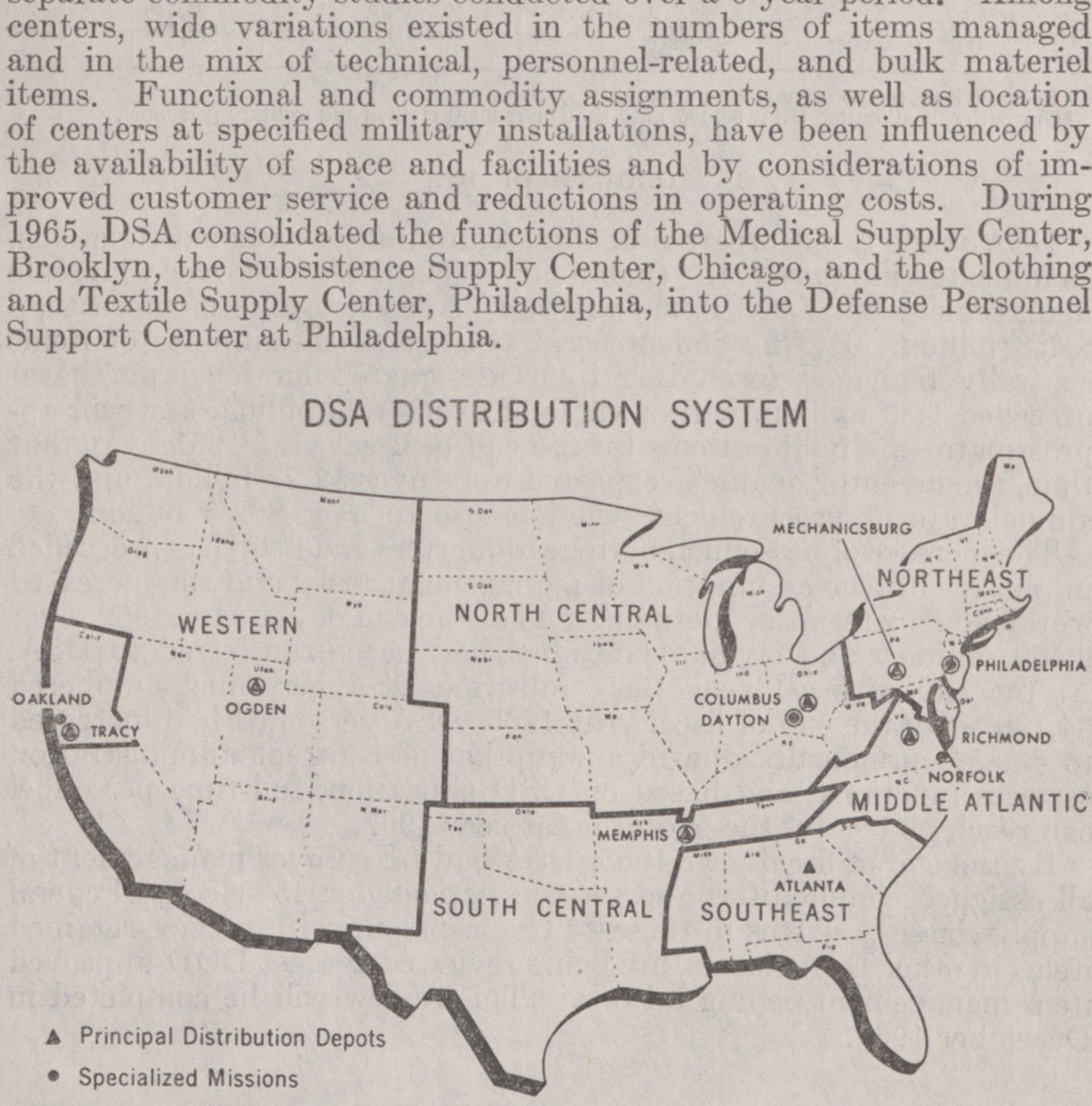


FIGURE 8

Early in 1966, the supply centers assumed the purchasing responsibilities for decentralized and nonstandard items in DSA-managed classes of materiel required for support of Army and Air Force activities overseas; except for support of Air Force activities in the Pacific area which was assumed in January 1967.

DISTRIBUTION SYSTEM

For assigned commodities, the Defense Supply Agency determines requirements for wholesale storage space; manages, controls, and operates assigned warehouses and depots; and arranges for the use of storage space and related services and facilities of the Department of Defense, other Government agencies and commercial warehouses as required. The Defense Supply Agency also arranges transportation for initial distribution of stocks from supplier to point of storage, from point of wholesale storage or the supplier direct to the customer, and for redistribution as required between wholesale storage points.

On January 1, 1962, items assigned to DSA or to be assigned to DSA were stored in 77 locations. On January 1, 1963, the DSA distribution system was implemented with 11 of the 77 becoming permanent DSA distribution activities and 18 becoming direct supply support points for support of the Navy.

The objectives of the distribution system were—

The establishment of a storage pattern based on the concept of positioning stocks close to the concentrations of military posts and ports of embarkation in the United States.

Centralization of all requisitioning procedures and stock control functions in the Defense Supply Centers, effective July 1, 1963.

The DSA distribution system consists of seven principal depots and four specialized support depots (fig. 8).

Principal depots.—These depots are responsible for the receipt, storage, stock readiness, inventory, and issue of DSA items of supply, including general mobilization reserve stocks for the support of specific areas, activities and/or forces designated by Headquarters, Defense Supply Agency. These depots are:

Defense Construction Supply Center, Columbus, Ohio.
Defense Depot, Mechanicsburg, Pa.
Defense Depot, Tracy, Calif.
Defense Depot, Ogden, Utah.
Defense Depot, Memphis, Tenn.
Defense General Supply Center, Richmond, Va.
Atlanta Army Depot, Forest Park, Ga.

Specialized support depots.—These depots have functions similar to those of the principal depots, except that their missions are specialized as to type of materïal or scope of support. The specialized support depots are:

Defense Electronics Supply Center, Dayton, Ohio.
Defense Personnel Support Center, Philadelphia, Pa.
Naval Supply Center, Norfolk, Va.
Naval Supply Center, Oakland, Calif.

The two Navy-operated specialized support depots support the fleet, Navy overseas activities, and selected Navy activities within a 25-mile radius. In addition, they support all military service requirements in

emergency situations (priorities 1–8) when such support is not available elsewhere in the DSA system.

Direct supply support points.—The DSA distribution system also includes 10 direct supply support points (not included in fig. 8) which have been established in support of large-volume users, such as Navy shipyards, repair facilities, and recruit training centers. These points are under military service management. The supply mission for DSA commodities at these points is restricted to the stocking of FSG 95 (metals, bars and shapes) for the support of on-base industrial and maintenance requirements and clothing for recruit training centers.

Attrition sites.—As of December 31, 1966, DSA materiel was stored at 20 temporary storage locations, or attrition sites. However, the number of attrition sites at any given time will fluctuate because of continuous capitalization of items as a result of item management coding and DSA assumption of new missions and item assignments. Until supply missions become stabilized, and until the current critical shortage of DSA-managed storage space is alleviated, a target date for complete elimination of attrition sites cannot be projected. DSA policy for evacuation of stocks from attrition sites is disposition-in-place of excesses; redistribution of replenishment stocks from attrition sites into permanent depots in lieu of replenishment from procurement; attrition to satisfy customer demand; and bulk relocation into permanent depots when economically justified.

PROCUREMENT AND PRODUCTION

DSA's procurement program objectives are generally being met as indicated below:

Small business.—Awards to small business during the first 6 months of fiscal year 1967 amounted to $1.37 billion or 43.5 percent of total awards to U.S. firms. This is 2.8 percent below the goal of 46.3 percent; however, it exceeds the accomplishment for the same period in fiscal year 1966 by $388 million or 0.8 percent. It is expected that the yearend goal will be met.

Labor surplus area awards.—Awards ($10,000 and above) to labor-surplus areas during the first 6-month period of fiscal year 1967 amounted to $343 million—12.6 percent of total dollar awards within the United States and possessions. This is 1.6 percent in excess of the established fiscal year 1967 goal of 11 percent.

Competitive awards.—Competition remained at a high level of 93.1 percent of total awards subject to competition during the first 6-month period of fiscal year 1967. This is 1 percent above the established goal.

Formal advertising.—Formal advertising has suffered somewhat due to the necessity to meet high priority requirements from southeast Asia by negotiated procurements. The percentage of the value of all DSA procurements made through formal advertising was 27.4 percent in the first 8 months of fiscal year 1967, compared to 31.9 percent during a corresponding period in fiscal year 1966. However, since there has been a 33-percent increase in the value of total procurements during the same period, the value of the formally advertised portion actually increased by $153.3 million. It should be noted that although the formal advertising rate declined, the percentage of competition was actually higher. During the first 8 months of fiscal year 1967, our

competitive rate was 92.8 percent compared to 92.6 percent for the same period in fiscal year 1966. In some commodity areas, the more attractive civilian demand during the past year has made it difficult to attract suppliers with sufficient productive capacity to meet defense needs, and the Agency has had to resort to "rated" orders to obtain supplies. Any improvement in the formal advertising rate is believed to be contingent on changes in the southeast Asia situation and a softening of the civilian economy.

The southeast Asia situation has had significant impact on procurement and production activity. During the first 6 months of fiscal year 1967, 447,000 contracts, aggregating $3.6 billion, were awarded. This represents an increase of 65,000 awards and $1 billion over the comparable period of fiscal year 1966. It is anticipated that procurement volume for fiscal year 1967 will exceed $6.2 billion compared with actual fiscal year 1966 volume of $5.74 billion and fiscal year 1965 volume of $3.04 billion.

To obtain military supplies for Vietnam in the quantities reflected by this increased procurement volume in the face of heavy civilian demand, special measures had to be taken. Included among these measures were—

(*a*) Changing, with service concurrence, Government specifications to permit procurement of acceptable commercial products wherever possible, to broaden the production base.

(*b*) Procuring substitutes on an interim basis to meet urgent requirements when specification changes were inappropriate.

(*c*) Increasing production of short supply items at Government-operated facilities.

(*d*) Furnishing industry advance information of anticipated quantitative and delivery requirements.

(*e*) Limiting accelerated delivery procurement to immediate operational support needs.

(*f*) Avoiding payment of premium prices for accelerated deliveries wherever possible by reevaluation of such requirements with the services.

(*g*) Giving increased management attention to using more realistic production leadtimes and scheduling deliveries in consonance with industry conditions.

(*h*) Securing assistance of the Business and Defense Services Administration (BDSA) of the Commerce Department in invoking mandatory production provisions of the Defense Production Act of 1950, as amended. A total of 581 rated orders were issued by DSA from mid-December 1965 to January 30, 1967, and as of January 30, no rated orders were pending.

SUPPLY EFFECTIVENESS

In November 1962, DSA implemented a uniform system for the measurement of supply effectiveness. This system employs standardized reporting by all supply centers and uses two key indicators to measure effectiveness.

The first indicator, stock availability, measures the performance of centers as inventory managers by the percentage of requisitioned items supplied from available stocks. The number of requisitions received in the period July–December 1966 rose to 10.38 million, 10 percent

over the number received during the same period in 1965. Overall availability for the DSA system averaged 84.2 percent for the period July–December 1966 compared to 88.2 percent for the comparable period in 1965. This drop is attributed to the surge in demands from Vietnam, exhausting available supplies, and our inability to obtain replenishment from industry in time to meet required delivery dates.

The second indicator of system effectiveness, on-time fill, measures supply system effectiveness by the percentage of items processed for shipment by the DSA supply system within the time frames specified in the DOD uniform materiel movement issue priority system (UMMIPS). On-time fill during the period July–December 1966 averaged 73.7 percent compared to the 80.9 percent for the same period in 1965. This decrease in on-time fill was due in part to the large number of back orders released when materiel was received from producers plus the effect of heavy depot-level workload stemming from the increase in requisition volume, noted above.

Technical and Logistics Services and Programs

ITEM ENTRY CONTROL

The expanded defense item entry control technical review program is being implemented in accordance with the planned schedule. This expanded program has absorbed Project Shakedown and has assigned to all of the defense technical review activities (DTRA's) additional responsibilities for catalog purification and item reduction studies for all assigned Federal supply classes. As of December 31, 1966, 54 Federal supply classes, accounting for approximately 63 percent of all new item growth, have been brought under the program. Nine military department and four Defense Supply Agency field activities have been designated as DTRA's. Full implementation of 67 Federal supply classes, accounting for approximately 75 percent of all new item entry into the DOD supply system, is scheduled for completion by July 1, 1967.

Through December 31, 1966, DTRA's have reviewed 282,089 proposed new items of which 95,586, or 33.8 percent, were determined to be exact duplicates or possible duplicates of items already in the DOD supply system. An additional 25,414, or 9 percent, were returned for various errors in item identifications.

Item entry control embraces a composite of many separate management programs and projects aimed at reducing item proliferation during the complete life cycle of an equipment or weapon system. The development of an optimum IEC system must assure the required compatibility between projects being developed by separate functional managers, and provide the means for their assimilation and integration into an overall DOD IEC system. This system development is being pursued in close coordination with the military departments, Defense agencies, and staff elements within OSD, and is under continuous refinement and revision as individual elements of the overall system progress. In this connection, emphasis is being placed on acceleration of the DOD standardization program. Supply standardization policies and procedures governing item reduction studies are being revised to provide more comprehensive and effective DOD-wide supply standardization. Increased emphasis is also being directed

to the attainment of optimum military standard coverage for FSG 53 (hardware) and FSG 59 (electronics) during the next 3-year period and coverage for other high growth Federal supply classes within 5 years.

DSA, at its Defense Logistics Services Center (DLSC), continues to provide a mechanical screen of manufacturers' part numbers. This service is made available to all DOD provisioning activities to ascertain whether an item has previously been assigned a Federal stock number.

A net increase of 128,377 DOD items was recorded in the Federal catalog during calendar year 1966. This increase reflects a significant reversal of the reduction reported for calendar year 1965. In the first half of 1966, 199,631 items were added to the Defense catalog and 132,871 items deleted—a net increase of 66,760 items. This trend continued during the second half of the year. In the period July–December 1966, 175,019 items were added and 113,402 items deleted—an increase of 61,617 items. As of December 31, 1966, there were 3,907,703 DOD items in the Federal catalog, as compared to 3,779,326 on December 31, 1965.

The net increase in catalog items can be attributed in part to the introduction of repair parts for new major end items, and fewer deletions due to retention of older equipments for possible use in southeast Asia. Extended use of these older equipments in the unfavorable terrain of southeast Asia has created repair parts demands not previously experienced.

MATERIEL UTILIZATION

Efforts are continuing toward improvement and refinement of mechanized procedures for screening releasable assets of military service inventory control points against military service inventory control point requirments. Interservice and intraservice reutilization resulting from this process, conducted centrally at the Defense Logistics Services Center, and from direct interrogations between inventory control points, totaled $403 million for fiscal year 1966 ($231 million interservice reutilization and $172 million intraservice reutilization).

Utilization of military service declared excess, which is screened primarily through manual rather than mechanized procedures, amounted to $1.456 billion in fiscal year 1966. However, progress has been made in the establishment of mechanized procedures to the extent that the need for detailed description by reporting activities of items having a Federal stock number has, to a considerable extent, been eliminated. Mechanized processes now provide the means for the Defense Logistics Services Center to develop descriptions of the property for utilization screening within DOD, as well as for screening by the General Services Administration.

A program providing for special handling of excess and potential excess items of comparatively high value (exceeding $10,000) was fully operational in fiscal year 1966. The program centers around the publication of special utilization "flyers" containing full data on an item, including photographs, tailoring the description of these "flyers" to selected potential users, and making a special effort toward utilization through telephone contact, as well as through research, to determine substitute and interchangeable uses for an item. In fiscal year 1966, $57.4 million in utilization was realized from this program.

Weapons systems materiel utilization program

Administered by the Defense Supply Agency in cooperation with the military services, the weapon systems materiel utilization program promotes defensewide redistribution and utilization of military weapon systems assets and other large aggregations of special high-cost materiel generating from phaseouts, tactical withdrawals, and program terminations.

The major objective of this DOD program is the achievement of maximum reutilization of materiel by the military services and other Federal agencies through: close working relationships and liaison between DSA and all echelons of the military, Defense agencies and other Federal agencies; the development of early planning intelligence regarding military systems to be phased out or otherwise discontinued; the development of new or alternate uses and applications of the materiel; the distribution of illustrated brochures; and other promotional efforts by DSA personnel.

DOD reutilization of phased-out weapon systems assets through intraservice and interservice transfers has been substantially improved under the weapon systems utilization program. Total utilization during fiscal year 1966 from the publication of brochures on the missile phaseout program amounted to $127 million.

Industrial Plant Equipment (IPE)

As a follow-on action to a 1961 GAO review of the management of idle production equipment within the Department of Defense, OSD approved a joint study project, chaired by DSA, which resulted in the 1962 Report on the Management of Capital Plant Equipment. OSD approval of this report early in 1963 led directly to the establishment of the Defense Industrial Plant Equipment Center (DIPEC). DIPEC maintains a comprehensive record of service-owned, high-value items of plant equipment and provides a variety of reports to meet service needs such as equipment by type, who made it and when it was made, its present location by military or contractor activity, and other details necessary to such functions as production planning. As of December 31, 1966, 365,729 units of equipment with an acquisition cost of $3.68 billion were recorded in the central inventory. The Center also receives reports on idle equipment which it may allocate to fill an immediate need in lieu of new procurement; it may direct the equipment to be held in storage against an anticipated need; or it may direct disposal if the equipment does not warrant retention. In fiscal year 1966, equipment with an acquisition cost of $185.8 million was allocated to meet Defense needs. During the first half of fiscal year 1967, this effort amounted to $94.8 million, with the largest part going to Defense contractors in support of high urgency southeast Asia requirements. Substantial improvement has been made in IPE management since DIPEC was established and progress is being made toward accomplishment of the actions required by the 1966 GAO survey on the adequacy of controls over Government-owned property in possession of contractors.

Subsidiary programs

Subsidiary materiel utilization programs, operated in addition to the basic mechanized and manual screening programs, include:

A final asset screening of surplus items immediately prior to these items being offered for final disposal by sale; $3.2 million of utilization was realized from this effort in fiscal year 1966.

The identification of interchangeable and substitutable items to permit use of materiel for other than the purpose originally intended. An additional quantity of items worth $143.5 million were offered as a result of this procedure.

A program to mechanically screen releasable assets and requirements of conventional ammunition throughout the Department of Defense. The program became operational July 1, 1966, providing asset availability listings for review by requiring departments.

Retail Interservice Logistic Support to promote greater exchange of supplies and services at the local level through development of interservice support agreements. Growth of the program is reflected in the reported dollar value of retail interservicing on a worldwide DOD basis which increased from $229 million in fiscal year 1965 to $335 million in fiscal year 1966. In the same period, support agreements increased some 200 to 3,199.

MATERIEL DISPOSAL

DSA is responsible for the administration of the DOD disposal program worldwide. This responsibility includes the development of systems, techniques and procedures for disposable personal property in accordance with OSD policy guidance, supervision of resource programs for DOD disposal activities, elimination of disposal holding activities when practical and economical, and operation of defense surplus sales offices in CONUS. The disposal program involves several subprograms, i.e., utilization of DOD excess, donation, sales, demilitarization, and scrap preparation. Under authority of the annual Department of Defense Appropriations Act, the costs incurred by all DOD elements engaged in the disposal of excess, surplus and foreign excess personal property are reimbursed from the proceeds derived from the sale of surplus and foreign excess personal property. The remainder is transferred to the U.S. Treasury.

The dollar value of property processed for disposal during fiscal year 1966 totaled $6.035 billion, of which $2.345 billion was reutilized within DOD, transferred to other Federal agencies and MAP, or donated to authorized recipients. Value of property sold, scrapped, abandoned, or destroyed during fiscal year 1966 was $3.690 billion. Gross proceeds received from sales during fiscal year 1966 were $118.5 million. A return of 6.5 percent of acquisition value was realized for property sold, other than scrap. Disposal expenses for fiscal year 1966 were $80.2 million. Expenses include costs incurred in excess and surplus inventory accountability, utilization screening of DOD excess, handling of excess and surplus property at holding activities, preparation of sales descriptions and displays, demilitarization, reclamation, scrap preparation, lumber and timber operations, and support costs related thereto.

Efforts toward improvement of the management and operation of the DOD disposal program are continuing. Some of the major improvements completed or in process are as follows:

(*a*) When DSA was established, the 34 consolidated surplus sales offices (CSSO) of the military departments and four regional sales offices became field elements of the Defense Logistics Services Center (DLSC). The CSSO were redesignated as defense surplus sales offices (DSSO). On January 29, 1965, the four DLSC regional sales offices were eliminated; and the number of DSSO has been progressively reduced from the original 34 to 12. Annual recurring savings from these reduction actions are $2.7 million.

(*b*) DSA, in coordination with the military services, has been engaged in a program to eliminate holding activities of DOD wherever practical and economical. As of January 1, 1967, decisions were made to consolidate disposal functions at 79 holding activities. Sixty-five consolidations have been completed with a resultant savings of $2.6 million. Four planned consolidations were cancelled due to announced base closure actions (three) and redetermination that consolidation was not practical (one). The remaining 10 consolidations are in process.

(*c*) A program to reduce costs incident to printing and distribution of sales catalogs. This has resulted in savings of $5.9 million through fiscal year 1966.

(*d*) Programs have been developed for conservation or sale of special materials, e.g., silver recovery, special processes for handling copper and copper-base alloy scrap, centralization of certain commodity sales such as jeeps and bearings, and segregation of high temperature alloy scrap.

(*e*) DSA has developed a proposed program system which will provide meaningful and uniform operational data for managing and controlling the disposal program. The proposed system prescribes development and use of time standards, valid workload data, a uniform cost accounting structure and a selective cost and performance reporting system.

WAREHOUSING GROSS PERFORMANCE MEASUREMENT SYSTEM

On February 1, 1965, DSA was assigned responsibility for managing the warehousing gross performance measurement system, in coordination with the military departments and in accordance with instructions provided by the Assistant Secretary of Defense (Installations and Logistics). The Department of Defense Warehousing Gross Performance Measurement Office has been established within DSA to develop, monitor, analyze, and maintain the system. The objective of the system is to provide a uniform method of evaluating the effectiveness of warehouse operations and resource utilization in DOD storage activities.

VALUE ENGINEERING

Elimination of "goldplating" in specifications for commodities managed by DSA continues to make progress. The fiscal year 1967 goal for cost reductions from value engineering analysis actions has

been established at $12 million; and $16 million from fiscal year 1967 actions for the period fiscal years 1967–69. While additional opportunities are presented as new commodities are assigned, a plateau is being reached as more and more of the assigned commodities have been subjected to value analysis. However, value engineering analysis actions taken during the first half of fiscal year 1967 are expected to result in validated savings of $6.5 million in the fiscal years 1967–69 period. It is anticipated that actions in the second half of the fiscal year will result in additional savings of $9 million in fiscal years 1967–69 for a total of approximately $15.5 million for the 3-year period.

DEFENSE DOCUMENTATION

In November 1963 DSA assumed, from the Air Force, operational control of the Defense Documentation Center (DDC) which had replaced the Armed Services Technical Information Agency. Policy guidance for DDC is exercised by the Director of Technical Information, Office of the Director of Defense, Research and Engineering. DDC provides classified and unclassified management information services, without charge, to Government organizations and contractors engaged in Government research and development programs.

DDC maintains and operates the research and technology work unit data bank and related banks of management information; acquires technical reports, announces them, and furnishes copies to authorized users; makes technical report searches for DDC users; maintains a centralized system for registration and certification for access to DOD scientific and technical information; maintains the DOD "Thesaurus of Technical Terminology"; provides primary distribution of technical reports obtained from selected foreign countries and the NATO Advisory Group for Aerospace Research and Development; and provides referral service to additional DOD sources of specialized scientific and technical information.

The DDC mission includes development of new and improved concepts, processes, techniques, services, products, and integrated systems for management information and technical documentation in support of the DOD scientific and technical information program.

As continuing additional requirements have been imposed for services to the research and development and logistics communities, DDC has developed from an R. & D. document supply activity to a major repository and retrieval activity for technical management information.

DOD/GSA SUPPLY RELATIONSHIPS—CIVIL AGENCY SUPPORT

Under terms of the DOD/GSA agreement reached at the end of 1964, a joint DSA/Federal Supply Service Materiel Management Review Committee was formed in 1965 to determined appropriate supply management assignments to DSA and GSA of Federal supply class (FSC) groups, classes and items under DOD integrated management. Agency heads have approved initial management assignments of 99 FSC's to DSA and 52 to the General Services Administration. Transfer to GSA of items in these 52 "Primary Federal supply service classes" is scheduled for July 1967. An additional FSC has been assigned to GSA but has not yet been scheduled for transfer.

The DOD/GSA agreement further provided for DSA to consider support of all civil agencies for the commodities of fuel, electronics, clothing, and textiles, medical and subsistence supplies, provided conditions of economies and support effectiveness are met. A DSA/GSA committee has completed its evaluation of the feasibility and economy of DSA support of all Federal civil agencies for fuel, electronics, and clothing and textiles and determined that: Support for fuels involving procurement, but little workload impact on inventory management and distribution, will produce cost savings of approximately $2.5 million annually and will not adversely affect military service support.

There is a high degree of commonality in electronics supplies used by civil agencies and DSA. DSA already supports approximately one-half of the civil agencies' annual $10 million electronics requirement. Savings from expansion of DSA support for all civil agency common item electronics requirements will approximate $0.6 million, in addition to the $0.6 million now being saved under current DSA support.

In the clothing and textiles areas, there is substantially less commonality of civil agency and DSA items; therefore, savings are less significant and workload impact greater. In view of already heavy commitments, DSA has proposed, and the Secretary of Defense has approved, limiting expansion of civil agency support to those specific instances where clear savings can be made without degrading military support capability. The clothing and textile area will be re-examined from time to time to identify any support which DSA might provide to civil agencies on a case by case basis; but at this time there is no plan for DSA to assume over-all support.

The Secretary of Defense has approved the DSA proposal to support civil agencies for fuel and electronics. Phase-in of fuel support over a ten-month period is scheduled to begin six months from the final Bureau of the Budget decision authorizing such support. The tentative scheduling for support of civil agencies for electronics provides for phase-in over a twelve-month period, beginning 1 July 1968, to assure civil agency support without adverse impact on DSA present heavy workload in the electronics area.

Studies of medical and nonperishable subsistence are in process. While final conclusions and recommendations have not been developed, the relatively heavy workload involved, without evidence of substantial economy, indicates that DSA support should be limited, similar, to that approved for clothing and textiles, with provisions for future reconsideration.

Progress is being made in perishable subsistence support of Veterans' Administration and Department of Health, Education, and Welfare hospitals by the regional subsistence offices of DSA. Sales have totaled $654,000 for the period April–December 1966.

In conjunction with the Department of the Interior, consideration is being given to the extension of perishable subsistence support to the $2 million school program of the Bureau of Indian Affairs.

Support of the Post Office Department for electronics, general and industrial supplies is also under review. Annual sales of these commodities to the Post Office Department would approximate $2 million.

Under separate interagency arrangements currently in effect, DSA supports the Coast Guard with a full range of materiel; Veterans' Administration and Public Health Service with selected medical items; the National Aeronautics and Space Administration and the Federal Aviation Agency with electronics materiel; the Maritime Administration with fuel, and clothing and textiles; and the Office of Economic Opportunity with clothing and textiles and subsistence items.

CIVIL DEFENSE LOGISTICS

DSA is responsible for logistics support of the national civil defense program under the policy control and direction of the Office of Civil Defense, Office of the Secretary of the Army.

In providing civil defense logistics support, DSA operates a national distribution system which issues survival supplies for the stocking of public fallout shelters. During the past fiscal year, supplies for 7.5 million persons were issued. The total supplies issued since the program began in fiscal year 1962 are sufficient for 45.8 million persons in more than 81,000 shelter facilities.

DSA has begun evaluation of the condition of survival supplies in shelters by utilizing the veterinary services of the Army and Air Force to inspect supplies on a scientific sampling basis. Certain samples will also be subjected to laboratory analysis. A pilot inspection has been successfully conducted to test basic procedures and inspection techniques. Through a phased program, the condition and readiness of survival supplies at military installations, in Federal buildings, and in public fallout shelters everywhere will be evaluated.

Since the establishment of the DSA civil defense materiel distribution system, 54 percent of the warehouses initially participating in the storage and issue of survival supplies have been consolidated.

During fiscal year 1966 Civil Defense-owned engineering equipment, which is managed by DSA, was loaned to State governments to alleviate local community suffering and hardships from drought and flood damage. This included the loan of approximately 114 miles of pipe, 158 pumps and related items to 24 States for use in 91 communities.

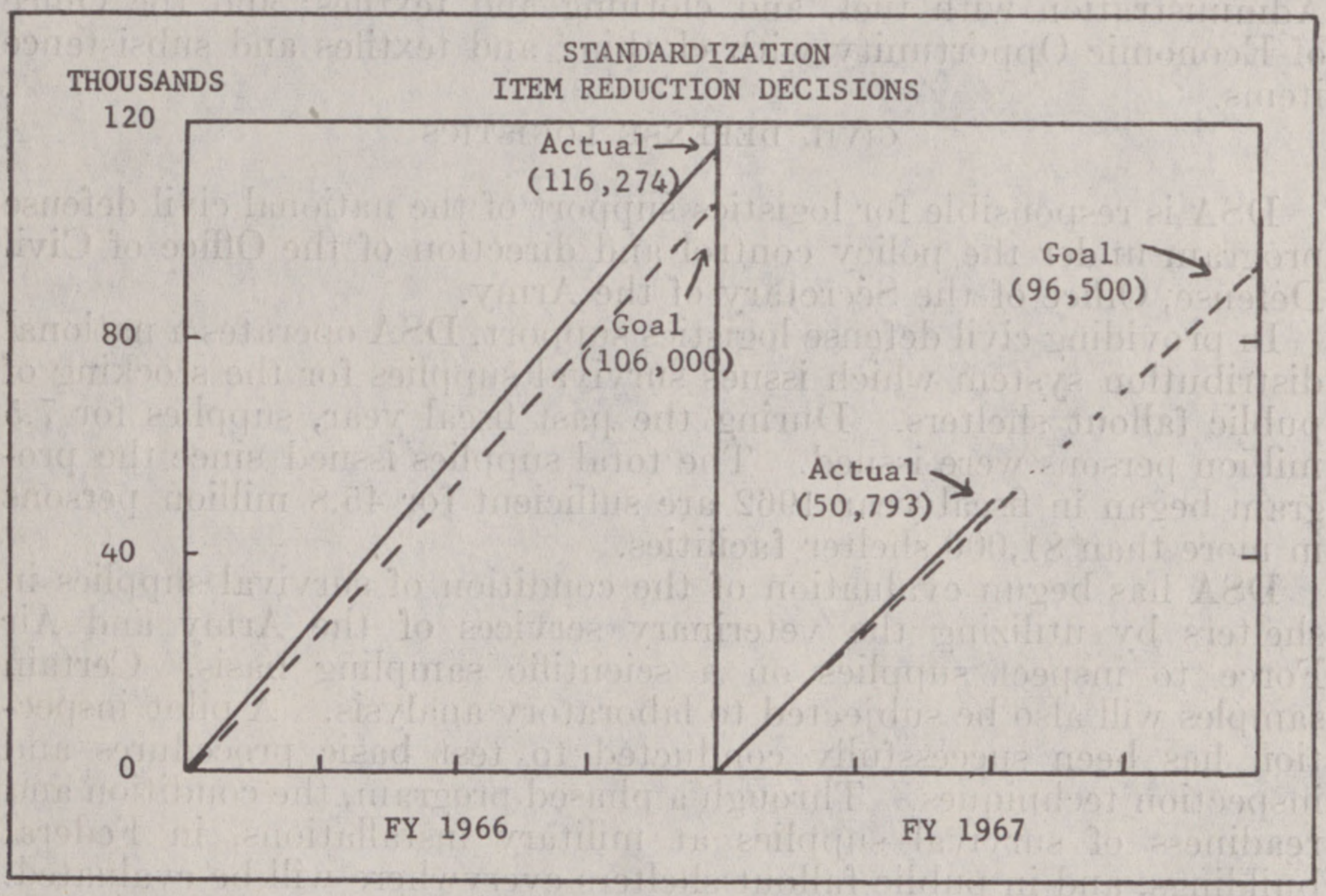
STANDARDIZATION AND CATALOGING

The Defense Supply Agency now has standardization management responsibility for approximately 2.4 million items or 62 percent of the 3.9 million DOD items in the Federal supply system.

DSA is continuing to give major attention to the reduction in the number of items in assigned commodity classes. In fiscal year 1966, as a result of identification of duplicate or similar items and of standardization actions, decisions were made and concurred in by the military departments to eliminate 116,274 items (fig. 9). These decisions were based on a review of 283,445 items during the 12-month period. The goal for fiscal year 1967 is a total of 96,500 decisions, to be based on a review of approximately 328,000 items. At the end of the second quarter of fiscal year 1967, DSA had completed review and coordination of 118,587 items, and the military services had concurred in the elimination of 50,793 items from the supply system.

This represented 36 percent of the fiscal year 1967 item review goal of 328,000 items and 53 percent of the reduction decision goal of 96,500 items.

FIGURE 9



Contract Administration Services

The Defense Contract Administration Services (DCAS) mission was assigned to DSA after extensive study and represents one of the most significant efforts of the Defense Department to improve logistics management. The consolidation does not embrace, or affect, the procurement function itself, but rather the administration of contracts in the field after they have been executed by the contracting offices of the military departments and DSA. A prime objective of the merger was to provide a "single face to industry."

During 1962 and part of 1963, a study known as Project 60 was conducted under the policy guidance of high-level Department of Defense military and civilian personnel. The study indicated the existence of considerable overlap and duplication in contract administration services functions among the military services under the Army Materiel Command, the Office of Naval Material, and the Air Force Systems Command; and further indicated the feasibility of consolidating the functions for centralized management. A pilot test region established at Philadelphia, Pa., in April 1964, demonstrated the feasibility and potential advantages of consolidating contract administration services functions on a nationwide basis. On the basis of the success of the pilot test, the Secretary of Defense, on June 4, 1964, assigned responsibility for these functions to DSA.

A national planning group, composed of temporary duty personnel from the military services and DSA, developed a national implementation plan (NIP) which was approved by the Secretary on December 28,

1964. The planning group formed the nucleus of the headquarters element of the DCAS organization. During the development of the NIP, a memorandum of understanding was developed with the National Aeronautics and Space Administration concerning CAS performance on NASA contracts.

The NIP provided for gradual permanent staffing of the DCAS headquarters element and for a time-phased schedule for consolidating and merging the contract administration services components of the military services and DSA into 11 defense contract administration services regions (DCASR's), responsible for administering contracts under the centralized management concept. The headquarters element was established on a permanent basis on February 1, 1965, and is now staffed with the 329 military and civilian personnel authorized. The current organizational structures of the headquarters element of DCSA is shown in figure 3. Provision was made for required augmentation of the DSA common staff in areas where support services are furnished to DCAS. Conversion and organization of the DCAS field structure was completed on December 1, 1965, with the activation of the last two of the DCASR's at Los Angeles and San Francisco. The geographical alinement of the Defense Contract Administration Services regions is depicted in figure 10, which also shows the districts and service offices within each region. The directors of the regions are identified in figure 5.

Consolidation of contract administration services functions within DSA involved the merging of 165 military service and DSA contract management offices into approximately one hundred offices. Despite the many problems associated with a conversion effort of such magnitude the transition was made with full consideration of the functional transfer rights and interests of the approximately 20,000 employees identified by the military services and DSA as performing contract administration services functions. During this period, contract administration functions and operations were continued without interruption or impairment of the Government's interest.

DCAS is responsible for providing a wide variety of support services to the purchasing offices of the military services, NASA, and other Federal agencies and certain foreign governments. These services include preaward surveys, review of contractor purchasing systems, quality assurance and inspection, property administration, production surveillance and reporting, transportation, payments to contractors, industrial security and other functions required in connection with industry performance on defense contracts. Responsibility for initial award of contracts and for all decisions with respect to the nature and quantity of items and services to be purchased remains with the military service, DSA and NASA buying offices; DCAS performs those contract administration functions that can best be handled at or in close proximity to the contractor's plant. In addition to retaining responsibility for contract awards, the military services are responsible for the administration of those categories of contracts not included in the mission assignment to DCAS; for example, contracts involving perishable subsistence items, basic research studies, military and civilian construction, repair and overhaul of naval vessels. Military services are also responsible for administration of those contracts in specific plants assigned by DOD under the plant cognizance program.

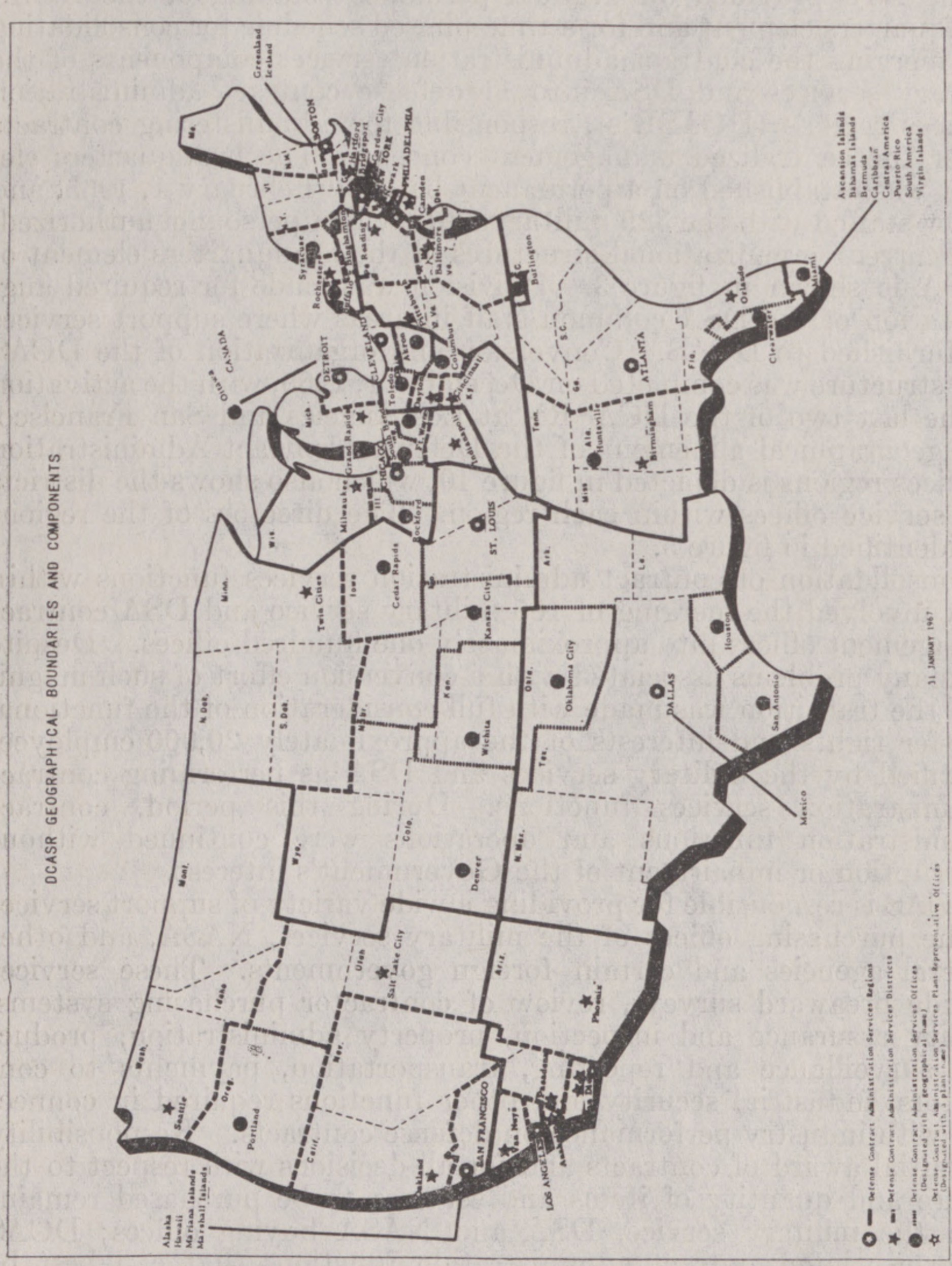

DCASR GEOGRAPHICAL BOUNDARIES AND COMPONENTS
Greenland
Iceland
Ascension Islands
Bahamas Islands
Bermuda
Caribbean
Central America
Puerto Rico
South America
Virgin Islands
Alaska
Hawaii
Mariana Islands
Marshall Islands
Mexico
CANADA
BOSTON
NEW YORK
PHILADELPHIA
DETROIT
CLEVELAND
CHICAGO
ST. LOUIS
ATLANTA
DALLAS
Houston
San Antonio
Oklahoma City
Kansas City
Twin Cities
Denver
Salt Lake City
Phoenix
Seattle
Portland
SAN FRANCISCO
LOS ANGELES
Oakland
Wichita
Cedar Rapids
Rockford
Orlando
Miami
Huntsville
Birmingham
Scale 0 100 200 300 400 500 Miles
Defense Contract Administration Services Regions
Defense Contract Administration Services Districts
Defense Contract Administration Services Offices (Designated with a geographical name)
Defense Contract Administration Services Plant Representative Offices (Designated with a plant name)
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FIGURE 10

The defense industrial security program is unique in the field of contract administration services in that its responsibility includes not only those facilities in which DCAS has contract administration responsibility, but also all facilities where the military departments have retained plant cognizance responsibility. In addition to having responsibility for security administration of all DOD classified contracts, the defense industrial security program provides the same service for classified contracts awarded by eight other departments and agencies of the Government; namely, the Departments of State, Commerce, and Treasury, the National Aeronautics and Space Administration, Federal Aviation Agency, General Services Administration, Small Business Administration and the National Science Foundation.

In the consolidation of the defense industrial security program, procedures for processing personnel security clearances were centralized from approximately 110 cognizant security offices into the Defense Industrial Security Clearance Office (DISCO). Centralization of the personnel clearance function has resulted in improved management efficiency and the ability to insure greater uniformity in clearance determinations. Moreover, the centralized operation lends itself to future adaptation to automatic data processing.

In consolidating CAS functions, it was anticipated that savings would accrue from three factors: (1) the merging of offices, (2) the use of computers, and (3) increased standardization and uniformity of operation. Realization of savings was to be achieved by a time-phased reduction in personnel over a 5-year period. Utilizing pre-consolidation workload and manpower as a base, the objective was a reduction of approximately 10 percent in personnel by fiscal year 1968 to reflect a recurring reduction in personnel costs of $19 million by fiscal year 1969.

In December 1965, the first month of full DCAS nationwide operation, the level of workload had already increased 20 percent above the level prevailing when the savings estimates were made, when, for example, the number of primary and secondary contracts being administered was 138,000. By December 1966, the number was 219,000, an increase of 60 percent. A further increase to 220,000 is expected by June 30, 1967. During the same period the number of invoices completed had changed from an annual rate of 1.07 to 1.71 million, also an increase of 60 percent. By June 30, 1967, the annual rate is expected to reach 1.96 million. Still another example is the dollar value of material inspected and released for shipment, which rose from an annual rate of $13.729 billion in December 1965 to $16.672 billion in December 1966, a 20 percent increase. The projected annual rate as of June 30, 1967 is $17,726 billion.

These examples, together with other primary workload indicators, show an overall workload increase ranging from 37 to 63 percent during the past year. To accomplish this increased workload, manpower was increased by 20 percent. These increases are for the most part attributed to the impact of the SEA buildup, added NASA requirements, and the transfer to DCAS of the administration of some contracts previously assigned to the military departments under the DOD plant cognizance program.

The workload increase compared with the workforce increase demonstrates a reduction in cost per work unit performed. Accordingly, the original estimate of anticipated savings appears to have been ex-

ceeded. However, a more precise computation of savings for comparison with the original estimate is not feasible because of the significant but immeasurable influence of several factors. These include changes that have occurred in the contract administration mission where the net effects on workload and resources are not clearly identifiable; the impact of SEA requirements which, on a postfacto basis, are not fully separable from the otherwise normal workload; and the effects of the learning curve on operation during the first year. These factors notwithstanding, current workload and resource data indicate that the full savings originally anticipated were being realized earlier than scheduled and will continue to recur through fiscal year 1967 and fiscal year 1968.

Beginning with fiscal year 1967, DSA budgeted and funded for CAS functions. During fiscal year 1965, DCAS operations were financed through reimbursement to DSA from military appropriations. Fiscal year 1966 financing was accomplished through transfers of funds from the military departments. Support of NASA and other non-DOD agencies will continue to be financed through reimbursement.

Some of the areas of major effort during the first year of operations were:

(*a*) *Quality assurance.*—The SEA buildup created a significant workload in suppliers' plants, particularly in the ammunition, weapons, clothing and medical commodities. Through extensive training and some recruitment, the challenge has been successfully met. To meet changing industrial and defense technologies, and other factors impinging upon readiness to perform, DSA CAS is pursuing a quality assurance skills acquisition program. DSA CAS is currently training approximately 1,000 quality assurance personnel who are performing on NASA contracts. In addition, quality assurance personnel are attending service schools, non-Government schools, and colleges to become better equipped to accomplish the assigned mission.

(*b*) *Plant safety.*—Included in the initial CAS functional assignment from the military departments was responsibility for monitoring safety in contractors' facilities pertaining to nonhazardous materials and processes involved in Government contracts. Early in 1966 DCAS was assigned, for contracts administered, the additional responsibility for maintaining surveillance of flight safety and safety matters on hazardous and dangerous materials and processes. Since assignment of the function, as DSA representative has chaired a DOD committee to develop ASPR guidance on hazardous and otherwise dangerous material safety, uniform contract safety clauses, and a Department of Defense manual prescribing standards to be followed by manufacturers of hazardous and dangerous materials.

(*c*) *Delinquent contracts.*—Due to the urgency of the southeast Asia situation, special management attention had to be given to the problem of reducing the number of contracts in a delinquent delivery status. Increased leadtimes for materials and overloaded plant conditions contributed to a rising trend in contract delinquencies. Top management personnel of selected delinquent contractors were visited by DCASR personnel to emphasize the importance of timely deliveries and to assist the contractors in attempting to reduce their delinquencies.

(*d*) *Defense materials and priorities assistance.*—Special emphasis was placed on accomplishment of the objectives of the defense ma-

terials and priorities assistance program, which necessitated the reorienting, training, and indoctrination of Government employees and defense contractors. DCAS participated with the Business Defense Services Administration, Department of Commerce, in nationwide briefings attended by approximately 25,000 defense contractor representatives in 30 U.S. cities. Additionally, vigorous in-house training was conducted and a continuing program was developed for providing technical assistance to both Government and contractor personnel.

(*e*) *Industrial security.*—Immediately following consolidation of the industrial security function, action was taken to identify cleared facilities which had not been engaged in classified procurement for 18 or more months. Administrative termination of these "dormant" facilities resulted in a reduction of cleared facilities from approximately 22,000 to approximately 15,000. This has contributed to the efficiency of the program in that resources can be expended at facilities actually engaged in classified procurement.

(*f*) *Small business.*—A vigorous small business and economic utilization program was pursued; 1,378 small business/labor surplus area subcontracting programs have been established in prime contractor plants and are being revised quarterly by CAS field force of 48 small business/labor surplus area specialists located in 11 regions and in 15 of the 26 district offices.

(*g*) *Management of property.*—Significant improvements have been made in the management of property. New programs provide for more thorough analyses and qualitative evaluations, better identifications of conditions, and sounder bases for conclusions and actions.

(1) Contractor property control systems.—Provided for greater depth and scope of reviews and evaluations of each system periodically, established minimum frequency of surveillance visits, and provided a statistical sampling technique with guidance for the sizes of samples and the limits of acceptability.

(2) Contractor use of industrial plant equipment.—Fixed initial responsibility for performance of usage analysis by the best qualified DCAS specialist available during production; established firm requirements for timely reviews; provided improved criteria for determining when equipment may be considered idle by equating with procuring activity plans, programs and intentions, respecting original authorization for acquisition and use; and specified a reporting procedure to support decisionmaking and necessary action.

(3) Centralized management of functions, skills and reports.—Identified other specific functions within the overall management of Government property for performance by quality assurance, industrial specialist, transportation, and safety personnel in such areas as condition, maintenance, shippping, and loss or damage, with reports to the property administrator making the total story on the quality of the contractor's management, and establishing bases for compliance actions.

(4) Revised job standards for property administrators.—Undertook a study which disclosed the need to revise antiquated and obsolete notions of property administration. These standards are now being rewritten to more closely approximate a manager of assets in the light of prevailing industrial and economic con-

ditions and designed to attract higher caliber personnel by creating a career progression as a recruiting incentive, all to the end of upgrading the quality of performance.

(5) Training.—Conducted seminars in the 11 DCASRs, bringing to property administrators and their supervisors current doctrine, such as emphasis on proper utilization of equipment by contractors and timely and accurate preparation of records and reporting.

(6) Regulatory coverage.—Participated in distinguishing responsibilities of the contractor and the Government; eliminating nonessential reporting; standardizing required reports as management tools and for other governmental purposes; developing contract provisions requiring maintenance of utilization records; and furnishing new guidance in disposition of inventory and prompt plant clearance, preparation of inventory schedules, reporting for screening, and responsibilities of the plant clearance officer.

(7) Reconciliation of industrial plant equipment records.—Recognized the need for purification of the system from an economic and practical viewpoint and arrange for a 2-year program of reconciliation of the records of the national inventory of industrial plant equipment with the property in possession of contractors by an orderly, no-additional cost operation during the contractor's normal inventory taking.

To summarize, the Defense Contract Administration Services mission has been implemented and successfully incorporated into the DSA organization. Contract administration services functions are being performed effectively and efficiently, and with savings in costs over the previous methods. More significant benefits and improved performance are expected to be achieved as the DCAS organization stabilizes and gains additional experience and performance data in operations under the Project 60 concept. Conversion to the current DCAS organization was achieved without any significant adverse impact upon the Government organizations and personnel involved.

DSA ACHIEVEMENTS IN REDUCING COSTS OF OPERATIONS

The Defense Supply Agency has continued support to the military services without interruption or impairment, during major organizational change. This has involved the extension of central control over a group of heterogeneous agencies and the development of uniform policy, standards, and procedures with a view toward providing the military services with better support at less cost.

The President's budget for fiscal year 1963 was based on the expectation that the functions transferred to DSA would be performed at a cost of $27.7 million less than the budgeted cost of performing the same functions within the military departments. The Congress assessed an additional reduction of $2.7 million, making a total budget cut of $30.4 million, related principally to a reduction of 3,329 civilian personnel spaces. Consolidation of the Army and Marine clothing factories produced an additional saving of $0.9 million, resulting from a reduction of 146 personnel spaces, for a total fiscal year 1963 operating expense saving of $31.3 million. During fiscal year 1964, this $31.3 million was augmented by additional savings, realized from reorganiza-

tion of the distribution system, improved use of automatic data processing equipment, consolidation of the Defense Automotive and Construction Supply Centers, and closing of certain Defense Surplus Sales Offices, for a total of $39.6 million. Consolidation of the Medical, Subsistence, and Clothing and Textile Supply Centers into the Defense Personnel Support Center resulted in a reduction of 483 civilian and 38 military spaces, with a net saving during fiscal year 66 of approximately $4.2 million exclusive of onetime costs. By the end of fiscal year 1966 total savings from reduced cost of operations had reached $58.3 million.

SUMMARY

In the 5 years since its establishment, it has become apparent that DSA has not, and will not, solve all military supply and logistics services problems. Some of these are bound up in the complex relationships of military strategy and national economics and the rapid obsolescence of military materiel caused by the forward sweep of technology. DSA has in this 5-year period, however, demonstrated that it can support the military services effectively and efficiently in the major military commitment in Vietnam. In so doing, the agency has proven the soundness of the concept of integrated management of common supplies and logistics services in Defense and that it can be made to work in time of war, mobilization, or peace.

Appendix 4

U.S. General Accounting Office Index of Selected Reports Issued to the Congress During the Period Jan. 1, 1966, Through Feb. 28, 1967

Index No.	Report file No.	Date	Title of report	Department
1	B-152980	Jan. 6, 1966	Review of Policies and Procedures Applied in Evaluating Foreign Source Components and Barter Bids for an Undersea Cable Communications System, Department of Defense, Department of Agriculture, Treasury Department.	Defense; Treasury; Agriculture.
2	B-114878	Jan. 18, 1966	Review of Controls Over Utilitzation and Procurement of Photographic Equipment at the Sandia Laboratory, Albuquerque, N. Mex., Atomic Energy Commission.	AEC.
3	B-118662	do	Use of Contractor-Furnished Personnel in Violation of Statutes Governing Federal Employment, Post Office Department.	Post Office.
4	B-146917	Jan. 28, 1966	Possible Savings From Improving the Management Control of Projectile Fuze Covers and Other Reusable Ammunition Components, Department of the Navy.	Navy.
5	B-133038	Feb. 17, 1966	Actions Being Taken To Achieve Greater Utilization of Limited-Life and Long-Supply Items in Civil Defense Medical Stockpile Managed by Public Health Service, Department of Health, Education, and Welfare.	HEW.
6	B-146966	do	Pricing of Recorders Purchased From Midwestern Instruments, Inc., Tulsa, Okla., Department of the Air Force.	Air Force.
7	B-114851	Feb. 18, 1966	Need to Reexamine Planned Replacement and Augmentation of High-Endurance Vessels, Western Area, U.S. Coast Guard, Treasury Department.	Treasury.
8	B-132977	Feb. 23, 1966	Potential Savings Through Direct Procurement of Components Used in Production of Variable Timing Fuzes, Department of the Navy.	Navy.
9	B-158193	do	Need for Postaward Audits to Detect Lack of Disclosure of Significant Cost or Pricing Data Available Prior to Contract Negotiation and Award, Department of Defense.	Defense.
10	B-125065	Mar. 11, 1966	Review of the Management of Inventories by the Army Map Service, Washington, D.C., Department of the Army.	Army.
11	B-156516	do	Review of the Relocation of Railroad Facilities, Walter F. George Lock and Dam, Fort Gaines, Ga., Corps of Engineers (Civil Functions), Department of the Army.	Do.
12	B-156167	Mar. 23, 1966	Operation of a Dairy Farm by the U.S. Naval Academy, Annapolis, Md., Department of the Navy.	Navy.
13	B-133102	Mar. 24, 1966	Review of the Management and Utilization of Capehart, Wherry, and other Government-Owned Housing, Department of the Army.	Army.
14	B-133127	do	Economies from Making Electron Tubes Available to other Government Users, Federal Aviation Agency.	FAA.
15	B-154282	do	Need for Improvement in the Management of Vehicle Utilization, Bureau of Indian Affairs, Department of Interior.	Interior.
16	B-114807	Apr. 12, 1966	Need for Improvement in Multiple-Award Contracting Policy, General Services Administration.	GSA.
17	B-114868	do	Savings Attainable Through Revisions of Construction Standards to Avoid Excess Seating Capacity in School Dining Facilities, Bureau of Indian Affairs, Department of the Interior.	Interior.
18	B-133127	do	Opportunities for Savings Through Greater Use of Available Military Aircraft Parts, Federal Aviation Agency.	FAA.

Index No.	Report file No.	Date	Title of report	Department
19	B-133386	Apr. 12, 1966	Review of Royalties Charged to the U.S. Government for Use by Government Contractors of Chemical Milling Inventions, Department of the Air Force.	Air Force.
20	B-158427	do	Review of Safety Conditions in Certain Storage Areas Primarily in the South Building of the Department of Agriculture, Washington, D.C., Department of Agriculture, General Services Administration.	Agriculture; GSA.
21	B-158515	do	Review of Long-Term Medical Research on Aging of Aviation Personnel, Federal Aviation Agency.	FAA.
22	B-122796	Apr. 21, 1966	Review of Reemployment Leave Travel Benefits Granted Certain Civil Service Employees in States of Alaska and Hawaii, Department of Defense, and Other Government Agencies.	Defense and other Government agencies.
23	B-133044	do	Savings Available Through Utilization of Greater Quantities of Excess Medical Equipment and Supplies, Veterans' Administration.	VA.
24	B-133127	do	Opportunity for Savings Through Payment of Relocation Costs Rather Than Subsistence Allowances for Contractor-Furnished Employees, Federal Aviation Agency.	FAA.
25	B-146924	do	Savings Attainable Through Reductions in Fire Department and Guard Force Staffing at Government-Owned Contractor-Operated Installations, Atomic Energy Commission.	AEC.
26	B-146962	do	Review of Selected Overhead Costs Charged to Government Contracts by the Univac Division of Sperry Rand Corp., St. Paul, Minn., Department of Defense.	Defense.
27	B-157535	do	Review of Prices Negotiated on Selected Contracts for Ammunition and Weapons Components, Department of the Army.	Army.
28	B-157711	do	Potential Savings by Buying Instead of Leasing Specialized Transportation Equipment, Department of the Air Force.	Air Force.
29	B-114858	Apr. 29, 1966	Need for Improved Coordination of Transmission Line Construction Practices of the Bureau of Reclamation and the Bonneville Power Administration, Department of the Interior.	Interior.
30	B-118634	do	Opportunity for Savings by Reducing Overtime on Revetment Construction and Maintenance on the Lower Mississippi River, Corps of Engineers (Civil Functions), Department of the Army.	Army.
31	B-146917	do	Potential Savings Through Improved Management of Ammunition, Department of Defense.	Defense.
32	B-158604	do	Policy Guidance Strengthened on Direct Procurement of Components Needed by Contractors in Production of Weapon Systems and other Major End Items, Department of Defense.	Do.
33	B-158662	do	Reduction in Dollar Outflow Possible Through More Extensive Use of American-Made Building Materials in Embassy and Related Construction Projects, Department of State.	State.
34	B-114833	May 24, 1966	Opportunities for Reducing the Number of Vehicles Maintained in Fleet Soil Conservation Service, Department of Agriculture.	Agriculture.
35	B-154068	May 25, 1966	Planning for and Utilization of Automatic Data Processing Equipment, Ames Research Center, Moffett Field, Calif., National Aeronautics and Space Administration.	NASA.
36	B-158625	do	Review of Development of Certain Scientific Instruments for the Surveyor Project, National Aeronautics and Space Administration.	NASA.
37	B-146730	May 27, 1966	Recovery of Needed Parts From Excess Aircraft Engines, Department of the Air Force.	Air Force.
38	B-114878	May 31, 1966	Preferential Allowances Paid to Certain Contractor Employees at the Hanford Works, Richmond, Wash., Atomic Energy Commission.	AEC.
39	B-157371	June 3, 1966	Potential Savings by Consolidation of Field Organizations and Facilities for Recruiting Military Personnel, Department of Defense.	Defense.
40	B-158482	do	Management of the Procurement of Major Equipment and Related Spare Parts by the U.S. Marine Corps, Department of the Navy.	Navy.
41	B-158514	June 16, 1966	Review of Readiness Status of Idle Ammunition-Production Facilities, Department of the Army.	Army.

Index No.	Report file No.	Date	Title of report	Department
42	B-114860	June 21, 1966	Review of Repair Practices Relating to Single-Family Properties Acquired Through Mortgage Insurance Programs, Federal Housing Administration, Department of Housing and Urban Development.	FHA.
43	B-118660	do	Review of the Purchase of Title Insurance on Properties Acquired in the State of Florida Under the Loan Guarantee Program, Veterans' Administration.	VA.
44	B-133127	do	Savings Available by Use of Conventionally Designed Airport Traffic Control Towers at Low-Activity Airports, Federal Aviation Agency.	FAA.
45	B-158572	do	Review of the Equipment Modification Program for M48A1 Tanks, Department of the Army.	Army.
46	B-159200	June 29, 1966	Savings That Can Be Attained by Rebuilding Used Motor Vehicle Tires, Department of the Air Force.	Air Force.
47	B-118678	July 15, 1966	Review of Procurement of Equipment for Implementing Automation of Water Data Records, Geological Survey, Department of the Interior.	Interior.
48	B-159072	do	Potential Savings Through Greater Use of Available Government Gasoline Outlets, Department of Defense.	Defense.
49	B-159451	July 18, 1966	Survey of Internal Audits and Inspections Relating to U.S. Activities in Vietnam, Department of State, Agency for International Development, Department of Defense.	State; Defense.
50	B-118660	Aug. 9, 1966	Savings Available by Canceling Hazard Insurance Policies on Properties Acquired Upon Default of Housing Loans, Veterans' Administration.	VA.
51	B-125037	do	Potential Savings Through Improved Controls Over Per Diem Payments to Military Personnel, Department of the Air Force.	Air Force.
52	B-146948	do	Review of Charges to Defense Contracts for Use of Company Operated and Chartered Aircraft, Department of Defense.	Defense.
53	B-159135	do	Need to Improve Contracting Procedures for Employment of Appraisers To Value Indian Lands, Department of Justice.	Justice.
54	B-159148	do	The Utilization and Dispositon of Excess Beds and Related Bedding, Department of Defense.	Defense.
55	B-114824	Aug. 10, 1966	Opportunity to Reduce Costs of Providing Protection From Heat and Cold on Shipments of Certain Perishable Commodities, Commodity Credit Corporation, Department of Agriculture.	Agriculture.
56	B-125036	do	Review of Reporting of Taxable Income and Tax Withholdings of Military Personnel, Department of the Army.	Army.
57	B-146551	do	Review of Certain Active Duty Retirement Benefits for Army and Air Force Reserve Officers, Department of Defense.	Defense.
58	B-114860	Aug. 15, 1966	Possible Savings by Discontinuing the Purchase of Public Liability Insurance Covering Acquired Property, Federal Housing Administration, Department of Housing and Urban Development.	FHA.
59	B-146778	Aug. 18, 1966	Need for Interservice Action When Management Policies and Practices Differ for Similar Supply Items, Department of Defense.	Defense.
60	B-158959	Aug. 22, 1966	Management of Selected Time Compliance Technical Orders Requiring Modifications to Engines for F-100 Aircraft, Department of the Air Force.	Air Force.
61	B-158712	Aug. 23, 1966	Potential Reductions in Cost of Automotive Travel by Federal Employees Where Use of Government-Owned Vehicles Is Feasible.	Governmentwide.
62	B-114874	Aug. 31, 1966	Review of Program for Replacement and Procurement of Motor Vehicles, Post Office Department.	Post Office.
63	B-159187	Sept. 7, 1966	Potential Savings Through Improved Utilization of Space Available on Administrative Military Aircraft, Department of the Air Force.	Air Force.

Index No.	Report file No.	Date	Title of report	Department
64	B-133324	Sept. 19, 1966	Potential Savings Through Improvement in the Management of Materials Handling Equipment and Commercial-Design Trucks, U.S. Marine Corps, Department of the Navy.	Navy.
65	B-159407	do	Review of the Maintenance of Combat Vehicles, Department of the Army.	Army.
66	B-114878	Sept. 20, 1966	Review of Procurement and Utilization of Security Covers for Nuclear Weapons, Atomic Energy Commission and Department of Defense.	AEC; Defense.
67	B-114878	do	Potential Savings to the Government Through Increased Purchasing From General Services Administration Supply Sources by Contractors Which Operate Facilities of the Atomic Energy Commission.	AEC.
68	B-146876	do	Review of the Policy of Leasing Motor Vehicles for Use by Government Contractors, Department of Defense.	Defense.
69	B-156818	Sept. 20, 1966	Long-Term Leasing of Buildings and Land by Government Contractors.	Defense.
70	B-132989	Sept. 30, 1966	Followup Review of the Management of Aircraft Engines Used in Ground Training Programs, Department of the Air Force.	Air Force.
71	B-146876	do	Procurement of Thrust Vector Control Nozzles for the Minuteman Missile Program, Department of the Air Force.	Do.
72	B-118634	Oct. 19, 1966	Review of Policies and Procedures Followed in Determining the Size of the New Second, Lock at Sault Ste. Marie, Mich., Corps of Engineers (Civil Functions) Department of the Army.	Army.
73	B-133394	Oct. 31, 1966	Review of Selected Aspects of Scheduling for Design, Integration, and Test of Nimbus Spacecraft National Aeronautics and Space Administration.	NASA.
74	B-156760	do	Management Control of Nike-Hercules Missile Launching and Handling Rails.	Army.
75	B-159072	do	Potential Savings Through Greater Use of Available Government Gasoline Outlets, General Services Administration.	GSA.
76	B-159271	do	Review of Procurement of Detachable Helicopter Ground Handling Wheel Assemblies, Department of the Army.	Army.
77	A-90545	Nov. 28, 1966	Procurement of Printing of Technical Manuals from Equipment Contractors, Department of Defense.	Defense.
78	B-133127	Nov. 29, 1966	Review of Coordination Between Procurement of Technical Equipment and Its Ultimate Utilization, Federal Aviation Agency.	FAA.
79	B-146700	do	Savings Attainable in the Use and Pricing of Certain Nonperishable Foods, Department of Defense.	Defense.
80	B-159210	Nov. 30, 1966	Utilization of Motor Vehicles in the Cape Kennedy Interagency Motor Pool; General Services Administration, National Aeronautics and Space Administration.	GSA; NASA.
81	B-159206	Dec. 5, 1966	Review of Price Increases Under Shipbuilding Contracts, Department of the Navy.	Navy.
82	B-156269	Dec. 14, 1966	Review of Determinations of Wage Rates for Construction of Carters Dam, Ga., Department of Labor.	Labor.
83	B-153129	Dec. 27, 1966,	Review of Policies and Procedures Used in Determining the Administrative Office Space To Be Provided in Major Postal Facilities, Post Office Department.	Post Office.
84	B-125053	Dec. 29, 1966	Need to Resolve Differences in Procedures Used by Federal Timber Management Agencies in Appraising Timber Offered for Sale, Forest Service, Department of Agriculture; Bureau of Indian Affairs, Bureau of Land Management, Department of the Interior.	Agriculture, Interior.
85	B-160410	Jan. 10, 1967	Savings Available by Purchasing Rather Than Leasing Commercial Two-Way Radio Equipment, Department of Defense.	Defense.
86	B-39995	Jan. 16, 1967	Need for Improving Administration of the Cost or Pricing Data Requirements of Public Law 77-653 in the Award of Prime Contracts and Subcontracts, Department of Defense.	Do.

Index No.	Report file No.	Date	Title of report	Department
87	B-146778..	Jan. 18, 1967	Review of Procurement of Foreign Produced Aircraft Ejection-Seat System, Department of Defense.	Defense.
88	B-158469..	Jan. 23, 1967	Review of Methods Used To Provide Telephone Service to Military Family Housing Occupants, Department of Defense.	Do.
89	B-133188..	Jan. 25, 1967	Review of Geodetic Surveying Activities within the Federal Government, Bureau of the Budget, Department of the Interior, and Department of Commerce.	Interior; Commerce.
90	B-157421..	Jan. 31, 1967	Procurement of Locomotives for Thailand Under the Military Assistance Program, Department of Defense.	Defense.
91	B-39995...	Feb. 15, 1967	Survey of Reviews by the Defense Contract Audit Agency of Contractors' Price Proposals Subject to Public Law 87-653.	Do.
92	B-188654..	Feb. 23, 1967	Potential Savings Through Constructing rather Than Leasing Housing at Brewerville, Liberia, U.S. Information Agency.	USIA.
93	B-133118..	-----do-----	Potential Savings in the Procurement of Spare Aircraft Parts for Outfitting Aircraft Carriers, Department of the Navy.	Navy.
94	B-160419..	-----do-----	Savings Available Through Expanded Use of Regional Contracts for the Repair and Maintenance of Selected Office Machines, General Services Administration.	GSA.

Appendix 5

Digests of Selected U.S. General Accounting Office Reports Issued to the Congress During the Period January 1, 1966, Through February 28, 1967

[Index No. 1—B–152980, Jan. 6, 1966]

Review of Policies and Procedures Applied in Evaluating Foreign Sorce Components and Barter Bids for an Undersea Cable Communications System, Department of Defense, Department of Agriculture, Treasury Department

Our review disclosed that the Department of the Air Force, at the direction of the Department of Defense, awarded a contract for the domestic source procurement of a communications system at a price $2.3 million higher than a foreign source bid in order to minimize dollar payments abroad.

The award was made under Department of Defense policies implementing its balance-of-payments program. The Department's policies did not require that the bidder's estimated domestic and foreign cost components be taken into account in evaluating the merits of alternative bids. Had this been done, more detailed consideration could have been given to the fact that the successful bidder intended to obtain substantial amounts of goods and services abroad under the contract and that the $2.3 million price differential paid to this bidder seemed excessive in relation to the balance-of-payments advantages which could be expected.

It would then have been apparent to the Department of Defense that the premium of $2.3 million would result in a balance-of-payments advantage of $1.4 million, or about a 61-cent balance-of-payments gain for each extra dollar expended. This contrasts with the normal goal of the Cabinet Committee on Balance of Payments that each extra dollar of cost achieve at least a $2 advantage in balance of payments.

Of equal significance, the Department of Defense did not attempt to evaluate another offer of the low bidder to accept surplus agricultural commodities in partial payment (barter) for the communications system. Under this offer, the low bidder proposed to sell the commodities abroad and use the proceeds to pay his foreign costs. This offer, which was $2,150,000 lower than the successful bidder's price, was rejected on the grounds that existing policy did not permit consideration of a barter offer from a foreign source bidder whose dollar bid had been rejected. Had the barter offer been accepted under arrangements that would not result in a significant reduction of commercial United States agricultural exports, substantial financial advantage would have been realized by the United States.

Because of the possibility of achieving significant savings on like transactions in the future, we proposed at the conclusion of our review

that the procurement policies that had been followed in evaluating offers for the communications system be revised. Our proposal was considered in a study made for and approved by the Cabinet Committee on Balance of Payments.

In commenting on our report, the Cabinet Committee advised us that it recognized the need to consider the United States and foreign source elements included in domestic source and foreign source bids, so as to avoid premium prices that result in little or no advantage to the United States balance of payments. The Committee advised us that the Department of Defense had adopted a modified procedure which would help to ensure that the higher price paid for a domestic product is compensated for by an acceptable amount of balance-of-payments advantage. The Committee pointed out, however, that it is generally not possible to identify the value of the foreign component and that the magnitude of procurement may not justify the administrative burden involved; thus this procedure has limited application.

The Cabinet Committee has advised us also of its conclusion that the total overall volume of procurement through barter of surplus commodities is at an appropriate level and that any increase in the volume of barter procurement, as suggested in our report, probably would result in the disposal of agricultural surpluses at the expense of normal commercial sales. The Committee commented that there is no practical way to determine specifically, on a percentage basis, the extent to which a particular barter transaction might displace commercial sales.

In commenting on our findings, the Cabinet Committee advised us that it did not plan to recommend changes in current procurement policies of the executive branch. In view of this position, we are not making any recommendation to the executive branch. We are issuing this report to the Congress in the event that it may wish to inquire further into the basis of the judgmental decisions made by the executive branch and their consistency with congressional purpose.

[Index No. 2—B–114878, Jan. 18, 1966]

Review of Controls Over Utilization and Procurement of Photographic Equipment at the Sandia Laboratory, Albuquerque, N. Mex., Atomic Energy Commission

We found that, because of inadequate management controls over the procurement, utilization, and retention of cameras at the Sandia Laboratory, certain organizational units had retained cameras, costing about $274,000, which were excess to their needs and that certain organizational units had purchased new cameras costing about $62,000 although it appeared that the requirements could have been fulfilled by reassigning the cameras on hand. We found also that Sandia generally did not realize the benefits that might have been obtained through competitive procurement because cameras had been requisitioned and procured by brand name and model without adequate consideration as to whether other brands or models would meet the requirements.

The laboratory is operated by the Sandia Corporation under a cost-type contract with the Atomic Energy Commission.

The organizational units included in our review subsequently reported 140 cameras as being excess to their requirements and reassigned 33 of the cameras, costing about $40,000, to other organizational units in need of the cameras, thereby obviating the necessity for procurement of similar equipment. Also, Sandia has taken action to strengthen its procedures for providing assurance that (1) utilization of cameras is periodically reviewed, (2) cameras excess to the needs of individual units are transferred to a central facility and made available to other potential users, (3) procurements of new cameras are authorized only after consideration as to whether the requirements can be met from stocks on hand, and (4) the procurement of specific brands and models of cameras is adequately justified.

The Commission has directed its field offices to make reviews of operating contractors' equipment-acquisition-and-use controls and of the practices and procedures for determining when equipment is excess, particularly in reprogramed areas or areas of reduced activity. In view of the actions taken or planned toward establishing improved controls over equipment, we are making no recommendations at this time; however, in the course of our continuing reviews of the Commission's activities, we plan to examine into the effectiveness of these actions.

[Index No. 3—B–118662, Jan. 18, 1966]

Use of Contractor-Furnished Personnel in Violation of Statutes Governing Federal Employment, Post Office Department

Since 1958 the Post Office Department has contracted for the services of contractor-furnished personnel to supplement the technical staff of its Office of Research and Engineering. Under these contracts, the Department selects the individuals to be furnished by the contractors, determines their rates of pay, supervises them, and plans and programs their work. In addition the Department can direct the contractors to remove any individual who is no longer needed or who is not performing his assignment in a satisfactory manner. The Civil Service Commission has stated that such a contract or an arrangement is illegal since it is tantamount to an employer-employee relationship and that the services of these individuals should be employed under the Civil Service Act and paid for as provided in the Classification Act.

In his letter dated May 27, 1965, the Postmaster General advised us that it had not been feasible to have a technical staff comprising all civil service personnel because the Congress had not approved the Department's requests to replace contractor-furnished personnel with civil service personnel.

Subsequent to our bringing the Department's practice of using contractor-furnished personnel to the attention of the Civil Service Commission, the Chairman of the Commission advised the Postmaster General on August 20, 1965, that the contracts in question are illegal and that immediate steps must be taken to terminate the illegal practices.

We compared the costs that were incurred by using contractor-furnished personnel during the period July 1961 through November

1964 with the costs that we estimated would have been incurred by using civil service personnel. We estimated that the cost of $5,673,000 incurred by using contractor-furnished personnel during that period was $205,000, or 3.7 percent, more than the cost that would have been incurred by using civil service personnel.

The Postmaster General disagreed with our computations showing that the Department, by using contractor-furnished personnel rather than civil service personnel, had incurred additional cost to the Government and stated that the Department had determined that the estimated costs for using civil service personnel would have approximated the costs for using contractor-furnished personnel. Although we do not agree with the Department's cost estimates, we believe that the major matter for consideration is the illegality of the Department's contracting practice.

In a letter dated November 23, 1965, the Postmaster General advised the Civil Service Commission that the Department had reached the decision that it would not be feasible at this time to staff with civil service personnel the entire function which had been handled under contract. He advised the Commission further that the Department was planning to let the existing contracts expire and then to replace these contracts with new contracts which would eliminate the employer-employee relationship.

By letter dated December 16, 1965, the Chairman of the Civil Service Commission informed the Department that the Commission would review the new contracts and the relationships established thereunder, to ascertain whether they represent, from a civil service standpoint, a legal means for the procurement and use of contract services.

In view of the fact that the Department has stated that the illegal contracting practice will be discontinued, we are not making a recommendation at this time. Further, no action is being taken by us on payments made under the contracts, because the contractors furnished the personnel in good faith and the Government has received the benefit of their services.

[Index No. 4—B–146917, Jan. 28, 1966]

Possible Savings From Improving the Management Control of Projectile Fuze Covers and Other Reusable Ammunition Components, Department of the Navy

During the 3-year period ended June 30, 1964, the Navy incurred costs of as much as $218,000 because significant quantities of reusable fuze covers were not returned by user activities, and other quantities, although returned, were lost or sold as scrap by one of the ammunition stockage points. Since the Navy has a continuing need for these fuze covers, possible savings of as much as $595,000 could be realized during the 5-year period ending June 30, 1970, by establishing effective controls over the return and reuse of these covers.

Although our review did not include an examination of records pertinent to reusable ammunition components other than MK 4 fuze covers, we did note that procurements of other reusable ammunition components were made necessary by the failure of user activities to

return such components to the supply system. The Assistant Secretary of the Navy (Financial Management), in a letter dated August 24, 1965, advised us that the Department of the Navy concurred in the findings set forth in our report and that corrective actions, to the extent of issuing instructions and directives and the undertaking of a servicewide audit of the Navy's ammunition supply system by the Auditor General of the Navy, had been taken or were planned.

We recommended that the Secretary of the Navy take the necessary action to develop and implement appropriate accounting controls over the issue and return of reusable ammunition components to the Navy supply system and to establish adequate surveillance over the operation of such controls to ensure their effectiveness. In this connection, we recommended that consideration be given to assigning the responsibility to account for all reusable ammunition components issued to a vessel to the commanding officer and that appropriate reports of such accountability be designed for issuance, through appropriate channels, to the inventory manager. The difference between the quantity of reusable components issued to the vessel and the quantity still on hand or returned to an ammunition depot should be supported by appropriate explanatory reports.

[Index No. 6—B–146966, Feb. 17, 1966]

Pricing of Recorders Purchased from Midwestern Instruments, Inc., Tulsa, Okla., Department of the Air Force

Our examination into certain costs of procuring electronic malfunction detection and recording systems disclosed that Midwestern Instruments, Inc., Tulsa, Oklahoma, did not use its most recent cost experience as a basis for its price proposal and that, as a result, an overstatement of about $192,800 was made in the price negotiated with Lockheed-Georgia Company, Marietta, Georgia, a division of Lockheed Aircraft Corporation. This cost was passed on to the Government under Lockheed's contract AF 41(608)–16733 with the Air Force. Under the terms of this contract, Lockheed added a charge of $41,800 to provide for spares administration, packing, and profit thereby increasing the cost to the Government by $234,600. Had either the Air Force or Lockheed requested and had Midwestern furnished the most recently experienced costs and vendors' quotations before the final prices were established, the Air Force and Lockheed could have detected the overestimates and would have been in a position to negotiate appropriate reductions in the prices of the subcontract and the prime contract.

In response to our suggestion that appropriate recovery be made, the Department of the Air Force has recovered by offset action from Lockheed the amount of $234,623. Lockheed has appealed this recoupment action to the Armed Services Board of Contract Appeals. The case will be heard by the Armed Services Board of Contract Appeals at a later date.

The prices commented on in our report relate to the model 813LQ recorder, a component of a malfunction detection and recording system supplied by Lockheed for use principally in the B–52 aircraft. The price charged by Midwestern for the recorder component of the 813LQ

recorder comprised $1,304,776 of the total purchase order price of $2,586,296. The balance of $1,281,520, comprising about 50 percent of the total purchase order price, was for galvanometers and magnetic structures which were the remaining principal components of the model 813LQ recorder. We were unable to examine into the reasonableness of the price for the galvanometers and magnetic structures because Midwestern refused to furnish us any cost information on these components. Midwestern claimed that, on the basis of its representation that these components were proprietary catalog items, it was not required to furnish this information. We have advised Midwestern that it has no valid claim and that it has wrongfully refused to make records pertaining to galvanometer and magnetic structures available for our review.

In commenting on a draft of our report, Midwestern disagreed with our finding and recommendations. Midwestern stated as its belief that, when all costs incurred by Midwestern throughout the development and production of the malfunction detection and recording system under all contracts are considered, the Government has not sustained any increased costs. Lockheed, on the basis of its independent review, advised us that it was entitled to a price reduction of approximately $108,000 under the defective-pricing-data clause of the subcontract with Midwestern.

Subsequent to the period covered by our review, (1) Lockheed established written procedures to be followed in making an analysis and evaluation of a subcontractor's proposed prices and (2) the Armed Services Procurement Regulation was revised to require an explanation of why cost or pricing data were not required and a statement of the basis for this determination. We believe that effective administration of these revised procedures and proper enforcement of these revised regulations should obviate the occurrence of situations similar to those described in our report.

[Index No. 7—B–114851, Feb. 18, 1966]

Need To Reexamine Planned Replacement and Augmentation of High-Endurance Vessels, Western Area, U.S. Coast Guard, Treasury Department

On the basis of our review of the operating experience during fiscal years 1962–64, we believe that the Coast Guard's plans for acquiring 14 high-endurance vessels to replace the 11 high-endurance vessels presently assigned to the Western Area, primarily for search and rescue and ocean-station duties, are questionable. In our opinion, the stated requirements can be reduced, thereby saving about $45 million in construction costs and about $3.6 million annually in vessel opesating costs.

In developing its vessel requirements, the Coast Guard did not use actual operational data to determine the number of new high-endurance vessels needed to carry out its assigned functions, The Coast Guard's planning document, known as the Vessel Report, states a requirement in the Western Area for three additional high-endurance vessels at an estimated cost of $15 million each. Our review showed, however, that the actual utilization, during fiscal years 1962–64, of

most of the 11 high-endurance vessels in the Western Area was substantially below the standard of 180 days established by the Coast Guard as a maximum for the annual operation of the vessels.

The Vessel Report indicates that the three additional high-endurance vessels are needed primarily to provide long-range search and rescue assistance from continental bases and Hawaii. Coast Guard operational data analyzed by us showed, however, that very little search and rescue work of any type, with only a negligible amount of long-range search and rescue work, was performed by the high-endurance vessels during the 3-year period covered by our review. Furthermore, on the basis of Coast Guard criteria relating to vessel capabilities, most of the search and rescue missions performed by the high-endurance vessels deployed from continental bases and Hawaii were of a type which could apparently be carried out as effectively by the smaller and less costly medium-endurance vessels which the Coast Guard plans to acquire.

In view of the past workload and search and rescue demands in the Western Area and in view of the search and rescue coverage which the Coast Guard specifies is within the capabilities of the new medium-endurance vessels, we believe that the Coast Guard's stated requirement for 14 high-endurance vessels in the Western Area is excessive. We believe further that the Coast Guard needs to relate current operations and expected workload changes to the planning elements used in developing its replacement program so that substantial expenditures are not incurred for facilities not needed to carry out assigned missions.

We proposed that the Coast Guard reexamine the planned replacement and augmentation program for high-endurance vessels in the Western Area and consider revising the program so that the proposed acquisitions conform more closely to needs, as indicated by actual utilization data and current operating standards. By letter dated November 1, 1965, the Commandant of the Coast Guard advised us that he completely concurred with our proposal that the Coast Guard reexamine the planned replacement and augmentation program for high-endurance vessels in the Western Area and that he had taken the necessary action to provide for a critical and continuing review of vessel requirements. The Commandant stated that several actions had been taken or were in process which would improve the Coast Guard's techniques for analyzing its requirements and would enable the Coast Guard to make valid amendments to its vessel procurement plans.

In a report submitted to the Congress on January 29, 1965, we recommended that the Commandant of the Coast Guard reexamine the planned replacement program for high-endurance vessels in the Eastern Area and consider reducing the proposed acquisitions so that they conform more closely to needs. The Commandant advised us that our previous report and our finding relating to the requirements for high-endurance vessels in the Western Area would be used as guidelines in the Coast Guard's planning and analytical efforts.

In view of the Commandant's statements, we are not making a recommendation at this time, but, during future reviews, we plan to evaluate the actions taken by the Coast Guard.

[Index No. 8—B–132977, Feb. 23, 1966]

Potential Savings Through Direct Procurement of Components Used in Production of Variable Timing Fuzes, Department of the Navy

The Navy, in contracting for variable timing fuzes, can purchase directly from the component manufacturers rather than through prime contractors certain electron tubes and reserve energizers required for use in the fabrication of the variable timing fuzes. The components can then be supplied to prime contractors as Government-furnished material. Such action should result in significant savings to the Government in the procurement of variable timing fuzes over the next 5 years.

Prior to May 1962, the Navy had supplied the tubes and energizers for use in connection with the variable timing fuze contracts as Government-furnished material either from stock or through direct procurement from the component manufacturers. However, under a contract awarded by the Naval Ammunition Depot, Crane, Indiana, in May 1962 and one awarded by the Navy Ordnance Supply Office, Mechanicsburg, Pennsylvania, in July 1963 and amended in June 1964, Eastman Kodak—the prime contractor—was authorized to purchase the tube and energizer requirements not available from existing Navy inventory. We estimate that, as a result of this change in procurement, the Government incurred additional costs of about $421,000 under the two contracts. The official procurement files of the naval activities involved in the award of the 1962 and 1963 contracts did not contain any documentary evidence to indicate the basis for the Navy's decision to discontinue its practice of supplying tubes and energizers as Government-furnished material. Moreover, we could not find any regulations which require that the contract files be documented to indicate the basis for a decision to discontinue the use of components as Government-furnished material after initial breakout has been achieved.

We found that, while Eastman Kodak was purchasing tubes and energizers for use in producing variable timing fuzes under these two contracts, the Navy was procuring similar, but not identical, components directly from the same vendors and providing them as Government-furnished material to Eastman Kodak for use in fabricating other types of fuzes. In addition, an Air Force audit report dated May 16, 1963, on the pricing of the tubes used in missile fuzes, contained a statement concerning the dual procurement of electron tubes and recommended that the Bureau of Naval Weapons coordinate all requirements common to both Navy and Eastman Kodak and place prime contracts with the same vendor for the consolidated tube requirements. However, the Bureau of Naval Weapons took no action with respect to this recommendation.

The Assistant Secretary of the Navy (Financial Management) commented on our findings by letter of July 26, 1965, stating that in this case there would have been a saving to the Government if the tubes and energizers had been furnished to the contractor by the Navy. The Assistant Secretary stated also that the Navy agreed that, had it furnished the Air Force audit report to the contracting officials responsible for these variable timing fuze procurements, the

potential for cost savings through breakout would have been highlighted. He stated further that steps were being taken to ensure that tubes and energizers would be purchased directly by the Government and furnished to the prime contractors in connection with the future procurements of variable timing and influence fuzes. This action should result in future significant savings to the Government.

In addition, on October 1, 1965, the Armed Services Procurement Regulation was amended to provide guidance for making decisions on whether or not components should be purchased by the Government directly and supplied to an end-item contractor as Government-furnished material and to provide that the records of the purchasing activity be documented to show the basis for the decisions.

[Index No. 9—B–158193, Feb. 23, 1966]

Need for Postaward Audits To Detect Lack of Disclosure of Significant Cost of Pricing Data Available Prior to Contract Negotiation and Award, Department of Defense

A number of our reports issued to the Congress disclosed situations in which significant cost information that was available or known to a contractor prior to the negotiation of contract prices or to the award of contracts was not disclosed to Government negotiators. As a result, contract prices were increased by the inclusion in price proposals of estimated costs that were substantially higher than the costs that should reasonably have been anticipated on the basis of information known to the contractors.

In some of these cases, agency auditors and other personnel had, prior to price negotiations, performed audits and reviews of available contractor records and of other data submitted to them by the contractors. However, because certain cost information was not disclosed by the contractors or became available after the audits were performed, the preaward audits were not effective in disclosing cost estimates that were excessive in the light of information available at the time of negotiation and at the time of award of the contracts. Further, because of the limited time allowed for performance of preaward reviews of pricing proposals, the scope and depth of the reviews may have been curtailed and the available information may not have been evaluated adequately.

In addition, in instances in which there was a lengthy time span between completion of the audit of the price proposal and commencement of negotiations and between completion of negotiations and award of the contract, significant pertinent information was acquired by contractors during these periods but was not disclosed to Government negotiators. Generally, the contractors certified that complete and current information available at the time of negotiations had been disclosed to Government negotiators.

These situations, all of which adversely affect the Government's financial interests, have been disclosed as a result of postaward pricing reviews performed by the General Accounting Office. Under these circumstances, the defective pricing data clause in the contract provides a contractual basis for adjusting the price after the contract

is awarded. In view of the effectiveness of postaward audits in identifying information available to contractors but undisclosed to contracting officers at the time of negotiation and in identifying inaccurate, incomplete, and noncurrent cost or pricing data submitted and certified to by contractors, it seems essential that the Department of Defense established some organized procedure for a postaward review—at least on a selective basis—of the data used in negotiating contract prices. Audit procedures set forth in the Defense Contract Audit Manual issued in July 1965, provided for only general surveillance of this area and not for regularly scheduled selective postaward reviews.

In our draft report submitted to the Department of Defense, we proposed that, in order to achieve the benefits, intended by enactment of Public Law 87–653, in negotiating fair and reasonable prices on the basis of contractors' full disclosure of accurate, complete, and current significant cost or pricing data, the Secretary of Defense consider requiring that—

1. The Defense Contract Audit Agency establish a program for regularly scheduled postaward reviews of selected contracts as a required element of the Department of Defense procurement management review process.

2. Contracting officers evaluate the need for postaward audits of contracts awarded on the basis of certified cost or pricing data that they have reason to believe may not be accurate, complete, or current or may not be adequately verified and, in such instances, specifically request the Defense Contract Audit Agency to make a postaward audit.

3. The Armed Services Procurement Regulation be revised to provide that a clause be included in all negotiated contracts which exceed $100,000—except when the price negotiated is based on adequate price competition, established catalog or market prices of commercial items sold in substantial quantities to the general public, or prices set by law or regulation—granting the contracting officer or his authorized representatives the contractual right to examine all data, including books, records, and documents generated during the contract period, considered necessary for verifying that the data submitted and used in establishing the contract price were accurate, complete, and current at the time of the contract negotiation and award.

The Assistant Secretary of Defense (Comptroller) has advised us that the Department of Defense agreed that there is a need for regularly scheduled postaward audits and that steps were being taken to implement our proposals.

[Index No. 10—B–125056, Mar. 11, 1966]

Review of the Management of Inventories by the Army Map Service, Washington, D.C., Department of the Army

In October 1964, of a total of $1.1 million invested in inventory of map-making and other supplies, approximately $700,000 was excess to the current needs of the Army Map Service. We found that a combination of (1) inaccurate stock records, (2) incorrect usage data, and (3) unnecessarily high stock levels had been a major contributing factor

to the accumulation of the excesses. The accumulation of unneeded supplies at the Map Service was particularly significant since the excess inventory included sizable quantities of film and photographic supplies which deteriorate if stored too long and which have to be disposed of at a fraction of their cost. In the past, the Map Service disposed of significant quantities of supplies that had deteriorated and, at the time or our review, its inventories included significant quantities of film and other photographic supplies that had been on hand longer than the recommended periods. In addition to the fact that the Government incurs a financial loss when supplies are disposed of, the maintenance of excess inventories results in added costs for storage, handling, and interest.

We brought our finding to the attention of the Department of Defense and pointed out that appropriate reductions in inventories could produce savings not only by decreasing losses through deterioration and obsolescence but also by reducing storage and handling costs. Also we advised the Department that it appeared that satisfactory measures had been taken to improve the accuracy of stock records but that further action was needed to provide for the correct usage data and the establishment of more reasonable stock levels.

We were subsequently advised that various corrective measures were instituted to maintain the inventory at an absolute minimum for mission requirements, including the establishment of new supply levels for individual items. On the basis of our review, we estimate that the adoption of the new supply levels resulted in a reduction of about $870,000 in procurement costs during fiscal year 1966. Furthermore, smaller inventories will result in (1) future savings in storage and handling costs, (2) reduction in losses due to deterioration, and (3) reduced interest on funds invested in inventory.

[Index No. 11—B–156516, Mar. 11, 1966]

Review of the Relocation of Railroad Facilities, Walter F. George Lock and Dam, Fort Gaines, Ga., Corps of Engineers (Civil Functions), Department of the Army

Our review of the railroad's general ledger accounts indicated that the Corps paid about $770,000 more than it cost the railroad to have the relocation work performed. The railroad was able to perform the relocation work for less than the contract price, primarily because of favorable terms received in subcontracting certain work and because of a Government allowance for additional operation and maintenance costs, which the Corps should have known would not be incurred because of a change in the type of bridge to be constructed. Also included in the relocation costs recorded by the railroad were the costs of certain facility betterments valued at about $21,000. This amount should be considered an added payment to the railroad because the Government generally is reimbursed for the cost of betterments.

Although it is the general policy of the Corps to use cost-reimbursable-type contracts for major relocations, the Corps entered into a firm fixed-price relocation contract with the railroad because it believed that the use of the fixed-price contract would result in savings

to the Government. A more complete evaluation of the cost estimates, which we believe reasonably should have been made in the circumstances, would have indicated that the proposed amount of the fixed-price contract would not have resulted in the savings anticipated by the Corps and, therefore, that there was no need to deviate from the general policy which prescribes the use of cost-reimbursable contracts.

The railroad does not agree that it was paid $770,000 more than the cost of the relocation, because certain costs for supervision and other overhead expenses were not allocated and recorded in its records as part of the contract costs and because considerations other than construction costs were involved in the contract. When we requested that the railroad make available to us the subsidiary accounting records or work orders, so that we might examine the nature of the charges to the contract or provide us with a reasonable estimate of the unallocated costs, we were advised that the work orders could not be located and that the railroad was not in a position to make an estimate of the amount of unallocated costs without exhaustive accounting work.

While it is possible that some costs may not have been allocated to the relocation and that these costs would have reduced the $770,000 difference between the contract amount and the railroad's costs, on the basis of data included in the cost estimates of the Corps and the railroad, it is unlikely that these costs would have resulted in a substantial reduction. Our reasons for this conclusion and the considerations referred to by the railroad are discussed in the report.

To minimize the possibility of the occurrence of similar situations in the future, we propose that existing regulations be amended to require that requests by division or district engineers to enter into fixed-price contracts for major relocations be fully supported by detailed cost analyses or other justifications to enable the Chief of Engineers to adequately evaluate the circumstances requiring a deviation from the prescribed procedures. The Corps agreed to give further consideration to extending the requirements for the approval of the use of fixed-price contracts for major relocations and advised us that the Chief of Engineers had emphasized to division and district engineers the need to minimize the use of such contracts. Subsequently, however, we were informed that the existing regulations were considered adequate and that no revision was contemplated.

In view of the importance of adequate administrative review and determination of the need to deviate from prescribed contracting procedures, we are recommending that the Secretary of the Army direct the Chief of Engineers to formally amend the existing regulations to require that field requests for permission to enter into fixed-price contracts for major relocations be supported by detailed cost analyses or other justifications to enable the headquarters office to properly evaluate the circumstances requiring a deviation from the prescribed procedures.

[Index No. 12—B–156167, Mar. 23, 1966]

Operation of a Dairy Farm by the U.S. Naval Academy, Annapolis, Md.; Department of the Navy

The dairy farm at the United States Naval Academy, Annapolis, Maryland, was established in 1911 to provide the midshipmen with a source of pure milk following an outbreak of typhoid fever attributed to the unprocessed milk purchased for the midshipmen's mess. In the 54 years which have passed since the dairy was established, commercial dairy operations have improved to the point that there is no longer any reason to consider it necessary for the Naval Academy to operate a dairy to ensure the availability of a supply of pure milk and milk products. Further, its continued operation appears to be contrary to Government policies with respect to competition with private enterprise and retention of real property.

The records maintained by the dairy indicated that the cost to the Government for milk and milk products obtained from the Academy dairy was less than the prices charged other Government activities by commercial sources. We found, however, that certain additional adjustments to the dairy farm costs were necessary in order to reflect the true cost to the Government. After these adjustments, annual savings of about $84,000 would be realized by the Government if the Academy dairy farm was sold and the Academy's milk needs were obtained from commercial sources.

Inasmuch as the continued operation of the dairy farm appeared contrary to Government policy and in view of the economies which could be realized through discontinuing its operation, we proposed to the Navy that consideration be given to the disposal of the dairy farm.

The Navy has agreed that the dairy is no longer necessary and has advised us that a plan will be developed to phase out the dairy with the objective of minimizing the impact on the local farm community and providing the maximum return on the midshipmen's store investment. The Navy advised us also that the Department of Defense was preparing a directive which would provide specific guidelines for an evaluation of commercial activities operated by the military departments in order to arrive at a decision which would be in the best interests of the Government.

Concerning the Navy's comment on providing the maximum return on the midshipmen's store investment in the dairy farm, we were advised by a cognizant official that the Navy was considering whether the midshipmen's store should participate in the proceeds from the sale of the dairy farm. We were further advised by this official that a final decision on this matter had not been made by the Navy as of January 18, 1966.

It should be recognized that the computations in our report were based on the assumption that the proceeds from the sale of the dairy farm would accrue to the United States Government and that any other disposition of such proceeds would alter the comparative costs of the procurement of dairy products by the Academy and, thus, the savings to the Government. In the event that the Navy determines that any proceeds from the sale of the dairy should not be deposited with the Treasury, the proposed disposition of the proceeds should

be submitted with appropriate explanation of the basis for the Navy's determination to the Comptroller General for a decision.

Since the Navy plans to phase out the dairy at the Naval Academy, we made no recommendations.

[Index No. 13—B–133102, Mar. 24, 1966]

Review of the Management and Utilization of Capehart, Wherry, and Other Government-Owned Family Housing, Department of the Army

Available family housing remained vacant or was being used for other than its intended purpose at Army installations while servicemen were being paid quarters allowances to provide their own housing. In order to estimate the amount of increased annual expenditures for quarters allowances in the Department of the Army, we applied the increased rate of such expenditures, as disclosed in our review, to the total expenditures for basic allowance for quarters, as paid by the Army, for fiscal year 1964. On the basis of this calculation, we estimated that the Army's increased expenditures for quarters allowances would amount to approximately $3 million annually because of the unutilized available housing.

Had the Government-owned family housing been occupied by eligible personnel, the Government's cost of family housing could have been offset by the resultant reductions in quarters allowance payments as intended by the Congress. We found during our review that Government-owned family housing remained vacant or was used for other than its intended purpose for excessive periods because installation officials responsible for the management of family housing did not (1) control the time taken to process and renovate family housing for reoccupancy, (2) maintain complete listings of personnel eligible for family housing, (3) direct eligible personnel to occupy available family housing, and (4) redesignate excess available officer housing to meet the housing needs of enlisted men.

The Deputy Assistant Secretary of Defense (Family Housing) concurred in general with the findings, conclusions, and proposals contained in our draft report and outlined to us a series of corrective actions being taken Army-wide. He stated that our findings had been and continued to be of valuable assistance to the Department of Defense in the administration of the family housing program. He stated that, at the specific installations concerned, corrective action had been initiated on deficiencies uncovered by the General Accounting Office as rapidly as they were identified and that conditions noted for periods prior to fiscal year 1964 did not continue to exist throughout fiscal year 1964. Furthermore, a Department of the Army letter dated September 10, 1964, notified all commands of the deficiencies noted by the General Accounting Office.

It was not our intention to indicate that all the deficiencies disclosed during the period of our review continued to exist at those specific installations after corrective actions had been taken. The purpose of our estimate was to show the increase in the Army's annual expenditures for quarters allowances in terms of 1 fiscal year's expenditures. An audit report issued by the Army Audit Agency dated

January 18, 1965, reported the continued existence of such management deficiencies during fiscal year 1964.

In view of the corrective actions initiated by the Department of Defense and the Department of the Army, we did not make any recommendations. We believe that the actions being taken are a start in the right direction and that they merit the continued attention of top management officials in order to ensure that the desired improvements are accomplished. We plan to evaluate the effectiveness of the corrective actions taken as part of our continuing review of the utilization of Government-owned family housing.

[Index No. 14—B–133127, Mar. 24, 1966]

Economies From Making Electron Tubes Available to Other Government Users, Federal Aviation Agency

In a previous report to the Agency, issued in October 1961, we brought out the need for the Agency to review and dispose of inactive depot stocks, including electron tubes, and to establish maximum stock allowances on the basis of actual or anticipated usage. Our follow-up review disclosed that the Agency had not taken adequate action to identify and dispose of tubes excess to its reasonably current needs because it had established retention levels which, in our opinion, were too high in view of the ready availability of tubes on the market.

In June 1962, the Agency decided that a 5-year supply of tubes should be maintained in stock. In June 1964, the Agency lowered the retention level to a more realistic 10-to-22-month supply for the purpose of making tubes available to the Department of Defense. As of September 30, 1963, the Agency had on hand about $2 million worth of tubes in excess of a 2-year demand and about $1.4 million worth of tubes in excess of a 3-year demand. Thus, the Agency retained for long periods large quantities of tubes which should have been made available to other Government users. We noted that in 1963 and 1964 the Department of Defense purchased from commercial sources significant quantities of tubes which, at the times they were purchased, could have been supplied from Federal Aviation Agency stocks.

In April 1964, about midway through our follow-up review, the Agency entered into an agreement with the Defense Electronic Supply Center which resulted in the Agency's reducing its retention levels for certain tubes. However, the Agency did not reduce its retention levels for tubes that were not to be reported to the Supply Center and did not make overstocks of such tubes available to the General Services Administration for possible use by several civil agencies which were also users of many Agency tube types. The retention of more tubes than were needed to meet the Agency's reasonably current requirements resulted in a larger Government investment in inventories than was necessary. Moreover, such retention (1) tends to increase interest costs because the Government borrows substantial funds to finance its operations, (2) increases the chance of financial loss through obsolescence, and (3) could result in additional storage and handling costs and in the expiration of tube warranty periods while tubes are on the shelf.

We proposed that the Administrator of the Federal Aviation Agency direct that retention levels for tubes other than those reported to the

Defense Electronic Supply Center be adjusted downward, additional excess tubes be identified and so classified, and procedures be established to make the Agency's overstocks of tubes available to other civil agencies.

In his letter to us dated August 17, 1965, the Administrator of the Federal Aviation Agency agreed that certain tubes had been held in quantities which were excessive to current needs and had not been made available for the use of other Government users. He stated that action was being initiated with the General Services Adminstration to develop a coordinated system to ensure that the Agency's overstocks would be made available to other civil agencies, that the Agency was in he process of revising its retention levels for tubes, and that, after the revisions were made, inventories of tubes would be adjusted and excess stocks reported.

Subsequently, we have been informed by an Agency official that (1) the General Services Administration is planning to include electronic items in the National Supply System by July 1, 1966, (2) under this system, the Defense Supply Agency will provide supply support for all electronic items for all agencies, and (3) in view of these developments, the Agency does not believe it worthwhile to implement special procedures to make its overstocks available to other civil agencies. In this connection, we have been informed that it will be some time before actual supply support for electronic items is accomplished by the Defense Supply Agency. Accordingly, we are recommending that the Administrator of the Federal Aviation Agency initiate action to have the Agency's overstocks of electron tubes reported to the General Services Administration, thus making them available for use by other civil agencies.

[Index No. 15, B–154282, Mar. 24, 1966]

Need for Improvement in the Management of Vehicle Utilization, Bureau of Indian Affairs, Department of Interior

Our examinations into vehicle utilization at seven locations under the jurisdiction of the Muskogee and Anadarko, Oklahoma, Area Offices indicated that 17, or 30 percent, of the 57 vehicles included in our review were excess to Bureau needs and that the need for an additional 7 vehicles was questionable. We found that assigning vehicles for the exclusive use of certain individuals and organizational units, instead of using pool operations whenever practicable, was the principal reason for the relatively large number of excess vehicles. Our examinations at locations in the Muskogee and Anadarko Areas also disclosed that vehicle operators' records were not being adequately maintained and that, therefore, responsible area office officials did not have the information necessary for the effective management of the vehicles.

Our analyses of motor vehicle usage reports at the Central Office indicated the possibility that a substantial number of Bureau-owned vehicles were not being adequately utilized at locations that were not included in our detailed field examinations. For example, these reports show that more than half of the passenger vehicles and light trucks in the Bureau's fleet during all of fiscal year 1963 were utilized

less than the average use objectives established by the General Services Administration; some of the vehicles were not used at all during the year. We found that these reports were not used by Central Office officials for management control purposes although it is pointed out in the Bureau of Indian Affairs Manual that the analyses of reports on past operations, which are developed through the Bureau's financial management control system, could indicate that weaknesses exist in vehicle utilization practices.

We brought our findings to the attention of Department and Bureau officials and proposed that vehicle utilization practices be reviewed at Bureau locations with the objective of pooling vehicles where practicable and disposing of vehicles in excess of needs. We proposed also that vehicle operators' records be properly maintained so that management officials can adequately review and evaluate vehicle utilization. We were advised that our proposals would be adopted, and in December 1965 the Department advised us that the findings in this report disclosed some significant weaknesses in the management of vehicles and that it was the Bureau's intention to eliminate those weaknesses as rapidly as possible.

We were advised that the Bureau had initiated action for an almost complete take-over of its motor vehicle fleet by the General Services Administration. Transfers of vehicles have been completed at the Anadarko and Muskogee Area Offices, and, as a result of the pooling operations, it is expected that annual operating costs of the Anadarko and Muskogee Area Offices will be reduced by about $33,000 and $40,000, respectively, and that total vehicle needs will be reduced by about 100 vehicles.

In view of the corrective actions taken or to be taken by the Department and the Bureau, we are making no recommendations on the specific matters noted in the report at this time. As part of our continuing review of the Bureau, we plan to make examinations into the action taken at an appropriate time. We noted, however, that the Bureau's Office of Audit does not review the utilization of vehicles. In our opinion, such reviews by internal audit are a significant and necessary management control function; therefore, we are recommending that the Commissioner of Indian Affairs require the Office of Audit to include the examination into vehicle utilization as part of its reviews of propery utilization.

[Index No. 16—B–114807, Apr. 12, 1966]

Need For Improvement in Multiple-Award Contracting Policy, General Services Administration

We made a review of selected multiple-award contracts awarded by the General Services Administration for felt tip markers. Multiple-award contracting is the awarding of concurrent contracts to different suppliers of comparable or competitive products or services, which can be used by Government agencies to fill their varying requirements. Because certain actions taken by the contracting officer, with which we disagree, were consistent with a policy governing the General Services Administration multiple-award

system of contracting, our review was expanded to include an evaluation of that policy.

In February 1962 General Services Administration determined that three brands of felt tip markers available to agencies under its negotiated multiple-award contracts were comparable in performance. Notwithstanding this determination, General Services Administration renewed and extended the contract with the supplier of one of these brands during the period September 1962 through February 1964 at prices which were substantially in excess of prices negotiated with suppliers of the other two brands. We estimate that increased costs of about $300,000 were incurred by Government agencies that ordered the higher priced markers during that period.

We believe that the increased costs would have been avoided had the General Services Administration either (1) negotiated a lower price with the supplier of the higher priced markers or failing this, (2) not extended nor renewed the contract with that supplier, thereby removing that brand of marker from the Federal Supply Schedule.

The General Services Administration on July 1, 1965, in commenting on our preliminary proposals, stated that there was no supportable method whereby, under the multiple-award system, a supplier offering comparable or competitive product could be precluded from participating in the Federal supply system simply because his product was priced higher. In view of the fact that the actions of the contracting officer were based on General Services Administration policy and in view of the substantial amount of negotiated procurement under the multiple-award system, we believe that the award of contracts to the supplier of the higher priced item has implications beyond felt tip marker contracts and that a revision of General Services Administration contracting policy would be desirable.

The General Services Administration enters into the negotiation of multiple-award contracts at a disadvantage when it adheres to the self-imposed requirement that it must ultimately award a contract to each supplier of a comparable or competitive product regardless of price. Under these circumstances there is little reason for the supplier to make the price concessions which are a part of the contract negotiation process. While a dollar value cannot be assigned to the advantage that would result from a stronger posture by the General Services Administration in negotiating multiple-award contracts, we nevertheless believe that there will be occasions when the Government will benefit if both the General Services Administration contracting officers and the contractors enter into negotiations of multiple-award contracts with the understanding that the contracting officer need not award a contract if he cannot negotiate a price that he believes is reasonable, all facts considered.

Accordingly, we are recommending to the Administrator of General Services that the General Services Administration revise the policy governing its multiple-award system of contracting, so that a contracting officer is not required as a matter of policy to award a contract to, or to extend or renew a contract with, a supplier with whom he cannot negotiate a reasonable contract price.

[Index No. 17—B–114868, Apr. 12, 1966]

Savings Attainable Through Revisions of Construction Standards to Avoid Excess Seating Capacity in School Dining Facilities, Bureau of Indian Affairs, Department of the Interior

As a result of our review the Bureau has revised its construction standards, and we estimate that construction and furniture costs of dining facilities at four 1,000-pupil schools being planned by the Bureau will be lowered by about $146,000 as a result of the reduction in excess seating capacity. In addition, savings in construction and furniture costs can be realized by the reduction of seating capacities of dining facilities at smaller schools.

In 1957 the Bureau established a standard for the construction of dining facilities which provided for a seating capacity of 50 percent of the maximum school enrollment in the main dining room. We examined operations of dining facilities at five selected schools and observed that the number of seats used at the point of maximum occupancy was less than 400, even though in some instances more than 1,000 pupils were fed. The number of seats vacant at the point of maximum occupancy ranged from 150 to 275.

Our observations showed that the capacity of serving lines and the turnover rate of pupils in the dining areas, rather than the size of the student body, are the principal factors that determine the number of seats needed in a dining facility. Since the Bureau apparently did not consider these limiting factors in 1957, the standard of providing seating capacity in dining facilities for 50 percent of the maximum enrollment of schools is unrealistic, in our opinion, and significant additional construction and furniture costs have been incurred. Moreover, action was not taken to revise the 50-percent seating standard although a cognizant Bureau official formally advised the Commissioner of Indian Affairs in 1962 that the seating standard being used resulted in overbuilding dining facilities at schools with large student enrollments.

After we brought our findings to the attention of Department officials, we were advised in August 1965 that the Bureau initiated a study of dining facility operations and we were informed in December 1965 of the results of the survey. After further discussions with Bureau officials in January and February 1966, we were advised that construction standards for dining facilities at schools with enrollments of more than 479 pupils would be revised and that plans for a new standard 1,000-pupil school dining facility had been completed. Our comparison of these revised plans with the plans previously used for a standard 1,000-pupil school dining facility showed that the dining area was reduced from about 9,000 to about 6,300 square feet, or a reduction of about 30 percent. On the basis of cost data furnished by the Bureau, we estimate that construction and furniture costs at four 1,000-pupil schools being planned by the Bureau will be lowered by about $146,000 as a result of the reduction of excess seating capacity.

Although the Bureau took action to reduce excess seating capacity in school dining facilities after we brought our findings to the attention of the Department, the action taken was based on the results of a survey of dining operations that appeared questionable since actual

counts of vacant seats in the dining facilities were not made. Consequently, we believe that further savings may be attainable.

Therefore we are recommending that the Commissioner of Indian Affairs reevaluate seating capacity needs at school dining facilities before giving his approval for the revised construction standards.

As part of our continuing review of Bureau activities, we plan to make an examination of the actions taken by the Bureau at an appropriate time.

[Index No. 18—B–133127, Apr. 12, 1966]

Opportunities For Savings Through Greater Use of Available Military Aircraft Parts, Federal Aviation Agency

On the basis of our reviews at two Air Force installations, it appears that substantial savings can be achieved through the greater use of military aircraft parts. During fiscal year 1964, the Agency's purchases of aircraft parts from commercial sources amounted to about $2.2 million. Our review disclosed that the majority of the types of items purchased from commercial sources were carried in the Air Force supply system and that a number of these types of items were in long supply in the Air Force system.

The purchases were made from commercial sources when military parts were available because of the Federal Aviation Agency's policy of emphasizing that approved commercial sources be the first source of supply for aircraft parts needed for the Agency's aircraft fleet. However, many of the parts in the Air Force system were acquired from the same commercial sources as those used by the Agency.

Subsequent to our review, the Federal Aviation Agency began participating on a test basis in the Department of Defense Interservice Supply Support Program. Under this program, the military services report stocks in long supply to the Defense Logistics Service Center of the Defense Supply Agency where the information is consolidated and furnished to participants in the program in accordance with requirements reported by the participants. Full participation in this program should provide the Agency with current information as to the availability of military parts. However, on the basis of our review, we concluded that it was unlikely that maximum use of such parts would be achieved by the Agency unless its policy was changed to emphasize that military stocks be considered as the first source of supply.

In his letter to us dated July 30, 1965, the Administrator of the Federal Aviation Agency informed us that the Federal Aviation Agency was participating in the Department of Defense interservice supply program and was using assets of that Department when available to satisfy the Agency's operating requirements. He stated that a previous General Accounting Office report had prompted the Agency to reexamine its policy regarding the use of military aircraft parts. The Administrator agreed that the Agency's policy in effect at the time of our review did limit the use of military parts and that the Agency should use the Department of Defense supply system as the prime source of supply for aircraft parts whenever possible.

In this regard, he stated that an Agency directive issued in February 1965 authorized the use of military aircraft parts on certified

Agency aircraft and that overhauled and repaired military parts would be used as well as new parts. We note that, in March 1965, the Agency issued a directive for the guidance of its procurement personnel which states, in part, that personal property requirements will not be procured from commercial sources until it has been determined that the needed items are not available from other agencies.

If these directives are effectively implemented, the deficiency discussed in this report should not recur. We are recommending that the Administrator of the Federal Aviation Agency ascertain through future management reviews and internal audits that the aforementioned directives are being effectively administered and that military aircraft parts are being used to the maximum extent practicable.

[Index No. 19—B–133386, Apr. 12, 1966]

Review of Royalties Charged to the U.S. Government for use by Government Contractors of Chemical Milling Inventions, Department of the Air Force

A basic chemical milling invention was developed by a Department of the Air Force prime contractor, North American Aviation, Inc., Los Angeles, California. Inventor laboratory notes, technical reports, and other records of the contractor show that the invention was made to solve a problem arising in the performance of an Air Force research and development missile contract. The invention had been classified by the contractors as being not subject to the patent rights provisions of the contract, and thereafter the Government was charged royalties for its use. Although the terms of the contract were subject to varied interpretations, we believe that a reasonable interpretation would have granted the Government a royalty-free license to use the invention.

When the Air Force became aware of the basic chemical milling invention, it raised the issue of the Government's rights to royalty-free use of the invention but did not resolve the issue. At the time of our review, Government contracts with other firms had been charged chemical milling royalties totaling almost $500,000, of which an unidentified portion covered improvement patents and know-how of another company whose records were not subject to our review.

We informed the Secretary of Defense of our findings and proposed that his Department take the necessary steps to settle the matter on equitable grounds and to avoid any unwarranted royalty payments in the future. In commenting on these proposals, the Department of Defense advised us that the Air Force General Counsel's Office had entered into preliminary discussions with counsel for the Air Force prime contractor to resolve the legal issues relevant to a determination or the Government's rights in the inventions in question and, further, that the Air Force would advise us or the action taken on these proposals at a later date.

The Air Force advised us in February 1966 that it had negotiated with the prime contractor a proposed settlement agreement which the Air Force intended to execute in the near future. This agreement in essence provides for (1) the rebate to the Government of $157,000 as settlement of one half of the prime contractor's share of the chemical

milling royalties paid by Government contractors through September 30, 1964, (2) the continuing rebate of one half of the prime contractor's future share of such royalties, add (3) the grant of royalty-free licenses in the contractor's 12 chemical milling inventions and 5 inventions on which patent applications have been filed.

We believe that difficulties arise as to the Government's license rights because of varied interpretations given the definition of the term "subject invention" contained in the Armed Services Procurement Regulation (ASPR) patent provisions. Although the ASPR definition of a subject invention was revised during our review to mean any invention made "* * * in the course of or under this contract * * *," the Government is still confronted with the difficult task of establishing whether a nonsubject classification by a contractor is justified. We therefore proposed that the Department of Defense amend the ASPR patent provisions to provide a broader and more definitive description of the term "subject invention" and to establish a presumption that any invention made during performance of a contract, which relates to the subject matter of the contract or to work incident to or required under the contract, is a "subject invention."

We also proposed that the Department consider a further amendment of the ASPR patent provisions to provide that both the military services and the Comptroller General of the United States have the right of access to records necessary to determine whether any invention of a contractor is a subject invention or to determine compliance by a contractor with tbe requirements of the patent rights clause.

The Department of Defense informed us that our proposed change in the ASPR, along with other proposed changes dealing with patent administration, had been considered by the ASPR Patents Subcommittee and that the Subcommittee's report was scheduled for consideration by the full ASPR Committee. When final action is taken by the ASPR Committee, the Department will advise us of any changes in the regulation.

[Index No. 20—B–158427, April 12, 1966]

REVIEW OF SAFETY CONDITIONS IN CERTAIN STORAGE AREAS PRIMARILY IN THE SOUTH BUILDING OF THE DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C., DEPARTMENT OF AGRICULTURE, GENERAL SERVICES ADMINISTRATION

We noted that trash was permitted to accumulate in storage areas; printed matter was stored in a manner that obstructed sprinkler coverage; corridors and aisles were used for storage areas, thus impeding the movement of fire-fighting equipment; extension cords were used unsafely; broken bulbs and unprotected lighting fixtures created fire hazards; employees smoked in areas highly susceptible to fire; "No Smoking" signs had not been posted in areas where they should have been posted; and inspection and maintenance of fire extinguishers were inadequate not only in storage areas but elsewhere in the South Building, so that many of the extinguishers were of questionable usefulness. We have included in the report photographs taken during our review in 1964 showing the conditions of some of the storage areas in the South Building.

In our opinion, the hazardous conditions for which Department of Agriculture officials are responsible were primarily attributable to the absence of a coordinated Department-wide policy and of adequate standards, techniques, and procedures pertaining to the prevention and control of fire and related hazards. Also, we believe that the unsafe conditions for which the General Services Administration is responsible resulted because its buildings manager did not comply with established General Services Administration regulations and did not provide adequate maintenance in the attic and subbasement storage areas in the South Building.

In a letter dated September 29, 1965, the Director, Office of Plant and Operations, Department of Agriculture, informed us that he had checked various parts of our proposed report with the agencies of the Department having interest in those areas and had reviewed with officials of the General Services Administration certain of our findings. He noted that the issues we had raised were well taken and added that the Department was eliminating the hazards. The Director itemized certain specific actions which had been taken or were planned to correct the deficiencies we reported and stated that he expected that the actions which the Department was taking would also prevent the recurrence of such hazards.

In a letter dated October 20, 1965, the Assistant Administrator for Finance and Administration, General Services Administration, explained in detail the corrective measures which had been or would be taken on the various deficiencies noted in our proposed report.

We believe that the actions taken or contemplated by the Department of Agriculture and the General Services Administration are substantially responsive to our proposals and, if properly implemented, should eliminate and prevent the recurrence of the deficiencies disclosed in our review in the South Building. We noted, however, that similar deficiencies existed in three of six other governmental agency buildings which we subjected to a selective review in December 1965. Therefore, we are recommending to the Administrator of General Services that our findings be brought to the attention of the agency's managers in the other buildings under General Services Administration control with the request that similar reviews be made and any necessary corrective action be taken.

Although our findings pertain primarily to one of many governmental agency buildings in the Washington, D.C., area, we are bringing the results of our review to the attention of the Congress because the deficiencies disclosed both in that building and in three of six other buildings included in our subsequent review demonstrate some of the unsafe and hazardous conditions which should be avoided by all Government agencies. Also, our findings should be of interest to all Government agencies in connection with their responsibilities under the "Mission Safety–70" program initiated by the President on February 16, 1965, which has as its objective a 30-percent reduction of Federal employees' injuries and related costs by 1970.

[Index No. 21—B–158515, Apr. 12, 1966]

Review of Long-Term Medical Research on Aging of Aviation Personnel, Federal Aviation Agency

The objective of the Federal Aviation Agency's efforts in this 25-year research project is to develop methods for measuring the physiologic age, as distinguished from the chronologic age, of aviation personnel. The Public Health Service, Department of Health, Education, and Welfare, also is supporting a project through a research grant to learn more about the process of physiological aging and its progress is relation to chronological age. The latter project is using pilots as a study group and is expected by the grantee to continue for a total of 30 years. The projects, currently being funded at annual rates totaling about $365,000, will cost the Government $9.7 million ($5 million for the Federal Aviation Agency and $4.7 million for the Public Health Service) if they are financed to completion.

In our opinion, the need for the Federal Aviation Agency to undertake a separate long-term project on the aging of pilots and other aviation personnel is questionable because (1) the general objectives of each project are similar and each project is based on the same planning study and (2) the information being developed under the Public Health Service-supported research project could, it seems, have been adapted to meet the objectives of the project which the Federal Aviation Agency had recently initiated.

In 1960 the Federal Aviation Agency awarded a contract to the Lovelace Foundation for Medical Education and Research, Albuquerque, New Mexico, for a research planning study of aging criteria. The Lovelace Foundation advised the Agency that an extensive planning study was necessary before any long-term project on aging could be effectively initiated. Prior to the award of the contract, the Subcommittee on Independent Offices of the Committee on Appropriations, House of Representatives, expressed concern that the Federal Aviation Agency was about to undertake research in an area already being studied by the Public Health Service and by other Government agencies. The Agency informed the subcommittee that, to its knowledge, neither the Public Health Service nor any other research group was conducting research on aging related to the task of piloting. Subsequently, the Agency learned that the Foundation intended to apply to the Public Health Service for a grant to support a long-term project on the aging of pilots. However, the Agency proceeded to make the first examinations in its long-term aging project.

We conclude that, upon being advised of the Foundation's intention to apply to the Public Health Service for a grant to conduct long-term research on the aging of pilots, the Federal Aviation Agency could have formally communicated with the Service and the Foundation to determine whether one long-term project could be devised to meet the needs of both agencies. If these procedures had been followed, the Federal Aviation Agency's research objectives related to the aging of pilots and other aviation personnel may have been attained, as part of the long-term project supported by the Public Health Service, at substantially lower cost to the Government.

The Federal Aviation Agency disagreed with our findings on the bases that (1) the methodologies of each of the projects differ and

(2) the studies do not, for the most part, duplicate each other although they are similar. We do not mean to imply that there are no differences between the two projects. However, the general objectives of each project are similar and the research subjects in both projects are representative of the population for which the Agency requires data. Accordingly, we believe that with adequate coordination the Public Health Service-supported project may have been modified to satisfy the objectives of the project which the Federal Aviation Agency had recently initiated.

The Agency acknowledged that there were no formal procedures for coordinating research between it and the Public Health Service. The Federal Aviation Agency advised us that it would establish formal procedures for coordinating new research projects with the Public Health Service.

With regard to whether both projects should continue to be financed, the Administrator, Federal Aviation Agency, informed us that Agency officials had discussed this matter with Public Health Service officials, at which time they agreed that each group would maintain its separate project. Because of the technical nature of the question involved, we are not in a position to determine the merits of the decision reached. The situation described in this report serves, however, to illustrate the importance of adequate coordination between Government agencies before long-term research projects are initiated. The establishment of formal procedures by the Federal Aviation Agency for coordinating new research projects with the Public Health Service, if such procedures are properly implemented, should assist in accomplishing research objectives in a more economical manner. Accordingly, we are making no recommendations at this time. We will continue to observe the manner in which the Federal Aviation Agency and other Government agencies coordinate their research efforts.

[Index No. 22—B–122796, Apr. 21, 1966]

Review of Reemployment Leave Travel Benefits Granted Certain Civil Service Employees in States of Alaska and Hawaii, Department of Defense and Other Government Agencies

The General Accounting Office has made a review of reemployment leave travel benefits granted certain civil service employees in the States of Alaska and Hawaii by the Department of Defense and other Government agencies.

Under the law, the Government pays the expenses of round trip travel of certain employees and the transportation of their immediate families from their posts of duty in Alaska or Hawaii to their designated residences at time of appointment or transfer, for the purpose of taking leave between tours of duty.

These benefits are provided to attract employees with needed skills to duty posts outside the continental United States and to induce them to extend their tours of duty at such posts. The hearings on the authorizing legislation (5 U.S.C. 73b–3) indicate that reemployment leave travel benefits were for employees who do not intend to become permanent residents of Alaska or Hawaii and that a reevalua-

tion was to be made of the need for reemployment leave travel benefits when these territories became States.

Our review disclosed, that many Federal employees were obtaining these travel benefits although they had lived for many years in, had registered to vote in, and had bought homes in, Alaska or Hawaii. Under existing law, these employees, because they were considered to be nonresidents of Alaska or Hawaii at the time of appointment or transfer, are permanently entitled to reemployment leave travel benefits; whereas employees who were considered to be permanent residents of Alaska or Hawaii when they were hired are not entitled to these benefits.

To ascertain whether similar benefits were provided by private industry to employees from the United States mainland, we inquired into the policies of several of the larger corporations having offices in Alaska or in Hawaii. Seven of the nine corporations we queried advised us that they did not provide employees from the United States mainland with transportation to the mainland for the purpose of vacationing.

Although entitlement to reemployment leave travel benefits is based upon the employee's actual residence at time of appointment or transfer, the implementing Bureau of the Budget regulations do not define "actual residence." As a result, many employees are obtaining benefits on the basis of administrative determinations of actual residence which appear to be questionable.

The Government's cost for reemployment leave travel benefits to employees in Alaska and Hawaii amounts to about $1.4 million a year. We did not estimate how much of this amount could be saved by terminating benefits for employees who become established residents of Alaska or Hawaii and by applying more restrictive criteria in determining the employee's place of actual residence at time of appointment or transfer. We believe, however, that the savings from such actions would be significant.

The matters discussed in this report were brought to the attention of the Bureau of the Budget and several Federal agencies having employees in Alaska and Hawaii. The Bureau of the Budget and these agencies generally agreed that provision should be made for terminating reemployment leave travel benefits for employees who become established residents of the States of Alaska and Hawaii and that there is a need to clarify the intent of the law with respect to an employee's actual residence at time of appointment or transfer.

We recommended that the Bureau of the Budget, under its existing authority, specify criteria for determining "actual residence at time of appointment or transfer," for the guidance of administrative personnel responsible for determining the entitlement of employees to reemployment leave travel benefits.

We suggested that, because conditions affecting the recruitment and retention of civil service employees in Alaska and Hawaii have changed since enactment of the legislation providing for reemployment leave travel benefits and because there is no provision for terminating such benefits in the light of changed conditions, the Congress may wish to consider legislation providing for discontinuing reemployment leave travel benefits when they are no longer appropriate.

[Index No. 23—B–133044, Apr. 21, 1966]

Savings Available Through Utilization of Greater Quantities of Excess Medical Equipment and Supplies, Veterans' Administration

On the basis of our review, we believe that the veterans Administration could have used considerably greater quantities of certain medical equipment and supplies that were declared excess by the Department of Defense in 1962 and 1963 than it actually acquired. The excess items cost about $2.7 million. Of these excess items, about $1.8 million worth were acquired by Government agencies—including about $450,000 worth acquired by the Veterans Administration—and about $900,000 worth were donated to recipients outside the Government. We believe that a significant quantity of the $900,000 worth of donated excess items could have been used throughout the Veterans' Administration hospital system.

In our opinion, the Veterans' Administration did not acquire the maximum quantities of excess medical equipment and supplies that it could have used, because responsibility for screening and evaluating excess property for use by the Veterans' Administration was not centralized and was therefore ineffective.

We advised the Administrator of Veterans' Affairs of our findings and proposed that he centralize authority and responsibility for, and provide procedures for, effectively screening and utilizing excess property.

The Deputy Administrator of Veterans' Affairs informed us on September 8, 1965, that he agreed that the Veterans' Administration should make the fullest practicable use of excess property of other Government agencies and that procedures had been developed centralizing the responsibility for screening and maximizing the utilization of excess property.

[Index No. 24—B–133127, Apr. 21, 1966]

Opportunity for Savings Through Payment of Relocation Costs Rather Than Subsistence Allowances for Contractor-Furnished Employees, Federal Aviation Agency

During the 5-year period ended June 30, 1964, the Government incurred significant additional costs that could have been avoided if the Agency had paid relocation costs rather than subsistence allowances for certain contractor-furnished employees assigned to work at its National Aviation Facilities Experimental Center. We believe that, when it was advatnageous to do so, the Agency's contracting personnel should have authorized or requested relocation, at Government expense, of contractor-furnished employees assigned to work on projects at the Center for periods in excess of 1 year. We believe also that the basic cause for the additional costs was the absence of specific guidelines for use by the Agency's contracting personnel in evaluating the allowability and reasonableness of subsistence and relocation allowances.

Although the precise amount of savings that would have been realized is not readily determinable, we found that the cost of relocat-

ing contractor-furnished employees who worked at the Center for periods ranging from 12 to 52 months would have been significantly less than the cost of the subsistence allowances paid to the contractor. We believe that, in view of the long term and complex nature of the projects and the lack of in-house capability to perform such projects, the Agency knew, or should have known, that some contractor-furnished employees would be needed at the Center for extended periods of time and that relocating these employees at Government expense would have been advantageous.

We proposed that the Administrator, Federal Aviation Agency, require that precise policies and procedures relative to the allowability and reasonableness of subsistence and relocation allowances for contractor-furnished employees be established. We proposed also that such policies and procedures direct that the duration of the contractor-furnished services be realistically evaluated and that reasonable relocation costs be paid for contractors' employees on extended assignments if such payments will result in lower overall contract costs.

In his letter to us dated September 27, 1965, the Acting Administrator advised us that the Agency was developing guidelines for use by contracting personnel in evaluating the allowability and reasonableness of subsistence and relocation expenses when negotiating and administering contracts. He advised us also that the Agency had initiated action to strengthen other controls in the subsistence and relocation allowances area.

The action taken or to be taken by the Agency, should effectively deal with the matter discussed in this report. In view of the importance of this matter, however, we will, as a part of our continuing review of the Agency's activities, evaluate the effectiveness of (1) the Agency's guidlines when they are issued and (2) the manner in which the guidelines are implemented.

[Index No. 25—B–146924, Apr. 21, 1966]

Savings Attainable Through Reductions in Fire Department and Guard Force Staffing at Government-owned contractor-Operated Installations, Atomic Energy Commission

On the basis of our review, we believe that (1) savings of about $65,000 annually are attainable by reducing the number of regular fire department employees at the Portsmouth, Ohio, Gaseous Diffusion Plant operated by Goodyear Atomics Corporation and (2) savings of about $124,000 annually are attainable by consolidating the fire and guard management staffs at both the Portsmouth Gaseous Diffusion Plant and the Oak Ridge National Laboratory which is operated by the Union Carbide Corporation. These savings, in our opinion, are attainable without impairing the effectiveness of the fire protection and prevention activities at these plants.

Information about these potential economy measures was available to Commission officials at Oak Ridge from annual fire loss, protection, and prevention cost reports and from quarterly wage and salary reports submitted by operating contractors. We believe that proper reviews and analyses of these reports would have enabled Commission

officials to compare the costs of the fire protection and prevention activities between the plants and thus identify the potential economy measures discussed in the report.

We presented the matters discussed in the report to the Commission's General Manager for comment, and, at our request, the General Manager obtained for us the views of Goodyear and Carbide. The contractors and the Commission stated reasons why personnel reductions could not have been made earlier, but they indicated that steps were being taken to realize the potential economies.

We are recommending that the Commission's General Manager (1) require a review of fire protection and prevention and guard force activities at its other contractor-operated installations for the purpose of ascertaining whether adequate and effective levels of these activities are being conducted in the most economical manner and (2) direct the attention of Commission employees to the importance thorough reviews and analyses of cost and staffiing reports regularly submitted by operating contractors, which provide a basis for evaluating the comparative economy of similar activities at different plants.

[Index No. 26—B–146962, Apr. 21, 1966]

Review of Selected Overhead Costs Charged to Government Contracts by the Univac Division of Sperry Rand Corp., St. Paul, Minn., Department of Defense

In our review we found questionable charges to Government contracts by the Univac Division of Sperry Rand Corporation, St. Paul, Minnesota, totaling $264,000, consisting of plant maintenance and occupancy costs, interest, and accelerated amortization of lease hold improvements.

Univac allocates plant maintenance and occupancy costs incurred in its eight operating plants on a so-called one-roof basis. Under this method, these costs are combined into one pool and an average cost per square foot on plant space is computed considering the total working area in the eight plants. This is then allocated to Government and commercial operations in each plant on the basis of the area utilized for each type of work. Inequities result from this method when space used for Government operations is charged with costs incurred exclusively or predominantly in areas used for commercial operations.

In our review we identified about $152,000 of plant maintenance and occupancy costs incurred in a 12-month period which were charged to the Government, although they were related to the company's commercial operations. For example, about $127,000 of rent and local property taxes incurred in various other plants were allocated to Government contracts performed in plant II, a rent-free Navy-owned plant used primarily for Government work. If these expenses had been accumulated on an individual plant basis and allocated in proportion to Government and commercial work performed in each plant, we estimate that Univac's commercial work would have borne $77,000 of this $127,000. We believe this would have been a more realistic basis for allocating these expenses.

We also found that Univac charged the Government with interest costs of about $29,000 (including about $18,400 applicable to cost-type contracts), recorded by the contractor as rent, and with accelerated amortization costs of $83,000 on leasehold improvements. Neither of the charges was questioned by the Air Force auditors, although they appeared to be contrary to the pertinent provisions of the Armed Services Procurement Regulation.

The Department of Defense informed us that, after we had called the matter to its attention, it effected recovery of interest reimbursed to Univac through the fiscal year ended March 31, 1964, under cost-type contracts and agreed to redetermine the amounts allowable for amortization of leasehold improvements. With respect to plant maintenance and occupancy costs, the Department also agreed to seek an adjustment of the overhead inequitably allocated to the Government.

[Index No. 27—B–157535, Apr. 21, 1966]

Review of Prices Negotiated on Selected Contracts for Ammunition and Weapons Components, Department of the Army

The Government has incurred additional costs because two contractors proposed, and the Government accepted, prices that were overstated in relation to cost information known to the contractors prior to the dates on which the proposals were made. Our review of one contract awarded to Aerojet-General Corporation and three contracts awarded to The Cleveland Pneumatic Tool Company revealed that the primary cause of the overstated prices had been the failure of both contractors to base their labor cost estimates on the most recent production information available. Furthermore, although there was substantial production experience available prior to the award of each of the contracts in question, Army procurement officials did not, in our opinion, adequately review such production data to verify the reasonableness of the contractor's proposal.

Our selective examination into the pricing of the contract awarded to Aerojet-General Corporation indicated that the price had been overstated by about $957,000. When we brought our findings to the attention of the Department of the Army it initiated a further review, from which it concluded that the contract price actually had been overstated by about $2.8 million. Our review of the prices negotiated with The Cleveland Pneumatic Tool Company indicated that the prices of the three contracts had been overstated by about $239,000. Each of the four contracts was awarded subsequent to the enactment of Public Law 87–653, and therefore included provisions for price adjustments. The Department of the Army advised us that, on the basis of its review of the circumstances, it agreed that the contracts had been overpriced and informed us that it was taking action to obtain appropriate refunds.

In view of the actions being taken by the Department of the Army to adjust the contract prices, we made no further recommendations.

[Index No. 28—B–157711, Apr. 21, 1966]

Potential Savings by Buying Instead of Leasing Specialized Transportation Equipment, Department of the Air Force

The Department of the Air Force provides logistic support for all Government missile and space programs. On the basis of our review, we are of the opinion that, during the period October 1961 through June 1965, the Air Force expended about $1 million more to lease liquid oxygen and nitrogen transport trailers from common carriers than it would have expended to purchase and maintain the trailers. These costs were incurred as a result of the Air Force's adherence to a policy of leasing specialized transportation equipment from carriers without first considering the comparative costs of leasing and of owning the equipment. Had the comparative costs been considered before the agreements were made with the carriers, we believe that the financial advantages of ownership could have been foreseen and the additional costs avoided.

In its comments on this matter in April 1965, the Department of the Air Force recognized that, when a long-term requirement existed for specialized transportation equipment, it might be advantageous to consider Government purchase and stated that its transportation regulations would be revised to require a cost analysis of Government purchase versus lease or exclusive-use arrangements when such equipment is required. This revision had not been incorporated in the regulations at the time of issuance of our report.

The Air Force did not agree, however, that the leasing arrangements had resulted in avoidable costs to the Government, claiming that acceptable military design trailers could not have been purchased in time to meet the transportation requirements and thus avoid payment of interim leasing charges for commercial design trailers. Although the Air Force did not comment specifically on the possible procurement of commercial design trailers, we were informally advised that, since it already had military design trailers in its inventory, the Air Force would not have considered commercial design trailers. It is our opinion that the Air Force should not have limited its consideration of trailers to be purchased to those of military design. We believe that, if commercial design trailers were considered satisfactory for transporting the propellants under leasing arrangements with the carriers, they would have been equally satisfactory for the same purpose if under Government ownership.

We recommended that, in revising the transportation regulations, the Secretary of the Air Force considered including a provision specifying that specialized commercial design equipment be purchased in lieu of military design equipment, if financially advantageous to the Government, and used to transport military cargo. We recommended also that the Secretary of the Air Force institute a review to determine whether existing lease arrangements should be continued or whether some alternative arrangement should be negotiated with the carriers.

[Index No. 29—B–114858, Apr. 29, 1966]

Need for Improved Coordination of Transmission Line Construction Practices of the Bureau of Reclamation and the Bonneville Power Administration, Department of Interior

The Bureau and the Administration have adopted different practices in constructing tower footings without fully evaluating alternative methods of construction. Our review showed that, because of these different practices, there have been substantial differences between the amounts which the Bureau and the Administration have agreed to pay for the construction of tower footings. For example, we found that the Bureau specified the use of concrete pad footings on 473 miles of transmission lines under conditions that it appears would have permitted the use of steel footings, such as those generally constructed by the Administration, and that the prices of the concrete pad footings were about $492,500 more than the average prices of steel footings of equal or greater structural strength constructed by the Administration.

In addition to differences in practices relating to construction of tower footings, we noted or were advised of other differences between the transmission line construction practices of the Bureau and the Administration, such as the extent of soil testing, weight of towers used, size of conductors, size and number of insulators used, use of overhead ground wires, and use of Government-furnished materials. Although the Office of the Assistant Secretary, Water and Power Development, Department of the Interior, is responsible for the direction and supervision of the Bureau and the Administration, an official of this Office advised us that the Office has not required coordination of transmission line construction practices and has not reviewed or evaluated the differences in the construction practices of the two agencies.

We believe that the results of our review indicate a need for centralized coordination to provide reasonable assurance that, when improved systems or techniques—in terms of either efficiency or economy—are developed, they will be promptly implemented by all the agencies which can benefit from their use. The Department did not agree that centralized coordination is needed and its views are recognized in the report.

We are recommending that the Secretary of the Interior reconsider the Department's position and require that a study be made to determine the full extent of the differences between the transmission line construction practices of the Bureau and the Administration and the potential for effecting savings by the adoption of more uniform practices. We are recommending further that this study be used as the basis for determining the degree of coordination necessary and practicable to effect the potential savings and for developing procedures to implement such coordination.

[Index No. 30—B–118634, Apr. 29, 1966]

Opportunity for Savings by Reducing Overtime on Revetment Construction and Maintenance on the Lower Mississippi River, Corps of Engineers (Civil Functions), Department of the Army

The accompanying report presents our findings regarding the opportunity for savings by use of a 40-hour workweek in lieu of regularly scheduled overtime on revetment construction and maintenance work performed by the Corps of Engineers (Civil Functions), Department of the Army, on the Lower Mississippi River. Revetment construction involves the laying of concrete mattresses at selected bank locations to protect vulnerable bank areas from the eroding action of the river currents.

On the basis of our review, we believe that, in most cases, the Corps of Engineers could accomplish planned revetment work over an extended construction period by using a 40-hour workweek in lieu of scheduled overtime work to accelerate revetment operations. We made an examination of past construction seasons and programs to demonstrate the feasibility of doing this work in the future without the use of regularly scheduled overtime. We estimate that the Corps of Engineers could have realized savings of about $521,000 during fiscal years 1962 through 1965 by eliminating scheduled overtime in revetment construction activities performed by the Memphis District of the Corps of Engineers on the Lower Mississippi River.

The Department of the Army advised us that the Corps of Engineers must consider many factors in planning and carrying out this complex land and marine construction operation. The primary factors which the Department stated must be considered relate to adverse river stages and weather conditions. In determining that a 40-hour workweek was feasible, we gave consideration to the possible effect of adverse river stages and weather conditions on the Corps' ability to perform the work.

The Department stated that failure to complete the yearly program would subject the bank areas to additional erosion and could result in damage to partially completed revetments. We believe that many of the potential problems mentioned by the Department would be present regardless of whether the work was performed by using scheduled overtime or on a 40-hour workweek basis with overtime limited to that required after it becomes apparent that necessary work cannot be completed because only a portion of the authorized revetment work can be accomplished in any one construction season. Also, the risks are present in any year because, as district officials informed us, revetment work is most effectively performed when erosion of the banks has progressed to a certain stage. Prior to or after the time this stage has been reached, the effectiveness of performing revetment work is reduced.

We are therefore recommending that the Chief of Engineers direct the Lower Mississippi Valley Division to use a 40-hour workweek in programing revetment construction by the Memphis District and that overtime be limited to that required after it becomes apparent that necessary work cannot be accomplished on a 40-hour workweek basis.

[Index No. 31—B-146917, Apr. 29, 1966]

Potential Savings Through Improved Management of Ammunition, Department of Defense

The Army Ammunition Procurement and Supply Agency, Joliet, Illinois, authorized the procurement of .22-caliber and 90-millimeter ammunition without inquiring whether other military departments had excess ammunition that could be made available to meet Army needs. At the times during fiscal year 1965 when procurement was authorized by the Army, the Marine Corps had substantial quantities of these types of ammunition on hand that were excess to its current needs. After we brought this matter to the attention of agency officials, ammunition valued at $713,000 was transferred from the Marine Corps to the Army. As a result, approved plans for the procurement by the Army of additional .22-caliber ammunition valued at $431,000 were canceled and requirements for future procurement of 90-millimeter ammunition were reduced.

The Army failed to query the Marine Corps on the availability of stock that was excess to its current needs because responsible personnel were not aware of Army policy or procedures concerning this matter. The need for procedures to ensure that one service will not authorize procurement of equipment or supplies until it has ascertained whether its requirements can be met from excess stocks of other services has been recognized by the Department of Defense and the military services for many years.

The Deputy Assistant Secretary of Defense (Materiel Requirements), commenting on a draft of this report, acknowledged that the Army had erroneously authorized the procurement of the ammunition without first determining whether the Marine Corps had excesses that could be made available to meet the Army's needs. He advised us that additional management controls had since been instituted to provide assurance that Army commodity managers would follow prescribed procedures in future situations of this type. In addition, he advised us that subsequent to our review an interdepartmental task group had been formed to review the supply management of weapons and related ammunition, including interservice utilization.

We met with members of the task group and were advised that, as a result of their efforts, over $9 million worth of ammunition had been earmarked for interservice utilization and over $150 million worth of ammunition had been made available for transfer to eligible countries under the military assistance program. This group also told us of their plans for a more effective program for interchanging information on ammunition needs and excesses among the services. Under this new program, authorized in October 1965 and to be implemented in fiscal year 1967, it is planned that automatic data processing equipment will be used to match the needs of one service with releasable stocks of the other services and thereby improve the possibility that optimum use will be made of stocks in long supply.

If the new Department of Defense program for interchanging ammunition among the services is to attain optimum effectiveness, carefully devised management controls and checkpoints will be essential. Accordingly, we recommended to the Secretary of Defense that the personnel responsible for developing this new program be instructed to give particular attention to the need for such controls.

[Index No. 32—B–158604, Apr. 29, 1966]

Policy Guidance Strengthened on Direct Procurement of Components Needed by Contractors in Production of Weapon Systems and Other Major End Items, Department of Defense

The General Accounting Office has issued to the Congress a large number of reports over the past several years on reviews of the policies, procedures, and practices followed within the Department of Defense in determining whether certain components needed for installation in weapon systems or other major end items being produced should be purchased by the contractors or purchased by the Government and furnished to the contractors. In these reports we pointed out the economies that could be realized in Government procurement if the Department of Defense and the military services would make greater efforts to furnish components to contractors in instances where it is feasible and to the advantage of the Government to do so.

The economies stem from several factors. Purchasing of the components by the Government provides an opportunity to consolidate requirements for a component common to several weapon systems or other major end items and to take advantage of the lower prices that may be available for purchases in larger quantities. Inasmuch as military procurement is subject to provisions of the Armed Services Procurement Regulation which requires the use of formal advertising procedures designed to obtain full and free competition, unless specifically excepted by law, the Government is more likely to purchase the components competitively, thus affording all qualified producers an opportunity to participate in supplying the Government's needs. Also, the furnishing of components to the contractor places the Government in a sound position to negotiate a lower price for the end item by reducing the profit or fee which otherwise would be allowed on the contractor's cost of items purchased under the contract.

In the subject report we stated that the Department of Defense had recently added to the Armed Services Procurement Regulation a provision which contains a policy statement and procedural guidance designed to encourage and expand the practice of furnishing components to contractors when the cirumstances are appropriate. The prior policy guidance, in effect during the periods covered by our reports, apprared to us to tend to discourage the practice we were advocating.

The earlier policy guidance, which had been in effect since piror to 1959, was provided in the Armed Services Procurement Regulation (section 13–201) in the following terms.

> It is the general policy of the Department of Defense that contractors will furnish all material required for the performance of Government contracts. However, the Government should furnish material to a contractor when it is determined to be in the best interest of the Government by reason of economy, standardization, the expediting of production, or other appropriate circumstances.

This provision gave the military services broad latitude and was variously interpreted in their implementing instructions. The interpretations ranged from the position of the Air Force, that components should be Government furnished to the maximum practicable extent, to the position of the Navy's Bureau of Ships, that the furnishing of such items should be "reduced to an absolute minimum."

The new guidance, which was added to the Armed Services Procurement Regulation on October 1, 1965, as revised December 1, 1965 (section 1–326), places greater emphasis on direct procurement of components. The Department of Defense policy is now stated as follows:

> Whenever it is anticipated that the prime contract for a weapons system or other major end item will be awarded without adequate price competition, and the prime contractor is expected to acquire a component without such competition, it is Department of Defense policy to break out that component if (i) substantial net cost savings will probably be achieved; and (ii) such action will not jeopardize the quality, reliability, performance or timely delivery of the end item. The desirability of breakout should also be considered (regardless of whether the prime contract or the component being purchased by the prime contractor is on the basis of price competition) whenever substantial net cost savings will result from greater quantity purchases or from such factors as improved logistics support through reduction in varieties of spare parts and economies in operations and training through standardization of design.

This provision does not apply to all procurement decisions, but only to those which deal with whether components that were furnished by the contractor in a previous procurement of a weapon system or other major end item should be furnished by the Government in a forthcoming procurement. Thus it does not apply to the initial decisions which must be made at the inception of the procurement program. We understand that the Armed Services Procurement Regulation Committee is developing guidance which will cover initial decisions.

In addition to placing emphasis on direct procurement, section 1–326 places responsibility for breakout decisions on the project manager and sets forth certain requirements for establishing and maintaining records for identifying components which have been considered for breakout and for disclosing the basis for decisions which are made. Section 1–326 also establishes certain guidelines to assist project managers in making their decisions.

We believe that the adoption of section 1–326 represents a significant step toward realizing more fully the economies which are obtainable by direct procurement under appropriate circumstances. The progress that results will of course depend upon the effectiveness of implementation by procurement organizations and surveillance by the services. We have been advised that the progress will be evaluated by the Department of Defense Procurement Management Review Program as a part of its continuing reviews of the operations of procurement organizations.

[Index No. 33—B–158662, Apr. 29, 1966]

Reduction in Dollar Outflow Possible Through More Extensive Use of American-made Building Materials in Embassy and Related Construction Projects, Department of State

Our examination into selected purchases of building materials for embassy and related construction projects overseas disclosed a number of instances where foreign-made materials were used in lieu of American-made materials. Our examination was concerned entirely

with purchases from outside the country in which the construction was performed and from countries in which the United States holds no excess foreign currencies. Purchases of foreign-made materials with nonexcess foreign currencies or dollars have an adverse effect on the United States balance of payments.

The most significant instance which we noted of using foriegn-made materials, paid for with nonexcess foreign currency, was in the construction of an annex to the American Embassy in New Delhi, India, completed in 1965. We identified purchases totaling about $273,000 in individual amounts of over $1,000 from suppliers in England, Germany, and France made by the Indian contractor during construction. All the items noted appeared to be of a type that could have been purchased in the United States.

Although we did not attempt to ascertain the full extent of the foregoing practice, it seems possible, in view of the size of the Foreign Service building construction program (about $14 million for fiscal year 1966), that the Department could make a worthwhile contribution toward alleviating the United States balance of payments problem by making an appropriate modification in its present procurement regulations to require the maximum use practical of American-made materials in its construction projects.

The Department expressed general agreement with our findings and conclusions and stated that it had undertaken to review and alter the policies leading to a greater use of American-manufactured products within the limits of practicality in contracts executed after March 1, 1966. The Department stated, however, that there was a practical limit with respect to its use of dollars for the purchase of American products in that the Congress annually requires the Foreign Service building program to expend local currencies in amounts which approximate 70 percent of the annual appropriation. There is no requirement that such local currencies be excess or near-excess to United States needs.

We believe that the Department's indicated actions will achieve the desired result, within the limitations imposed by the appropriation acts, if properly implemented and given the continued attention of responsible management officials. Therefore, we are making no recommendation to the Department at this time but plan to examine into the effectiveness of the actions taken at a later date. With regard to the Department's comment concerning the mandatory use of local currencies in the Foreign buildings program, we are suggesting that the Congress may wish to consider changing the language used in the annual appropriation act to the effect that the use of foreign currencies for constructing and operating foreign buildings is made mandatory only in those instances where such usage will be beneficial to the United States balance of payments.

[Index No. 34—B–114833, May 24, 1966]

Opportunities for Reducing the Number of Vehicles Maintained in Fleet, Soil Conservation Service, Department of Agriculture

Our review of the available evidence on the utilization of 453 vehicles assigned to selected Soil Conservation Service offices in three

States indicated that 84 vehicles, or about 19 percent of the vehicles assigned to the selected offices, were not needed.

In our opinion, the accumulation of more vehicles than were needed at the selected offices evidences a need for (1) the pooling of vehicles among offices located in proximity to each other, where possible, and (2) the assigning of vehicles on the basis of actual usage.

For the 84 vehicles which our review indicated were not needed, we estimate that the net replacement value—excess of average acquisition cost over average resale value—in fiscal year 1965 was about $90,000. Agency procedures provide for the assignment of vehicles throughout Soil Conservation Service operations on the basis of quota criteria which do not consider actual usage or the possibility of pooling vehicles among offices. We believe, therefore, that an appropriate revision of the agency's procedures to consider these matters would afford an opportunity to reduce the Soil Conservation Service vehicle fleet by a larger number of vehicles than the specific number indicated by our review at the selected field offices.

The Administrator, Soil Conservation Service, in his letter of November 23, 1965, did not specifically comment on the excess vehicles indicated by our review but stated that, as a result of certain studies made by the agency subsequent to the time the preliminary results of our review were brought to his attention, it was found that an immediate reduction of 71 vehicles could be made in the agency's fleet. He stated, however, that he considered the present system of the Soil Conservation Service better adapted to the overall problem of determining the number of vehicles needed than other systems which the agency had under consideration.

He proposed, however, to (1) institute an intensive study of the agency's present system and (2) select some typical States which would be required to maintain daily-use records for a period of approximately 1 year in order to determine the number of times vehicles were needed and when those needs might be met by the use of vehicles of another office nearby.

We believe that our review has demonstrated that, while the present agency quota system is not unreasonable for use as a general guideline, it needs to be supplemented by guidelines which provide for giving due consideration to the actual vehicle usage information and to any planned future program changes before making the final determination as to vehicle needs. We believe also that our review has shown that consideration should be given to the pooling of vehicles at Soil Conservation Service offices located close to each other.

We are recommending that the Secretary of Agriculture request the Administrator of the Soil Conservation Service to initiate at this time a Service-wide review of daily vehicle utilization for the purpose of establishing the number of vehicles needed by the agency, giving due consideration to the possibility of pooling vehicles at locations where there is more than one office, as well as to planned changes in future program activity. We are recommending also that agency guidelines for assigning vehicles be supplemented to provide for the pooling, where feasible, of vehicles at locations where the Soil Conservation Service has more than one office and that all assignments be periodically reviewed as to reasonableness and justified on the basis of the actual usage of the vehicles. In this connection, we are recommending that the Administrator be required to revise agency procedures to

provide for the daily recording of mileage readings and hours of use of vehicles.

[Index No. 35—B–154068, May 25, 1966]

Planning for and Utilization of Automatic Data Processing Equipment, Ames Research Center, Moffett Field, Calif., National Aeronautics and Space Administration

The Ames Research Center has, in recent years, leased computers that have been significantly underutilized and as a result has incurred relatively high computer processing costs. We believe that this situation can be attributed to Ames' permitting its various organizational units to pursue separate courses of action with respect to automatic data processing activities and not requiring thorough analytical studies which would have served as a basis for the evaluation and selection of the optimum equipment configuration needed to meet Center-wide processing requirements. We believe further that a contributing factor has been that NASA Headquarters did not fully evaluate the effectiveness of Ames' practices relating to its planning for, and acquisition and utilization of, automatic data processing equipment.

The excess computer capacity acquired by Ames and the fragmented approach that has repeatedly been taken in determining its automatic data processing equipment requirements strongly suggest the need for centralized direction of the planning for, and the acquisition and operation of, all its computer systems.

We believe that ample evidence of the existence of excess computing capacity was available with regard to wind tunnel data reduction, general scientific computing work, and administrative data processing to have indicated the need for a Center-wide study. Our review revealed that, during the 3-year period ended April 1964, Ames paid basic monthly equipment rentals of about $784,000 for operational use time that was not used. Also, we noted that the estimated in-service hours of Ames' two major computers for fiscal year 1965 were substantially fewer than the average of the estimated in-service hours of the same types of computers used by all Government agencies for that period. We believe further that this low utilization experience should have prompted the Space Administration and Ames to determine whether two major computers were needed or whether Ames' requirements could have been met by the use of one computer.

The Space Administration advised us that, in line with our proposals, responsibilities had recently been assigned at Headquarters for the central management of automatic data processing, instructions were being formulated which would require management evaluation of installation effectiveness, and a review board had been established at Ames to consider all automatic data processing resources and needs on a Center-wide basis. The Space Administration, however, does not agree that unused computer capacity was avoidable or that the use of only one computer system at Ames, if it had been feasible, would have resulted in economies. Whether it would have been technically or economically feasible for Ames to consolidate its equipment needs in past years could not, in our opinion, have deen determined without first performing a detailed study of Center-wide data processing

requirements. As of February 1966, the Space Administration was still not in a position to make such a determination, because a study of the required magnitude was not yet available.

We believe that, if the assigned responsibilities at Headquarters for the central management of automatic data processing equipment activities are properly carried out, more effective planning for and utilitization of such equipment throughout the Space Administration will result. Similarly, if the newly established Ames review board effectively monitors equipment utilization and systems development and evaluates proposed equipment acquisitions, we believe that deficiencies of the type discussed in this report will be eliminated or greatly minimized. Because of the importance of automatic data processing to the Space Administration's research and development activities, we plan to devote more attention to this area in the future.

We are making this report to the Congress because of the increasing importance of computer technology in Government operations and the increasing costs being incurred therefor. We believe that the practices described in this report demonstrate the need for effective control.

[Index No. 36—B–158625, May 25, 1966]

Review of Development of Certain Scientific Instruments for the Surveyor Project, National Aeronautics and Space Administration

The objectives of the Surveyor project are to soft-land a series of unmanned instrumented spacecraft on the moon's surface, gather scientific and engineering data about the moon, and transmit the data back to the earth, where it will be disseminated to the scientific and engineering communities. In our review we learned that the Space Administration had expended about $5.7 million for the design and development of certain scientific instruments which were removed from the approved Surveyor spacecraft payload after a reduction in the predicted capability of the Atlas/Centaur launch vehicle required a drastic reduction in the weight of the spacecraft instrument payload. We therefore undertook a review of the management of instrumentation development, to determine whether costs of this nature could be avoided or reduced.

On the basis of our review, we believe that a significant part of these costs were incurred after it became apparent that the use of the instruments was no longer feasible. We found that the Space Administration had not promptly initiated appropriate studies for establishing the instrumentation it desired for a lighter weight spacecraft for the early Surveyor flights when it was evident that such action was necessary. We found also that the Space Administration took no action to discontinue the development of instruments for use on a heavier weight spacecraft at the time that data became available which showed that the reduced launch vehicle performance and the correspondingly reduced instrument payload would apply to all approved flights.

We believe that, had the Space Administration taken timely action to suspend or discontinue development of these instruments for which, on the basis of available information, there was no reasonably fore-

seeable use, expenditures of as much as $2.5 million could have been avoided. Further, we believe that such timely action could have released scientific and technical manpower in both Government and industry to meet other, and possibly more pressing, demands at a time when the demand for scientists and engineers exceeded the supply.

The Space Administration did not agree with our finding. Its comments are recognized in the report.

We are reporting this matter to the Congress because of the interest expressed in the Surveyor project, as indicated by the Subcommittee on NASA Oversight, Committee on Science and Astronautics, House of Representatives, which issued a report dated October 8, 1965, entitled "Project Surveyor," and in the belief that the results of our review will be of value to the Congress in its surveillance over the space programs. We believe also that our report, by pointing out a specific area where, in our view, management was not fully effective, will be of assistance to the Space Administration in its management of future space programs.

[Index No. 37—B–146730, May 27, 1966]

Recovery of Needed Parts From Excess Aircraft Engines, Department of the Air Force

The Air Force has placed considerable emphasis on the importance of recovering needed parts from excess aircraft engines being processed for disposal, and this emphasis has resulted in significant savings each year. We found, however, that in the reclamation of J57 and R4360 engines in fiscal year 1964, parts costing about $872,000, for which the Air Force had requirements, had not been listed for recovery when the engines were processed for disposal. Many of these parts were omitted from the lists due to errors, oversights, and misunderstandings on the part of commodity managers at the San Antonio Air Materiel Area, Texas, and because supervisory reviews did not detect these omissions. In some instances, published lists of parts to be recovered were not provided to the commodity managers for review for accuracy and completeness, and, in other instances, heavy workloads delayed revision and updating of these lists to reflect latest requirements. In addition, at the Oklahoma City Air Materiel Area, Oklahoma, engines were disposed of before an appropriate list of parts to be saved had been issued by the engine manager at San Antonio.

We brought our finding to the attention of Air Force officials during our review, and the Air Force took action to recover any needed parts which had not yet been disposed of. By that time, however, it was possible to recover only parts costing $213,400; the remainder had already been disposed of. After allowing for condemnations and reclamation and repair costs, we estimate that this action resulted in savings of about $137,000. We estimated that, if provision had been made initially for the recovery of the entire $872,000 worth of parts it would have resulted in additional savings of about $443,000.

The Air Force commented on our finding in a letter dated August 25, 1965. The Air Force acknowledged that deficiencies had existed in the reclamation process in fiscal year 1964 and agreed that errors and untimely reclamation had caused the loss of needed parts. We

were also advised of various procedural changes to preclude recurrence of conditions we found, which had been made subsequent to our review.

Generally, we believe that the Air Force has established an effective program for obtaining needed parts from engines being disposed of. The importance of the program is emphasized in Air Force regulations, and application of existing procedures has resulted in substantial dollar savings each year from reclamation. Our review showed, however, that failure to reclaim even a relatively few parts which are needed can result in substantial losses which, we believe can be avoided. We believe also that the action taken by the Air Force as a result of our review will further improve existing procedures and that, if effectively implemented and enforced, these improved procedures should help prevent recurrence of the type of deficiencies identified during our review.

[Index No. 38—B–114878, May 31, 1966]

Preferential Allowances Paid to Certain Contractor Employees at the Hanford Works, Richland, Wash., Atomic Energy Commission

Shortly after assuming operation of the Hanford Works in September 1946, the General Electric Company determined that the existing wage rate structure for certain craft and clerical positions was not equitable. Therefore, General Electric proposed in May 1948 and, with subsequent Commission approval, adopted a new wage structure designed to eliminate the inequities. The preferential allowance was adopted in conjunction with the wage structure realignment because General Electric considered it inadvisable to reduce the total wages of about 3,400 employees receiving wages at rates higher than the rates established under the wage realignment. General Electric expressed the belief that the preferential allowances would be eliminated over a period of time by upgrading, transfers to higher rated jobs, and usual personnel turnover. No specific or determinable time limit was placed on the payment of the preferential allowances, and, as of February 1, 1965, 146 employees were still receiving the allowance which totaled about $55,000 annually.

Our review showed that, within 3 years after the new wage structure became effective, the basic wage rates for most affected job classifications had, through general wage increases, equaled or exceeded the previous basic wage rates. Not only was the preferential allowance retained after the new basic rates were raised above the previous rates, but it also was increased as basic wage rates were increased.

We believe that the continued payment of the allowance, which was designed to mitigate the economic consequences of the wage structure realignment, has resulted in a misalignment of pay at the Hanford Works, thus violating the basic principle of equal pay for substantially equal work. We believe also that, because a specific or determinable time limit was not established when the allowance was approved, the Government continues to incur inequitable wage costs.

General Electric is withdrawing as the operating contractor at the Hanford Works, and, under a program of diversification announced

by the Commission, a number of contractors, rather than a sole operating contractor, are conducting the various activities. The new support services contractor, who employs practically all of the persons still receiving the allowance, commenced operations effective March 1, 1966, and is currently negotiating with the employees' union with a view toward ultimate resolution of the problem.

We presented the matters discussed in the report to the Commission's General Manager for comment, and, at our request, the General Manager obtained the views of the General Electric Company. We proposed that the Commission consider reviewing the wage structures at its other contractor-operated installations with a view toward ascertaining whether similar incremental allowances are being paid and, if being paid, whether the Government may be incurring inequitable wage costs. We proposed also that the Commission adopt a policy applicable to all its installations, which will provide that a specific or determinable time limit be placed on the payment of any similar allowances in the future.

The Commission and General Electric stated that the matter of reducing or limiting preferential rates at Hanford had been considered in the past but that the rates were considered far less important than the other issues which were part of the total wage package subject to negotiation and therefore were not given high priority. They pointed out also that, in 1946 when General Electric assumed operation of the Hanford Works, it inherited a wage structure containing rates that were substantially higher than comparable area rates but that the current rates were substantially in line with area rates despite the preferential allowances.

Regarding our proposals, the General Manager informed us that the Commission was taking steps to accomplish the intent of our proposals. In view of these actions, we are making no recommendations at this time.

[Index No. 39—B–157371, June 3, 1966]

Potential Savings By Consolidation of Field Organizations and Facilities for Recruiting Military Personnel, Department of Defense

The General Accounting Office reviewed the operation by each military service of separate organizations and facilities to recruit military personnel for their regular forces.

We believe that, if the separate field recruiting organizations and facilities of the four military services were consolidated, millions of dollars could be saved annually. In addition, we believe that consolidation of the field recruiting offices of the four military services would help achieve the purpose of the President's new program for improving and facilitating communications with the public.

The potential savings are best illustrated by the manner in which the branch recruiting stations are operated. Each of the services canvasses the entire country through separate networks of many hundreds of branch stations. As a result, there is substantial duplication of expense for office space and equipment, utilities, personnel, motor vehicles, and recruiting forms.

As shown in our report, if the recruiting organizations were consolidated, each of the services could have at least one representative at each recruiting station. This would permit each service to present to interested prospective applicants its enlistment programs and to inform them of any advantages or benefits peculiar to the particular service involved.

In recent years the Department of Defense has directed the consolidation of a number of significant services and activities that are common to all military departments. This action has resulted in the establishment of Defense-wide organizations, such as the Defense Supply Agency and the Defense Contract Audit Agency. The McCormack-Curtis amendment to the National Security Act of 1947 Authorized the Secretary of Defense to unify any common supply or service activity that was not a major combatant function without consulting the Congress or the Joint Chiefs of Staff. Subsequent to the enactment of the McCormack-Curtis amendment, the Joint Economic Committee held hearings on the matter and identified military recruiting activities as one of the fruitful areas subject to consolidation. The House Appropriations Committee has also expressed concern over the use of separate facilities by the military services for recruiting purposes.

We brought our findings to the attention of the Department of Defense and the four military services and proposed that the Secretary of Defense, under the authority given him by Public Law 87–651, enacted September 7, 1962 (10 U.S.C. 125), direct that a field test of the consolidation of military recruiting organizations and facilities be conducted. We were informed that a Defense-wide study of recruiting facilities was underway to develop plans for relocating and combining separate recruiting offices to the extent practicable. We were advised that this study would identify appropriate geographical areas for conducting a test of the consolidation of recruiting offices. The Department informed us also of action taken to further combine and unify physical examining, mental testing, and enlistment processing functions within the military services.

In view of the significant savings which we believe can be achieved if the separate field recruiting organizations and facilities are consolidated, we recommended to the Secretary of Defense that the contemplated field test be undertaken and completed as expeditiously as feasible. We requested the Secretary of Defense to furnish us with the results of the study as well as the results of the field test to be made of the consolidation of recruiting offices.

[Index No. 40—B–158482, June 3, 1966]

Management of the Procurement of Major Equipment and Related Spare Parts by the U.S. Marine Corps, Department of the Navy

We found that there is a diffusion of responsibility in the management and supervision of major equipment procurement programs of the United States Marine Corps. There were a total of five separate management organizations—three in the Department of the Navy, one in the United States Marine Corps, and one in the Department

of the Army—involved in the acquisition of 234 new-type cargo trucks for use by ground support elements of four Marine Corps air units. Because this diffusion of responsibility was not adequately coordinated, the new trucks, which cost over $1.8 million, were purchased without combat essential spare parts. During the period that the spare parts were not available, the air units were required to use old, deteriorated trucks. As a result, the readiness of the four units was affected for a period of 14 months after the delivery of the trucks.

The Assistant Secretary of the Navy (Financial Management), by letter dated November 10, 1965, informed us that the Navy concurred in our findings. We were also furnished copies of instructions covering policies and procedures issued with the intent of preventing the recurrence of deficiencies of the type noted in our report.

Under the present procedures in the Department of Defense, various organizations will continue to be responsible, and properly so, for different segments of equipment procurement programs. In order that there be adequate management control, we recommended to the Commandant of the Marine Corps that the basic responsibility for the coordination and supervision over all aspects of major equipment procurement programs including the end items and related spare parts be assigned to a specific organization within the Marine Corps.

[Index No. 41—B–158514, June 16, 1966]

Review of Readiness Status of Idle Ammunition-Production Facilities, Department of the Army

The General Accounting Office made a review of the readiness status of a selected Department of the Army idle ammunition production facility.

Our review and a broader study later conducted by the Army indicated that many facilities considered essential for mobilization purposes would probably not be available for emergency ammunition production when needed. Certain other facilities apparently are not required for immediate production but have been maintained in a high state of readiness at considerable cost under contracts with various contractors. This resulted, in our opinion, from a general lack of attention to this critical area and the fact that too few qualified persons were assigned to industrial readiness planning.

Our review of one production facility showed that the equipment had been maintained by contractors for about 6 years in a leased plant at costs totaling more than $500,000, on the basis that military requirements dictated that 90 mm shell production be started within 3 months in the event of mobilization. We found, however, that these facilities probably could not have been made ready for production in less than 6 months because of the need for certain special tooling and plant preparation. This is about the same length of time that would have been required to prepare for production if the equipment had been placed in Government-owned storage facilities at much lower cost. Furthermore, the need for maintaining the equipment in readiness to produce shells within 3 months was questionable because

the Army had sufficient 90 mm shells on hand to meet its requirements during the first 6 months of a mobilization period.

Subsequent to the date of our review, we were informed by agency officials that the equipment involved in our study was being placed in Government storage facilities as a result of a reevaluation of requirements. However, our review of available studies on requirements disclosed no significant changes since 1959.

Although the Department of Defense did not concur in our findings and conclusions, it did concur in our proposal to call the reported conditions to the attention of personnel having responsibility for administration of idle production equipment.

The Army study, completed in October 1965, concluded that ammunition production planning was not adequate to meet emergency demands. These findings included the observation that 43 of 180 companies surveyed would not be able to produce the ammunition items called for by mobilization plans because of lack of equipment, technical data, and qualified management and production personnel or because of undue reliance on certain subcontractors. The Army survey team has made certain suggestions for improving the industrial readiness position for ammunition and for maintaining better control in the future. We believe that adoption of these suggestions would help prevent the adverse conditions found during our review. Therefore, we recommend that the substance of these suggested corrective actions be adopted.

[Index No. 42—B–114860, June 21, 1966]

Review of Repair Practices Relating to Single-Family Properties Acquired Through Mortgage Insurance Programs, Federal Housing Administration, Department of Housing and Urban Development

We first informed the Commissioner, Federal Housing Administration, of the need for timely repair action, in our report to the Congress dated June 7, 1965 (B–114860), concerning single-family properties acquired by the agency in Wichita, Kansas. In that report we stated that our limited surveys also showed a need for timely repair action in cities other than Wichita and recommended that the agency establish effective control procedures to require the directive of its insuring offices and other officials of the agency to take aggressive action to repair acquired properties in accordance with the Administration's basic repair policies. This report supplements our previous report and describes our findings with respect to the agency's acquired properties located in the State of Georgia.

Our review of acquired single-family properties in the State of Georgia indicated a need for improving repair practices and that many properties owned by the agency in parts of Georgia were in a deteriorated condition. In our opinion, the timely repair of acquired properties would improve sales potential and decrease the costs of holding these properties in inventory. We also believe that the condition of some of these properties contributed to neighborhood blight and that the delay in repairing these properties may, in some cases, result in higher repair costs. Further, the follow-up action by officials in Washington and the field on the findings in internal audit

reports with respect to this problem in Georgia did not appear to be effective.

In commenting on our finding the Commissioner stated that he had been concerned with the repair problem for some time. The Commissioner stated that he believed it was proper for property management officials to consider the consequences of expending large amounts of money for repairs on properties which had no sales or rental potential in the foreseeable future and which, therefore, might have to be repaired again in some cases. The Commissioner stated, however, that these consequences should be balanced against the public obligation of the agency to avoid, as much as possible, blight and deterioration of neighborhoods by putting the property in presentable condition through necessary exterior repairs.

In October 1965 the agency revised its property management instructions to provide that, without fail, all properties acquired be repaired immediately after acquisition. A partial exception is to be made where there are concentrations of properties which cannot be sold within 6 months. In those cases, exterior repairs are to be made to put the property in presentable condition and to prevent undue deterioration which may result from such problems as roof leaks or broken windows. In addition, steps were taken to increase the effectiveness of follow-up action on internal audit reports.

These specific actions, if effectively implemented, and the increased emphasis now being directed toward solution of the problem should, in our opinion, help to correct the situation discussed in this report.

[Index No. 43—B–118660, June 21, 1966]

Review of the Purchase of Title Insurance on Properties Acquired in the State of Florida Under the Loan Guaranty Program, Veterans' Administration

We found that potential savings of about $255,000 a year could be realized at this one regional office if the practice of obtaining title insurance was discontinued. Our review indicated that the purchase of title insurance could be discontinued because the Veterans' Administration had obtained adequate assurance of good and marketable title from mortgage holders who conveyed the properties to the Veterans' Administration upon default of guaranteed loans.

Our review of over 300 cases showed that title insurance companies reported 15 cases with title defects. These defects appeared to be of a minor nature which, for the most part, were caused by the failure of mortgage holders' attorneys to fulfill their responsibilities in tendering title to the Veterans' Administration. The defects were easily cured by the mortgage holders' attorneys, and, under such circumstances, we believe that it is more economical for the Veterans' Administration to assume the unlikely risk of acquiring property with a significant title defect than to pay private insurers for assuming such risks. In addition, we believe that the practice of purchasing title insurance is a departure from the general policy of the Federal Government to be self-insured by assuming its own risk of loss.

The Veterans' Administration has made substantial reductions in the cost of obtaining title evidence at various regional offices, and the

Central Office in Washington has given this matter considerable attention over the past several years. However, we believe that there have been unnecessary delays in effecting economies because some regional offices have been reluctant to make changes in their title evidence requirements.

We proposed to the Administrator of Veterans' Affairs that the practice of purchasing title insurance on properties acquired in Florida be discontinued. We proposed also that the Central Office make more penetrating evaluations of the reasons offered by regional offices for continuing the purchase of costly title evidence and direct regional offices to confine purchases of title evidence to that which is absolutely essential.

The Deputy Administrator of Veterans' Affairs advised us that in November 1965 procedures were revised to eliminate the purchase of title insurance on properties acquired in Florida. Under the revised procedures, the Veterans' Administration accepts or rejects titles to properties tendered by mortgage holders in Florida on the basis of title binders (commitments to insure title) issued by title insurance companies at substantially less cost that title insurance. We estimate that the new procedures will result in savings of about $180,000 a year on properties acquired in Florida. However, we believe that an opportunity exists to save an additional amount of about $75,000 a year in Florida by not purchasing title binders. It is our view that the title binders are also unnecessary for the same reasons we believe that the title insurance was unnecessary, and we are therefore recommending that the purchase of title binders be discontinued.

The Deputy Administrator informed us that at present four regional offices were still purchasing title insurance because of valid extenuating circumstances but that appropriate plans were being developed to resolve the problems at these offices in the immediate future.

Because additional savings may be available on a Government-wide basis, we plan to make examinations into the title insurance practices of other Federal agencies involved in the acquisition of real property.

[Index No. 44—B–133127, June 21, 1966]

Savings Available by Use of Conventionally Designed Airport Traffic Control Towers at Low-Activity Airports, Federal Aviation Agency

Our review disclosed the need for improved controls to ensure that structures being financed by the Agency are the most economical design available for the effective control of air traffic. We found that the Federal Aviation Agency approved the construction of control towers without first having analyzed the relative benefits and costs of the tower design. As a result, the Agency will incur additional costs of about $2,250,000 for the construction of 28 control towers of a new design at low-activity airports. The Agency proceeded with the construction of these towers even though available cost information showed that their cost would significantly exceed the cost of conventionally designed towers previously constructed at other low-activity airports. The Agency had planned to construct, in addition

to the 28 towers being constructed, similarly designed towers at four other low-activity airports in calendar year 1965.

Our comparison of the relative merits of the new and conventional designs indicates that the additional costs are largely attributable to aesthetic factors inherent in the nonconventional design of the new towers. Agency officials have informed us that such nonconventional design provides no significant functional improvements over conventionally designed towers previously constructed. In view of the significant additional cost of the new towers, the design of which was apparently selected for aesthetic factors rather than for any functional improvements over towers previously constructed, we question whether the more expensive design was justified.

In his letter to us dated November 3, 1965, the Administrator indicated that he agreed with our findings and advised us that towers of a lower cost design would be substituted at the four locations already scheduled for new towers. He stated that at 17 locations a reduction in expenditures could have been realized if a timely cost reduction program had been undertaken; for the remaining 11 locations, construction was too far along to make any major changes that would produce a reduction in cost.

The Administrator informed us also that, to conform to the Federal Aviation Agency's policy of selecting economical architectural designs that meet their operational and technical requirements, the Agency is pursuing means of reducing the cost of not only the towers designed for low-activity airports but also the towers planned for high-activity airports. However, to avoid reoccurrence of the situation described in this report, we are recommending that the Administrator direct that the Federal Aviation Agency's Orders be amended to recognize the policy relating to the selection of economical designs and to establish the necessary instructions to implement this policy.

[Index No. 45—B–158572, June 21, 1966]

Review of the Equipment Modification Program for M48A1 Tanks, Department of the Army

The General Accounting Office reviewed the Department of the Army's equipment modification program for M48A1 tanks.

We believe that the Department of the Army should develop and consider cost and other pertinent factors relating to the alternative of accomplishing major equipment modifications during the overhaul process when such an alternative is available. Pertinent information with respect to the question of whether to convert used or unused gasoline-powered M48A1 tanks to the diesel-powered M48A3 configuration was not presented to top management officials, at the Army Chief of Staff and Secretary of the Army level, for consideration when the decision was made to convert the unused tanks.

The decision was based, in part, on estimates of $63,033 to convert an unused tank and $71,360 to convert a used tank, indicating a savings through conversion of unused tanks. However, at that time the Army was aware that, in any event, the used tanks were to be completely torn down and rebuilt at an estimated unit cost of $12,621. Presentation of these facts to top management officials would have

provided them with the alternative that, on the basis of cost data available at the time, about $2.3 million could have been saved by installing the diesel engine and other M48A3 features in the used tanks during the rebuild process rather than converting the unused tanks. The objective of the Army's conversion and rebuild programs, that is, to have both M48A1 and M48A3 tanks available for use by the troops, could have been accomplished by issuing the unused tanks immediately and converting the used tanks at the time they were rebuilt. On the basis of costs actually incurred, about $5.7 million would have been saved if used tanks had been converted during the rebuild process.

In commenting on our report, the Department of the Army took the position that all factors were considered. We were informed that (1) professional judgment dictated a need for the most reliable equipment with the least possible delay and, accordingly, the decision was made to retrofit unused tanks rather than used tanks and (2) "No other method of achieving this objective was known * * *."

It is our opinion that pertinent cost data was not considered at the time the modification program was approved and that there is a serious question as to whether any significant increase in effectiveness was gained through the conversion of unused tanks as compared to the conversion of used tanks during the rebuild process for several reasons outlined in our report. Further, it is impossible to tell what decision Army officials would have made if adequate cost data had been developed and considered. There appears to have been considerable feeling on the part of some of the Army personnel involved that only unused tanks should be converted in order to have the best equipment possible in the hands of the troop units. However, without being provided full information, the Chief of Staff and the Secretary of the Army had no means of judging the relative costs and military effectiveness of the alternatives available for accomplishing their objective.

We recommended that, when major equipment modifications are to be undertaken, the Secretary of the Army specifically provide that (1) if a normal overhaul program is also to be undertaken, Army personnel develop all pertinent cost and other factors concerning the alternative of accomplishing the modifications at the same time and (2) the data be furnished to top level Department of the Army personnel for consideration in connection with program approval.

[Index No. 46—B–159200, June 29, 1966]

Savings That Can Be Attained by Rebuilding Used Motor Vehicle Tires, Department of the Air Force

On the basis of our analysis of the tire-rebuilding statistics for 80 Air Force installations and our observations of tire inspection and rebuilding practices at 11 of the installations, we estimate that more extensive rebuilding of used motor vehicle tires by Air Force installations, instead of buying new replacement tires, would have resulted in savings of as much as $2 million in one fiscal year and could likewise result in substantial savings in future years. At most of the installations included in our review, requirements for replacement tires were

being met to some extent through the rebuilding of used tires; but, on the whole, insufficient emphasis had been placed on this source of potential savings. For example, many used tires were being condemned when they could have been rebuilt, and, in many cases, tires were worn excessively before removal, thus precluding rebuilding.

We found that tire inspection personnel had not been adequately indoctrinated in the benefits to be derived from rebuilding used motor vehicle tires and that sufficient review and control had not been exercised over their activities. The Air Force had established general policy guidance with respect to tire maintenance which provides that used motor vehicle tires be rebuilt and used by Air Force installations whenever possible. The instructions point out that careful periodic inspection of tires will provide carcasses suitable for rebuilding and that such tires can be expected to last as long as new tires and in some cases longer. We found, however, that the extent to which this general policy guidance had been implemented varied substantially among installations.

We concluded from our review that there was a need for the establishment of specific tire-removal criteria which could be applied by vehicle maintenance personnel to ensure the removal of tires before excessive wear prevents rebuilding. In addition, since each Air Force installation has the responsibility for obtaining replacement tires for its motor vehicles, it seemed evident to us that closer supervision of tire inspection, removal, and rebuilding activities by base officials and increased command surveillance were required to ensure effective performance and to realize the maximum savings possible.

We discussed our findings with responsible Air Force officials at the installations and major commands included in our review. We were informed that appropriate action either had been or would be taken to prevent future disposal of used motor vehicle tires that could be rebuilt. The actions taken were directed primarily toward providing closer supervision over the inspection and removal of used tires.

In a letter dated April 30, 1966, the Assistant Secretary of Defense (Installations and Logistics) stated that the Air Force was in general agreement with our findings. He informed us that a new technical order had been prepared to provide, among other instructions, for the periodic inspection of tires and for their removal if the remaining tread depth is less than $\frac{2}{32}$ inch at its lowest point. He also stated that in accordance with our suggestions, this matter had been referred to the Inspector General of the Air Force as an item of special interest for future inspection programs and a letter had been sent to all major Air Force commands requesting that necessary action be taken to preclude the recurrence of these conditions. In addition, copies of a draft of our report had been furnished to the other military departments and all commands had been requested to give additional attention to the review and inspection of field operations to ensure compliance with applicable policies and technical publications.

We believe that the Departments of Defense and the Air Force have taken appropriate actions on our findings and that these actions should result in substantial savings.

[Index No. 47—B–118678, July 15, 1966]

Review of Procurement of Equipment for Implementing Automation of Water Data Records, Geological Survey, Department of the Interior

Before developing a system to automate streamflow records, the Geological Survey collected basic streamflow data with an instrument known as a strip-chart recorder. In June 1962, the Survey completed its evaluation of the automation program and concluded that savings in costs and manpower could be realized by using a digital recorder. Both recorders collect the same type of water data—the strip-chart recorder produces a graphic chart which requires manual methods of interpretation while the digital recorder produces a punched tape which is interpreted by processing on a general-purpose computer.

During fiscal years 1963 through 1965, the Geological Survey purchased and installed digital recorders to automate water data records and, during the same period, continued to purchase new strip-chart recorders of the type being replaced by digital recorders. This situation occurred because the Survey did not develop an overall plan to show the number of digital recorders that would be periodically needed in each district office to effectively implement the automation program and did not provide for coordination in relocating replaced strip-chart recorders so as to avoid the procurement of additional new strip-chart recorders. We believe that the Survey knew or should have known that replaced strip-chart recorders would be available periodically to meet the needs of the various district offices during the equipment substitution phase of the automation program. Nevertheless, the Survey purchased new strip-chart recorders, most of which were of the type being replaced by the digital recorder for about $155,000, while at the same time it was generating a surplus of strip-chart recorders.

We noted also that the Survey procured a substantial number of the batteries needed to operate the digital recorder from local suppliers even though comparable batteries were available on the Federal Supply Schedule at a lower cost. We estimate that, when the conversion to the digital recorder is completed in fiscal year 1968, the Government could achieve savings of about $13,000 annually if the batteries needed to operate digital recorders are procured through the Federal Supply Schedule.

We brought the matters discussed in this report to the attention of the Department of the Interior and proposed that an overall plan be developed which would provide for the timely procurement, distribution, coordination, and installation of all water data collection equipment to avoid further procurement of new strip-chart recorders. We proposed also that instructions to field personnel be revised to require procurement of digital recorder batteries through the Federal Supply Schedule, except in justifiable emergency situations.

In December 1965, the Department advised us that it agreed with the intent of our proposals and was therefore asking the Geological Survey to take appropriate actions necessary to carry out our proposals. The Department stated that the Survey would develop a plan for stronger central control and coordination of procurement and distribution of water data collection equipment. The Department

stated also that the Geological Survey had agreed to issue revised instructions to require field personnel to purchase digital recorder batteries through the Federal Supply Schedule as proposed. The instructions were issued effective November 22, 1965.

As a part of our continuing review of the activities of the Department, we are planning to evaluate the effectiveness of the corrective actions taken or promised.

[Index No. 48—B–159072, July 15, 1966]

Potential Savings Through Greater Use of Available Government Gasoline Outlets, Department of Defense

The General Accounting Office examined into the credit-card purchases of automotive gasoline for vehicles of the Departments of the Army, Navy, and Air Force. We found that maximum use of Government gasoline outlets was not being made primarily because responsible military officials had not taken action to effectively control credit-card purchases of gasoline.

The military departments annually spend an estimated $5 million for the credit-card purchase of gasoline from commercial service stations. The cost of gasoline purchased with credit cards is from about 10 cents to 16 cents a gallon more than the cost of gasoline obtained from Government outlets. Although we were not able to arrive at a firm estimate of the annual savings available to the military departments, our review indicated that the departments could realize substantial savings in their annual operating costs if drivers of vehicles of the Army, Navy, and Air Force made greater use of available Government outlets.

We apprised the Secretary of Defense of our findings and suggested that certain actions be taken to attain maximum use of Government gasoline outlets for military vehicles. The Deputy Assistant Secretary of Defense (Logistics Services) indicated to us in a letter dated April 20, 1966, that the Department of Defense was in general agreement with our suggestions.

[Index No. 49—B–159451, July 18, 1966]

Survey of Internal Audits and Inspections Relating to United States Activities in Vietnam, Department of State, Agency for International Development, Department of Defense

Our work was undertaken in consideration of (1) the importance of internal audit and management inspection functions as an essential but sometimes neglected element of management control, and (2) the continuing concern of the Congress with effective management control of these programs. We believe that, by this broadened approach, our report should have more impact on promoting improvements in agency management control practices than would a report concerned with the correction of individual instances of waste and inefficiency which in some cases have already been recognized by the agencies concerned.

In the survey and report we have endeavored to identify the more significant program areas, relate them to the surveillance by the 15 principal audit or inspection organizations or units having responsibilities there, and point up the areas in which more effective surveillance effort seems to us most needed. Generally these are well known to the departments and agencies concerned. Our purpose in reporting them in this fashion is to provide helpful information for the Congress, its Committees, and the executive agencies by presenting, in reasonable perspective, something of the scope of our United States programs, and the related departmental audit and inspection responsibilities in Vietnam. In so doing we have duly recognized the unique problems caused by the conditions under which the programs are being conducted there, and the related fading of normal boundaries of responsibilities between civil and military activities.

In this connection we have included in the report a tabulation designed to identify in the briefest fashion (1) the work which we found being done in Vietnam by the respective agencies to carry out their responsibilities for internal audit, inspection, and management review, (2) some of the more important and more pressing areas in which we believe greater agency efforts are needed, (3) actions taken by the agencies toward more effective review and corrective measures since the time of our field work in March 1966, and (4) any further plans which the agencies have stated to us.

The most significant problem areas in terms of magnitude, vulnerability to operational and management deficiencies, and consequent waste in regard to economic assistance are the commercial import program and the rural construction (formerly counterinsurgency) program. The commercial import program consists of the importation by Vietnamese importers of needed commodities, financed by the United States, through commercial channels. The rural construction program is the major economic assistance effort applied directly to the Vietnamese populace.

Substantive-type audits had been completed or were in process for parts of the economic assistance, commercial import, and rural construction programs, relating to about $67 million from July 1, 1964, to the time of our survey in March 1966. Those programs totaled approximately $800 million for the 2 fiscal years 1965 and 1966. Most of the audit work done has been by the Mission Audit Staff of the Agency for International Development. Formal audit reports, where issued, have pertained to relatively narrow segments of programs, although their stated scope indicated adequate coverage of the specific areas involved. For example, one report covered end-use observation of $3.5 million of a $72 million iron and steel import program for fiscal years 1960 to 1964.

Special-purpose inspections and investigations also have been performed, principally by the Management Inspection Staff of the Agency for International Development and by the Inspector General of Foreign Assistance.

In view of the known difficulties in effectively carrying out the economic assistance program in Vietnam, there appears to be an urgent need for a continuing evaluation of program makeup and performance for agency top management use. We believe that there is a particular need for increased surveillance of the operations involved in the receipt, distribution, and end use of the huge quantities

of commodities being imported into Vietnam under the economic assistance program. These operations by their nature and circumstances are conducive to manipulation and irregularity.

The underlying problems relating to management control of the economic assistance programs in Vietnam, although intensified, are generally not new. The more obstinate continuing difficulties have received considerable attention in congressional hearings and reports over the past several years. They also have been observed in our earlier reviews and are included in two reports which we transmitted to the Congress in July 1964.

AID has taken aggressive action in recent months toward applying greater audit and review effort in significant program areas. For example, a special group has been established in Vietnam to give particular attention to strategic commodities; and action has been started to increase and upgrade the Mission audit staff in Vietnam.

In connection with the military construction program, totaling nearly $600 million up to March 1966, $504 million had been incurred under a single joint-venture contract for construction of air bases, port facilities, cantonments and logistical and administrative facilities for United States and Vietnamese military forces, and other projects. Audits to date by the defense agencies having responsibility have been limited mostly to examinations of the contractors' cost representations as shown on vouchers presented for payment. Insofar as we could determine, no management reviews or evaluations have been undertaken of substantive contract performance or of the broader control aspects of the construction program.

The atmosphere surrounding the billion-dollar construction undertaking in Vietnam and the conditions of urgency under which the work is proceeding are at best conducive to a large element of waste, some of it unavoidable. Many of the management controls which are applied in a normal construction operation are precluded by the circumstances. In our opinion, this creates an urgent need for a counterbalance in the form of a searching management review and inspection function on a continuing basis to reduce avoidable waste without hindering the program. There appears to a particular need for audits and inspections concerning the adequacy and timeliness of delivery, the end use, and the propriety of costs of the large amounts of equipment, spare parts, and supplies that are being provided under the program.

We found no audits being conducted nor did we find any current plans by the audit agencies of the Departments of the Army and Navy to perform audits of military supply or logistics activity other than construction in Vietnam. The Air Force Auditor General was planning some audit by temporary duty staff in the areas of accounting and finance, procurement, and nonappropriated funds. However, Army and Air Force audit agencis were performing extensive audits at Pacific bases and in the United States of activities relating to logistics support of the military effort in Vietnam. Audits conducted by the military commands in Vietnam have been limited mostly to nonappropriated fund activities such as officers' and enlisted men's clubs and open messes.

The circumstances under which the economic and military assistance and military construction programs are conducted and the scope, complexity, and uniqueness of the activities in Vietnam suggest a greater than ordinary need for a continuing plan of top management

surveillance. The internal audit and review problems, however, are aggravated, particularly in the economic assistance program, by (1) limited audit and inspection manpower, as to both numbers and qualifications, (2) diffusion of audit staff efforts, and (3) the war conditions and other environmental elements including difficulties in securing access to information in regard to joint activities with the Government of Vietnam.

We recognize that special management techniques have been applied in the Vietnam operation. Our report does not imply derogation of these techniques, but is related to the extent to which the regularly constituted audit and investigative organizations have performed their functions in Vietnam. In this connection we believe that the Defense practice, which has in essence excluded the regularly constituted audit arms of the military services from performance of audits of support activities in Vietnam, should be reconsidered to permit these agencies to perform needed audit and review functions in areas where these functions would not interfere with combat operations nor obstruct United States purposes.

Following through from the information developed in this survey, our Office is scheduling further work to be performed in the United States and in Vietnam, relating to the more crucial areas of the commercial import program and the vast construction program.

[Index No. 50—B-118660, Aug. 9, 1966]

Savings Available by Canceling Hazard Insurance Policies on Properties Acquired Upon Default of Housing Loans, Veterns' Administration

On the basis of our review, we believe that estimated savings of about $112,000 could have been realized in fiscal year 1965 at the six Veterans' Administration regional offices visited by us, if (1) available refunds on unexpired insurance policies had been obtained and (2) regulations had been revised to enable cancellation of hazard insurance policies in certain States granting mortgagors redemption rights.

Since the regional offices which we visited administered about 29 percent of all properties acquired by the Veterans' Administration during fiscal year 1965, we believe that substantially greater savings are available nationwide.

It is the stated policy of the Veterans' Administration to be self-insured against hazards to properties owned by it. This policy is consistent with the general policy of the Government to assume its own risk of loss, on the theory that the magnitude of the Government's resources makes it more advantageous to carry its own risks than to have them assumed by private insurers. However, in May 1964 the Veterans' Administration revised its instructions to require that a hazard insurance policy on acquired property be permitted to remain in force regardless of the amount of the unexpired premium, unless the property is sold prior to the expiration date of the policy. Previous instructions required prompt cancellation of an insurance policy on property acquired by the Veterans' Administration when the unexpired premium amounted to $20 or more.

Certain States have laws which establish a period of time subsequent to foreclosure during which mortgagors in default may redeem their properties. Existing regulations of the Veterans' Administration do not provide the agency with the authority to cancel unexpired insurance policies on properties acquired in these States. Under these circumstances the Veterans' Administration is unable to become self-insured. A revision in these regulations seems particularly desirable when receivers are appointed who have a duty under State law to carry hazard insurance during their period of custodianship. The insurance carried by the Veterans' Administration is of no practical value because it duplicates the receivers' insurance coverage.

The Deputy Administrator of Veterans' Affairs disagreed with our estimate or the amount of savings available and stated that the Veterans' Administration had made a study at 16 regional offices and, on the basis of the statistics gathered, was not satisfied that any loss of revenue had been shown. However, he stated that the Veterans' Administration planned to make a more comprehensive study at all applicable field stations and would reconsider its position at the conclusion of the study and reevaluation of its current policy.

We reviewed the information developed at 4 of the 16 regional offices included in the Veterans' Administration study and believe that the savings available were significantly understated, primarily because the study was not based on the earliest date that the insurance policies could have been canceled.

Since a large number of properties are being acquired by the Veterans' Administration annually, we believe that a substantial amount of savings would be available to the Veterans' Administration if prepaid hazard insurance policies were canceled promptly when the risk of loss passes to the Veterans' Administration or the receivers.

Accordingly, we are recommending that the Administrator of Veterans' Affairs require mortgage holders to cancel prepaid hazard insurance policies upon transferring risk of loss to the Veterans' Administration or the receivers. Also, because the regulations do not now provide the Veterans' Administration with the necessary authority to cancel the policies during redemption periods in States granting mortgagors redemption rights, we are recommending that the regulations be revised to provide such authority.

[Index No. 51—B–125037, Aug. 9, 1966]

Potential Savings Through Improved Controls Over Per Diem Payments to Military Personnel, Department of the Air Force

The General Accounting Office made a review of per diem payments made to Air Force military personnel deployed on an overseas airlift support mission in a noncombat zone.

We inquired into the management controls in effect and the possible need for strengthening the regulations when an apparent disparity between allowable per diem and lodging and subsistence costs came to our attention. We found that per diem allowances paid to military personnel deployed on a support mission exceeded their estimated

lodging and subsistence costs by about 200 percent. We believe that responsible military officials could have taken action to have the per diem reduced inasmuch as they had personal knowledge that the per diem substantially exceeded the lodging and subsistence expenses incurred by the individuals involved.

The Department of Defense agreed that per diem should be paid only as warranted and justified and that the findings discussed in our report had been brought to the attention of appropriate service officials. He stated further that action had been taken by all military departments to improve administrative control over travel per diem entitlements and that standardized internal audit programs would be examined and revised to direct attention to matters discussed in our report. Also the Joint Travel Regulations were revised, effective April 1, 1966, to make it clear that it is the responsibility of the local commander as well as the theater commander to initiate changes in the per diem rates when warranted.

Since October 1963, we have issued 10 reports to the Congress on unnecessary or illegal per diem payments in the military departments. The total dollar deficiency shown in these reports amounted to about $10 million. Owing to the significant deficiencies found in our reviews, we believe that the area of per diem is one requiring special and continuing attention by top management personnel of the Department of Defense and the military services to overcome the problems involved. We plan to perform additional reviews of internal controls and of the effectiveness of the corrective actions taken or proposed by the military departments.

[Index No. 52—B–146948, Aug. 9, 1966]

Review of Charges to Defense Contracts for Use of Company Operated and Chartered Aircraft, Department of Defense

The General Accounting Office reveiwed charges to defense contracts for use of company operated and chartered aircraft.

The company aircraft operations included in our review generally have grown from small numbers of relatively inexpensive, piston aircraft to larger fleets of aircraft that include turbojet and pure jet types, the cost of which is in the millions of dollars. The number of pilots required to operate the aircraft and the cost of flight operations have increased accordingly. In addition, information supplied by the Department of the Air Force indicates that the Government's financial interest in contractor aircraft operations is vastly more than that shown in our review. According to the Air Force, companies in the United States, such as the defense contractors included in our review, are utilizing approximately 20,000 executive and business types of aircraft.

Reviews of nine defense contractors that extensively used company operated or chartered aircraft indicated that the cost of such aircraft use was substantially more than the cost of equivalent commercial air transportation.

For example, the cost of operating the five private executive aircraft of one contractor during the year reviewed was about $1 million or about six times the cost of equivalent commercial air transportation.

Practically all the additional cost was charged through overhead to contracts with the Department of Defense and, to a limited extent, with the National Aeronautics and Space Administration. Our tests indicated that most of the contractor's flights were routine in nature with no priorities assigned. We concluded that the contractor could have performed effectively under its Government contracts by using commercial and chartered aircraft and available Government-sponsored air services. This contractor has since reduced its executive fleet to one aircraft.

In some situations, it appeared that the additional cost of a private aircraft operation may have been justified by the urgency and high priority of the work performed or by the need to have a minimum capability for emergency needs. In our opinion, however, the additional cost in most cases outweighed the apparent benefits.

The military departments primarily concerned, agreed that the contractors, in certain instances, did not need aircraft for the support of major contracts to the extent they had been used. As a result, in negotiating overhead cost for the years under review, certain disallowances were made by the departments.

In an earlier report to the Congress (B–146948, October 21, 1964), we recommended that the Secretary of Defense provide all military services with guidelines to be followed in determining the allowability of costs of company-operated aircraft to be included in prices of negotiated Government contracts. We were informed that this has now been done and the entire matter was referred to the Armed Services Procurement Regulation Committee for its consideration and appropriate coverage in the Armed Services Procurement Regulation. We were informed also that the military services had issued guidance to their procurement personnel with respect to this matter.

[Index No. 53—B–159135, Aug. 9, 1966]

Need to Improve Contracting Procedures for Employment of Appraisers to Value Indian Lands, Department of Justice

Our review disclosed a need to improve contracting for employment of appraisers through the strengthening of contracting procedures and establishment of guidelines for aiding in determining the reasonableness of appraisers' proposed fees. We found that uniform procedures or guidelines had not been prescribed for aiding attorneys who select appraisers; management had not effectively reviewed contracting actions; appraisers had not been required to furnish such basic data as estimated man-days, per diem rates for personal services, travel, outside fees, printing, overhead, or other expenses in support of their bid proposals; and there was usually an absence of negotiations between attorneys and appraisers.

We proposed to the Attorney General that policies and procedures be prescribed for governing the selection of appraisers and that provision be made for periodic reviews of contracting activities for determining whether prescribed policies and procedures are being effectively carried out at the operating level. We proposed also that appraisers be required to furnish sufficient financial or other fee information for enabling the contracting officials to effectively evaluate the reasonable-

ness of proposed fees, and that contracting practices include negotiations with appraisers concerning fees and other matters after proposals are received.

The Assistant Attorney General, Lands Division, advised us that, in accordance with our proposals, the Lands Division would prepare and issue formal policies and procedures for negotiating with and selecting appraisers and that it was the Department's intention to adopt our proposal that appraisers be required to furnish cost data. He stated, however, that our proposal that negotiations be carried on with prospective appraisers presented a number of problems.

Although adoption and implementation of these measures should improve the contracting procedures for the employment of appraisers, we believe that additional improvements are needed. Accordingly, we are recommending that the Attorney General, to improve contracting activities, provide for periodic reviews of the contracting activities of the individual attorneys for determining whether prescribed policies and procedures are being effectively carried out at the operating level. We are recommending also that the Attorney General prescribe methods and criteria for guiding individual attorneys in determining the reasonableness of proposed fees. We are further recommending that the Attorney General, to afford the Department a better basis for determining that appraisal fees are reasonable, require contracting officials to negotiate with appraisers, on the basis of proposed costs or other information, after initial proposals are received.

In response to our request for all pertinent records, the Department denied us free access to such records applicable to 20 cases then in litigation and furnished us with only those records which, in its opinion, were needed for, or pertinent to, our review. Because the Department did not permit us to make the selection of the documents needed for our review, we were unable to make a completely independent review of the contracting activities. Consequently, we are not aware of any additional information in these files which might affect the matters discussed herein.

We are reporting these matters to the Congress because they show the need for the Department of Justice to strengthen its contracting procedures for employing appraisers to value Indian lands, which is especially important in view of the large number of future contracts which the Department has estimated will be required. Also, prior congressional interest in this area had been expressed by individual members of the Congress and by the Subcommittee on Departments of State, Justice, and Commerce, the Judiciary and Related Agencies Appropriations, Committee on Appropriations, House of Representatives.

[Index No. 54—B–159148, Aug. 9, 1966]

The Utilization and Disposition of Excess Beds and Related Bedding, Department of Defense

In 1963 and 1964 the Defense General Supply Center reported to Headquarters, Defense Supply Agency, that the Army beds and mattresses were in long supply and that the Center proposed to issue these beds to the Air Force and Navy in lieu of new procurement.

However, the Center was instructed by Headquarters, Defense Supply Agency, to comply with the request of the customer and not issue substitute items without prior concurrence of the requisitioning services. Consequently, action was taken to dispose of 521,700 excess Army beds valued at $9.9 million. Meanwhile, 165,000 preferred beds and related bedding were procured at a cost of $8 million.

Following our inquiries into this matter, 271,500 of the excess Army beds were withdrawn from disposal. These beds were subsequently requisitioned by the military services, including the Air Force and Navy, for use in southeast Asia and supporting areas, at a savings of about $10.6 million. In our opinion, additional procurement savings of $9.4 million could have been realized if the 250,200 beds previously disposed of had been used to fill Air Force and Navy requirements.

A similar matter was previously reported to the Congress on April 27, 1965, concerning the refusal of the military services to use excess 4,000-pound warehouse platform trailers to avoid procurement of similar equipment. The Deputy Assistant Secretary of Defense (Materiel Requirements) commented on our report by stating that significant disagreements between the services and the Defense Supply Agency should be referred to the Office of the Secretary of Defense. However, he did not agree with our proposal that the services be required to justify their refusals of substitutes in writing.

The Air Force and the Navy reasons for nonacceptance of the excess Army beds were not clearly documented and evidently were based on other than technical considerations, while the decision by Defense Supply Agency to acquiesce to the serivces' desires was based to a substantial degree on its desire to maintain good customer relationships. In view of the significant amount of potential savings, we believe that, had this matter been referred to the Secretary of Defense, a different decision might have been reached.

The Department of Defense expressed general concurrence with our findings. The Department further concurred in principle with our proposals that refusals by the military services to accept substitute non-tactical-type items be supported by written justifications in instances where significant potential savings can be realized and that acquiescence by the Defense Supply Agency to such refusals be documented showing the basis for such decisions.

[Index No. 55—B–114824, Aug. 10, 1966]

Opportunity to Reduce Costs of Providing Protection From Heat and Cold on Shipments of Certain Perishable Commodities, Commodity Credit Corporation, Department of Agriculture

Our review disclosed that costs could be reduced by, and savings to the Government would result from the Corporation's eliminating excessive protection on shipments of butter and cheese without risking spoilage or deterioration of these commodities. We examined into past shipments made by the Corporation of butter and cheese and compared the protective services furnished with those which commercial firms would have furnished such shipments. On the basis of information developed in our review, we estimate that the

Corporation could have realized savings in rail transportation costs for butter and cheese of about $219,000 during fiscal year 1964, if it had required protective services comparable to those which a commercial shipper would have required. We believe that additional savings may be available on shipments of other perishable commodities.

Guidelines prescribing the protection to be provided for the Corporation's perishable commodities during shipment were issued by the Department in 1958. Agency officials had not kept the details explaining the basis on which the guidelines had been developed, but these officials believed that the guidelines may have been based, in part, on a survey that had been made of commercial shipping practices. In our discussions with officials of four large distributors of dairy products, however, we found that the Corporation's guidelines generally required more protection than was then being required by commercial shippers.

The Executive Vice President, Commodity Credit Corporation, stated that he concurred with our suggestion that a comprehensive study would be desirable and that an evaluation of protective services required for protecting perishable commodities from damage or deterioration in transit would be made. He stated also that the requirements would be revised, where appropriate, to keep the cost of protective services at a minimum consistent with prudent management. He stated further that periodic evaluations would be made to review the adequacy of such requirements.

The Executive Vice President questioned, however, the practicability of adjusting the generally prescribed amounts of protection to be provided to take into consideration special weather conditions existing at the time of shipment. He also pointed out that shipments of print butter made by commercial firms are maintained at temperatures ranging from 35° F. to 42° F. and that the Corporation requires contractors to precool print butter to 20° F. before shipment. Our review disclosed, however, that the conditions pertaining to the Corporation's acquisition and storage of print butter had changed substantially from those existing at the time this requirement for precooling print butter had, some time prior to 1955, been established.

We believe that appropriate revisions to protective services requirements will result in savings in transportation costs. We believe also that, to obtain the maximum benefits from revising the protective services requirements, provisions would have to be made which would enable the Department to revise previously issued instructions if weather conditions upon which the previously issued protective services instructions had been based change substantially prior to shipment. We believe further that, in view of the changed conditions, consideration should be given to revising the requirement that print butter be frozen to 20° F. prior to shipment.

Accordingly, we are recommending that the Secretary of Agriculture require Department officials, as part of the evaluation of protective services requirements which they intend to make, to explore the opportunity for reducing costs by instituting procedures providing for revising protective services instructions when changed weather conditions prior to actual shipment would materailly affect the amount of protection previously prescribed. We are recommending also that consideration be given to the feasibility of revising the requirements for freezing print butter prior to shipment.

[Index No. 56—B–125036, Aug. 10, 1966]

Review of Reporting of Taxable Income and Tax Withholdings of Military Personnel, Department of the Army

The General Accounting Office made a review of the reporting to the Internal Revenue Service of taxable income and tax withholdings of military personnel by the Department of the Army.

We found numerous clerical and arithmetical errors in the pay records and forms W–2 prepared by the Army, which demonstrated the need for more aggressive and effective supervision and internal controls. On the basis of the number of errors we found, we estimate that the Armywide errors amounted to about $16,000,000 in the reported members' income subject to income tax and to about $2,280,000 in the reported income taxes withheld from members. We further estimate that these errors. unless detected and corrected by the individual members in filing their returns, may have resulted in significant underpayments and overpayments of income taxes for the period reviewed. These errors were primarily the result of the failure of the clerical personnel to satisfactorily perform their assigned tasks. In addition, we found that the errors went undetected or, when detected, were not properly corrected although there are numerous regulations and review programs in existence to prevent this.

In advising the Secretary of Defense of our finding in the review of tax information reported by the Army for calendar year 1963, we proposed that the Secretary of the Army (1) delay the filing of Forms W–2 for 1964, by arrangement with the Internal Revenue Service, until sufficient review could be made to ensure the reliability of the reported information, (2) require a complete review of Forms W–2 for 1963 so that necessary corrections could be made within the statutory time limitations, (3) issue instructions designed to emphasize supervision of base-level activities in order to minimize errors, and (4) ensure that procedures established for future reconciliation reviews are effectively carried out as intended.

By letter of July 1, 1965, the Deputy Assistant Secretary of the Army (Financial Management) forwarded Department of the Army comments made on behalf of the Secretary of Defense. The Army concurred in general in our finding and proposals. He reported that actions were being taken regarding the last two proposals and informed us of the planned institution of the Centralized Automated Military Pay System by 1968. With respect to the first two proposals, however, the Army was unable to take action because the Forms W–2 were not available. The Internal Revenue Service advised the Army and our Office that filing of the 1964 Forms W–2 could not be deferred, because the initial processing of forms for all taxpayers must be completed at the same time in order for the enforcement program to be effectively carried out and that, once the Forms W–2 are made available for use in field offices, there is no practicable means of identifying and reassembling those submitted except on a case-by-case basis.

In our previous report on errors in the reporting of tax information by the Air Force (B–125036, December 20, 1963), we had suggested that special reviews be made of Army and Navy reporting of tax information to determine whether similar deficiencies existed in those departments. We were advised by the Department of Defense that

the Army and Navy had procedures for verifying, on a test basis, the accuracy of information reported to the Internal Review Service and that, therefore, special reviews of prior years were considered unnecessary. We were advised, however, that special reviews would be made of information reported for 1963 to ensure the accuracy of the information as well as the effectiveness of the review procedures.

More recently, we reviewed tax information reporting by the Navy; and on February 18, 1966, we reported to the Secretary of Defense that we had found that incorrect tax data were being reported and that the Navy review generally would not identify these discrepancies. In April 1966 the Navy concurred in general in our findings and informed us of remedial measures being taken.

We recommended that, to provide an auditable record until the improved military pay system becomes effective, the Army Forms W–2 be prepared in sufficient number to provide a copy for retention and use in the individuals' Military Pay Records.

[Index No. 57—B–146551, Aug. 10, 1966]

Review of Certain Active Duty Retirement Benefits for Army and Air Force Reserve Officers, Department of Defense

Many retired Army and Air Force Reserve officers are receiving active duty retirement pay based on a grade higher than the highest grade attained on active duty. This benefit is not available to either Reserve officers of the Navy and Marine Corps or Regular officers of all four military services, and it is doubtful that the Congress intended this special benefit.

The significance of this matter is demonstrated by the substantially higher retirement pay accruing to the Reserve officers who retired from active duty in fiscal years 1964 and 1965 in a grade higher than that in which they had served. These officers will, over the years remaining in their life expectancy, receive about $100 million more in retired pay than they would if retirement had been limited to their highest active duty grade. Further, it appears that, unless the present retirement legislation is changed, there will be many among the 136,000 Army and Air Force Reserve officers on active duty at June 30, 1965, and among those later entering on active duty, who will retire with similarly increased benefits.

The described situation has developed as a result of the language of the Army and Air Force Vitalization and Retirement Equalization Act of 1948 (62 Stat. 1081) and the policy of the Army and Air Force which permitted many Reserve officers on active duty to be promoted to a permanent Reserve grade higher than the temporary grade held by them on active duty.

The act does not specifically require active duty service in the retired grade, whereas the legislative history, although inconclusive, indicates that the Congress expected Army and Air Force Reserve officers to have served satisfactorily in the grade on which active duty retired pay is to be based. Also, the policy of promoting Reserve officers on active duty to a higher rank on the Reserve officers' register, a policy initiated by the Secretary of War in 1946, was not intended as a basis for determining retirement pay. Instead, its

purpose was to assure Reserve officers on active duty that their rank and order of precedence on the Reserve promotion lists would not be jeopardized by their continued service on active duty. The combination of these two circumstances, however, led to the practice of retiring Reserve officers from active duty with retirement pay based on a Reserve grade in which they have never served.

We brought our findings to the attention of the Secretary of Defense and suggested that a separate and specific legislative proposal on this matter be developed and submitted to the Congress. In response, the Deputy Assistant Secretary of Defense (Manpower) indicated that the retirement grade and pay under active duty retirement laws should be directly linked with active duty service and pointed out that a provision to bring this about had been included in comprehensive officer personnel legislation submitted to the Congress. Regarding our suggestion that separate legislation be developed and proposed, he stated that, in the event the comprehensive proposal was not enacted, consideration could be given to a separate proposal.

As shown in our report, a provision to terminate the subject practice had, on two prior occasions, been included as part of comprehensive legislative proposals that were not acted on by the Congress.

[Index No. 58—B–114860, Aug. 15, 1966]

Possible Savings by Discontinuing the Purchase of Public Liability Insurance Covering Acquired Property, Federal Housing Administration, Department of Housing and Urban Development

Our review of premium costs and claims relating to public liability insurance purchased by property management brokers under contract to the Federal Housing Administration indicated that elimination of the requirement that brokers purchase this coverage could result in significant savings to the agency. Premium costs for this type of insurance covering bodily injury amounted to about $340,000 a year, which was far in excess of the claims being paid under this coverage. For example, the agency records showed that only about $9,200 in claims for bodily injury were paid over the 8-year period from January 1957 through October 1965. The annual amount of realizable savings cannot be realistically estimated in advance because the amounts of future claims cannot be predicted nor can the amounts of increases and decreases in administrative costs which would result from the agency's assumption of risk be readily determined at this time. However, in view of the agency's claim experience over a number of years, we believe that the overall long-term net savings which would result from elimination of premium costs of about $340,000 a year would be significant.

In view of the past experience of the Federal Housing Administration, we believe that it would be more economical for the agency to adopt the Government's long-standing policy of self-insurance by assuming the risks covered by this type of insurance, as the agency has previously done with respect to hazard insurance risks on its acquired properties and general comprehensive liability risks in all contracts except those of management brokers.

Moreover, we believe that savings may be realized by adopting the self-insurance policy for other coverages provided for in management contracts, such as surety bonds and burglary insurance, if the agency's cost and claim experience is found to be similar to that related to public liability insurance.

The large number of properties being acquired by the Federal Housing Administration as a result of foreclosures under its mortgage insurance programs increases the importance of keeping costs and losses related to the management and disposition of such properties to a minimum.

The Federal Housing Commissioner informed us that the agency was favorably disposed toward the general premise of self-insurance and was studying our proposals, but that it needed more information and more time to evaluate the administrative and legal factors involved; to appraise more definitively the risks which would be assumed; to compare the risks with premium costs and additional administrative, investigative, and legal expenses which would be assumed; and to determine what effect the agency's becoming a self-insurer would have on brokers' bids for management fees. In view of this action and the agency's previous actions, which indicate its general acceptance of the principle of self-insurance, we are not making any recommendations at this time.

[Index No. 59—B–146778, Aug. 18, 1966]

Need for Interservice Action When Management Policies and Practices Differ for Similar Supply Items, Department of Defense

The General Accounting Office reviewed the Department of the Navy's supply management of a rocket catapult used in an aircraft ejection seat for emergency ejection of a pilot from an aircraft. This review was directed primarily toward an evaluation of the Navy's practices in determining its need for these catapults and the decision to procure new catapults instead of rework available stocks of overage catapults. Our review also included inquiry into the exchange of information with the Department of the Air Force on a similar catapult which had been developed from the Navy's item.

There is a need for the individual military services to exchange and use information concerning the management and operating practices and policies of other services for the same or similar items in order that each might identify opportunities for improved management and potential savings. With regard to the aircraft ejection-seat rocket catapults, the application of such exchange would have disclosed to the Navy that the Air Force policies and practices were more economical. We estimate that, on the basis of requirements through fiscal year 1969, the adoption by the Navy of the Air Force policy and practices could reduce future Navy program costs between $275,000 and $800,000.

The Assistant Secretary of Defense (Installations and Logistics) by letter dated March 16, 1966, advised us that our findings had been reviewed by the Department of Defense and the Military Departments and that a preliminary evaluation indicated that the restoration

of overage aircraft ejection-seat catapults might result in a savings to the Government. We were advised that the Department of Defense concurred in our proposals that the Navy's decision not to restore overage catapults be evaluated and all overage catapults be held in stock until the evaluation was completed.

Many items of equipment used by one military department are either identical or similar to items used by another department. Our findings on the aircraft ejection-seat catapult program and our review of other equipment programs demonstrate that increased interservice consideration by equipment managers of the different policies and practices within each of the military departments could result in the adoption of more effective and efficient management techniques. We therefore recommended to the Secretary of Defense that a program be established that will ensure the exchange and use of information between the individual military services with respect to the management and operating practices and policies of each for the same or similar items to identify opportunities for improved management and potential savings. We recommended further that this program emphasize the need for exchange of information during the entire life of the equipment programs to ensure that each using service is aware of pending or approved changes that would be of benefit to all users.

[Index No. 60—B–158959, Aug. 22, 1966]

Management of Selected Time Compliance Technical Orders Requiring Modifications to Engines for F–100 Aircraft, Department of the Air Force

The General Accounting Office reviewed the management of selected time compliance technical orders requiring modifications to engines for F–100 aircraft.

Aircraft engines of a given design frequently have undesirable but latent characteristics that are not detected until data on performance under actual operating conditions has been accumulated and evaluated. After a problem area has been identified and the means of solution determined, a time compliance technical order for modification of the engines is issued. These orders are directives used by the Air Force to provide information and instructions to maintenance activities for accomplishing modifications within a specified period of time. Such modifications are undertaken to eliminate safety hazards, to improve reliability, and to facilitate maintenance.

Our review indicated that there was a need for significant improvements in the management of time compliance technical orders to ensure their timely accomplishment. The technical order program for aircraft engines is a dynamic and complex program which requires constant attention by all levels of management during all phases of its operation. The Air Force has made certain improvements in the program; however, in our opinion, greater improvements are necessary to prevent loss of aircraft because technical orders were not accomplished in a timely manner.

Air Force records show that two F–100 fighter aircraft crashed and were destroyed because certain engine components which endangered the operation of the aircraft were not replaced. Prior to the loss of

these two aircraft, the Air Force had determined that the failure of these components had caused several F–100 aircraft to crash and had initiated special projects to replace these components. However, sufficient controls were not established to ensure that timely replacement of the defective components actually had been made by the various commands.

In May 1961 the Air Force established a special project to replace defective support weldments in engines for F–100 aircraft. Replacement of the components was not accomplished in a timely manner, however, and in March 1964 failure of a support weldment caused the crash of an F–100 aircraft.

The Air Force established another special project in November 1962 to replace defective fuel manifolds in engines for F–100 aircraft. Again replacement of the components was not accomplished in a timely manner, and in September 1963 failure of a fuel manifold caused the crash of another F–100 aircraft.

Absence of control over these projects continued to exist after the crashes. As late as February 1965 Air Force records showed that defective weldments and manifolds still were installed in a significant number of engines for F–100 aircraft. At the conclusion of our review in June 1966 the records showed that significant progress had been made and that the modifications necessary to remove the defective components had been completed on all but a small number of engines for F–100 aircraft.

The Air Force advised us that it acknowledged the difficulties experienced in the technical order program and cited a history of actions which had been initiated to improve technical order compliance. The Air Force also emphasized that, while its program was not perfect, discernible improvements in technical order compliance were a matter of record.

The Air Force has made many changes and improvements in its technical order management system in past years, but our review, as well as internal Air Force examinations, has shown that the operation of the system lacks sufficient controls to insure accomplishment of Air Force objectives. We believe that there has been recent improvement in the accuracy of engine management records, but still greater and continuing accuracy in such records and the reports based upon them will be critical to the future effectiveness of the technical order management system.

Because of the complexity of the technical order program and the various organizational elements involved, we recommended to the Secretary of the Air Force that technical order compliance be subjected to close and vigorous administration. We believe that the following areas require the immediate attention of Department of the Air Force officials.

1. Accuracy of records and reports relating to technical order actions.
2. Clarity of lines of authority and responsibility for implementation of required technical orders.
3. Adequacy of coordination between logistics and maintenance activities.
4. Adequacy of accountability for modification kits and control over modification scheduling.

[Index No. 61—B–158712, Aug. 23, 1966]

Potential Reductions in Cost of Automotive Travel by Federal Employees Where Use of Government-Owned Vehicles Is Feasible

Many employees of the Federal Government drive their privately owned cars a substantial number of miles in the performance of their duties. Frequently, the official mileage traveled by employees is at or exceeds the level at which the cost of operating an interagency motor pool car is less than the reimbursement mileage rates established by the various Government agencies. Our review of travel procedures at 14 major Government agencies showed that agencies had not been furnished information on the cost of operating interagency motor pool cars at various mileage levels and therefore were not in a position to adequately consider the alternative of providing these cars to high-mileage drivers.

Our more detailed reviews at selected field offices of the Internal Revenue Service, the Federal Housing Administration, and the Federal Crop Insurance Corporation showed that the annual cost of reimbursing high-mileage drivers for official travel exceeded the cost of operating interagency motor pool cars by about $245,000. If the mileage patterns observed were typical, the annual nationwide costs to these agencies of reimbursing high-mileage drivers for official travel exceeded the cost of operating interagency motor pool cars by about $1.6 million.

An agency can obtain the benefits from the lower cost of operating an interagency motor pool car by furnishing employees with interagency motor pool cars or by establishing a reimbursement mileage rate that gives consideration to the relative cost of operating an interagency motor pool car if an employee prefers to use a privately owned car for his personal convenience.

We recognize that there are factors other than the operating cost of an interagency motor pool car that should be considered in determining whether the use of such cars is advantageous to the Government. We believe, however, that adequate consideration of all pertinent factors would result in substantial reductions in travel costs of many agencies throughout the Government.

We brought our findings to the attention of the Bureau of the Budget and proposed that it (1) revise the Standardized Government Travel Regulations to require that consideration be given to the relative cost of operating interagency motor pool cars, in determining whether the use of a privately owned automobile is more advantageous to the Government and in establishing the amount payable on a mileage basis when employees and others rendering services to the Government elect, for personal reasons, to use privately owned motor vehicles in the conduct of official business, and (2) periodically obtain and distribute to other Government agencies information on the cost of operating interagency motor pool cars at various mileage levels.

The Bureau of the Budget has agreed that additional guidelines, including data on the cost of operating interagency motor pool cars, should be provided to agencies for use in making determinations relating to the use of cars for travel of Federal employees. We believe that such guidelines will, if properly followed, result in substantial reductions of the Government's travel costs.

[Index No. 62—B–114874, Aug. 31, 1966]

Review of Program for Replacement and Procurement of Motor Vehicles, Post Office Department

On the basis of our review of the maintenance of selected motor vehicles at seven vehicle maintenance facilities in three postal regions, we believe that the Department could achieve substantial savings if action were taken to obtain more timely replacement of older vehicles. To accomplish these savings, it would be necessary for the Department to initiate vehicle procurement more expeditiously and to fully consider procurement lead time in establishing vehicle requirements.

Our analysis of the repair and maintenance costs of selected vehicles of ¾-ton and 1-ton capacities showed that vehicles which were 6 or more years old had been substantially more costly to maintain than newer vehicles. We estimate that the cost for operating the overage vehicles at the facilities we reviewed was $110,000 greater in calendar year 1964 than the cost would have been for operating newer vehicles the same number of miles. If the conditions found in the seven facilities we reviewed are typical of the conditions at other locations, substantial additional costs may be attributable to operating overage vehicles throughout the postal service.

Our review showed also that overage vehicles were much less dependable than newer vehicles to operate. For example, at two facilities vehicles less than 6 years old traveled an average 1,170 miles between unscheduled repairs, while overage vehicles traveled only an average of 560 miles between such repairs.

The Department had continued to operate vehicles beyond their scheduled replacement dates primarily because the ordering of new vehicles had been delayed and because, when vehicle requirements had been established, full consideration was not given to administrative and production lead time. We found that, although the Department generally had anticipated receiving new vehicles in the same fiscal year in which funds for these vehicles were made available, the Department had not received the vehicles when anticipated. Our analysis of procurement records for vehicles needed in fiscal year 1964 showed that from 3 to more than 9 months had elapsed after the beginning of the fiscal year before the Department had issued purchase orders for the vehicles to the General Services Administration and that from 21 to 29 months elapsed from the beginning of the fiscal year to acceptance of the last vehicle.

In February 1966 we brought these matters to the attention of the Postmaster General and proposed that the Department strengthen its procedures to provide greater assurance that vehicles are replaced when it is most economical to do so and that vehicles required for new service routes are obtained in a timely manner. We suggested specifically that the Department prepare its vehicle specifications and procurement requests in the period between the submission of its budget and the beginning of the new fiscal year so that the General Services Administration can request bids immediately after the Department's budget is approved by the Congress. We suggested also that the administrative and production lead time be included as a factor in determining new-vehicle requirements and that the current experienced lead time be reviewed to determine whether the procurement and delivery of new vehicles can be accelerated.

The Postmaster General, in his letter to us dated April 1, 1966, stated that the Department agreed that it should strengthen its program for replacement and procurement of motor vehicles. He informed us that, after our review, there had been an improvement through the earlier submission of requisitions to the General Services Administration. He stated also that the General Services Administration was devoting considerable effort to expediting contract awards and securing on-time contract performance. He further informed us that the Department would continue studies to reduce the time required to complete delivery of vehicles and that requests for funds would recognize reasonable production lead times.

[Index No. 63—B–159187, Sept. 7, 1966]

Potential Savings Through Improved Utilization of Space Available On Administrative Military Aircraft, Department of the Air Force

The General Accounting Office made a review of the utilization of administrative military aircraft maintained for mission-support service at selected Air Force installations. Specific attention was directed toward ascertaining the extent to which commercial air service was procured for Air Force personnel when seats were available on these military aircraft.

Various Air Force transportation regulations provide that personnel on official duties should travel, to the extent possible, on military aircraft flights being made for mission-support purposes to the desired destinations. Several factors could limit utilization of available space on military flights. The factor over which the Air Force apparently has least control is the option of civilians to refuse military transportation if it is not a condition of their employment. However, civilian employees are encouraged to use military aircraft when space is available, in the interests of economy. During our review we found that transportation procedures followed did not provide sufficient control to attain optimum utilization of available administrative military aircraft. On the basis of our analysis of pertinent records at four installations during portions of fiscal years 1964 and 1965, we believe that substantial savings in expenditures for air travel could have been realized through more stringent control of travel authorizations.

We submitted a draft report on the results of our review at one major installation to the Secretary of Defense on March 26, 1965. In a letter dated January 20, 1966, the Department of the Air Force, commenting for the Secretary of Defense on our draft report, stated that, although it did not necessarily agree with our estimate of costs which might have been avoided, adjustments to the transportation request issuing procedure had been implemented to ensure more effective use of available Government airlift. On July 23, 1965, Headquarters, Department of the Air Force, issued a letter to its major commands, outlining the policies to be observed by all Air Force activities in utilizing passenger space available as a by-product of operation of the command support fleet.

We believe that the Air Force has initiated the necessary actions to increase utilization of its administrative aircraft and thereby reduce air travel costs.

[Index No. 64—B–133324, Sept. 19, 1966]

Potential Savings Through Improvement in the Management of Materials Handling Equipment and Commercial-Design Trucks, U.S. Marine Corps, Department of the Navy

The General Accounting Office found a need for increased attention to the established procedures and controls by management personnel at Marine Corps Headquarters and at the installations reviewed, to ensure that the quantities of equipment and trucks assigned for use were commensurate with the needs. Our review indicated that, as a result of the nonadherence to procedures and controls, unneeded vehicles valued at over $1.6 million had accumulated at the three installations. If our findings are representative of the general situation throughout the Marine Corps, the accumulation of unneeded vehicles of these types could amount to as much as $5 million.

The Department of the Navy's comments indicated that the Navy concurred, with reservations, in our findings on unneeded vehicles and advised us of the action that had been taken to revise the Marine Corps instructions which existed at the time of our review. The Marine Corps has improved and refined its procedures for identifying excess vehicles and, in addition, has emphasized the necessity for complying with existing instructions. We believe that the present procedures and controls, if effectively implemented, should help prevent recurrence of the type of deficiencies identified during our review.

[Index No. 65—B–159407, Sept. 19, 1966]

Review of the Maintenance of Combat Vehicles, Department of the Army

The General Accounting Office made a review of the policies and practices of the Department of the Army with respect to the maintenance of combat vehicles, especially tanks of the M48 series.

We found that the Army was classifying combat vehicles as needing to be rebuilt, on the basis of visual inspections. As a consequence, virtually all major components of equipment classified as needing to be rebuilt were dismantled completely, repaired, and reassembled. We believed that substantial savings could be achieved if combat vehicles requiring maintenance were tested with available diagnostic equipment and other techniques as a means of determining the repair work actually necessary.

Our examination into the repair of certain major components of M48-series tanks showed that savings of more than $1,760 could be achieved for each tank that did not actually require rebuilding. Since the Army has plans for expending $147.6 million during fiscal years 1966 through 1969 for the depot repair of 10,848 combat vehicles, including 3,131 M48-series tanks, we believed that the savings that

could be achieved by strict adherence to the Army's stated policy of inspecting and repairing only as necessary would be very substantial.

We brought these matters to the attention of the Department of Defense and the Department of the Army on December 29, 1965. The Deputy Assistant Secretary or the Army (Installations and Logistics), in commenting on our draft report, stated that the Army, in general, agreed with our findings and that it had revised the applicable bulletin, Technical Bulletin ORD 245, on December 23, 1965. He informed us that the revised Bulletin stated, in part, that "Unnecessary disassembly of assemblies and sub-assemblies in or out of vehicles will not be accomplished." He advised also that the Bulletin provided that "To the fullest extent possible, test equipment will be used to determine assembly and sub-assembly reliability, quality and performance." Our review of the Bulletin showed that it specified that engines in combat vehicles having 1,500 miles or more be overhauled (rebuilt) and that engines, transmissions, transfer cases, and axles in tactical vehicles having 5,000 miles or more be overhauled. This language indicated to us that test equipment would not be used on vehicles meeting the above mileage criteria.

Consequently, during April and July 1966, we performed a limited followup review at three of the Army's five maintenance depots; namely, Tooele, Red River, and Letterkenny. At Tooele, we found that the Bulletin had been fully implemented, with the exception of the mileage criteria not being applied literally. Instead, the depot was using diagnostic test equipment whenever possible, the mileage criteria being considered only as a guide. At Red River and Letterkenny, we found that the Bulletin had not been fully implemented; therefore we were unable to determine how these depots would have applied the mileage criteria. We learned, however, that the Army Tank-Automotive Center, Warren, Michigan, had requested all depots to submit specific comments and/or recommendations on the Bulletin by June 6, 1966. The Center stated that the comments and recommendations being requested were "for the purpose of final updating of TB ORD 245." We were advised by an Army official that revisions to Technical Bulletin ORD 245 were continually under consideration.

We believe that the actions which the Army has already taken in revising Technical Bulletin ORD 245 will result in substantial savings, regardless of how the mileage criteria are applied by depots other than Tooele.

[Index No. 66—B–114878, Sept. 20, 1966]

Review of Procurement and Utilization of Security Covers for Nuclear Weapons, Atomic Energy Commission and Department of Defense

Our review indicates that savings could be achieved through reduced procurement of specially designed security covers. In 1960 the external dimensions of many types of nuclear weapons were declassified by a change in the Atomic Energy Commission-Department of Defense Classification Guide, thus, eliminating the need for security covers under certain conditions. However, in evaluating the con-

tinued need for security covers in 1960 and 1961 in recognition of the change in the Classification Guide, the Commission and the Department, in our opinion, did not adequately consider the reduced requirements of the military services in their determination of future procurements of covers. Consequently the Commission continued to provide security covers in the same manner as before the external dimensions of the weapons were declassified.

Between January 1961 and March 1965, the Commission expended about $650,000 in the continued procurement of security covers for the four types of weapons included in our review. During visits to two Strategic Air Command bases where two of the four weapons systems were represented, we were advised that the security covers were not needed for any on-base activity and that they represented a storage problem.

In July 1964 we discussed this matter with officials of the Commission. Shortly thereafter, the Commission and the Defense Atomic Support Agency reviewed their security cover procurement policies, with particular emphasis on the needs and requirements of the using military services, and they concluded that the ratio of security covers to weapons delivered to certain military services could be reduced. As a result, the remaining production of security covers for two of the weapons included in our review was canceled, with an estimated saving of about $16,000, and procedures were established to evaluate the requirements of the military services in determining future procurement of covers. Since production of security covers was complete, or essentially complete, for the two remaining weapons included in our review, reductions in procurement of security covers for these weapons were no longer possible.

In April 1966 we were advised that action had been initiated to authorize the Department to dispose of certain security covers which had been determined to be no longer of use in the weapons program. Security covers for the four weapons which we reviewed were included on the proposed surplus list.

In our opinion, had the Commission and the Defense Atomic Support Agency adequately considered the need for security covers by the military services in their initial evaluation of procurement requirements, a substantial portion of the approximately $650,000 spent for security covers between January 1961 and March 1965 for the four systems included in our review could have been avoided.

We believe that the revised procedures established by the Commission and the Department for determining the requirements of all users prior to providing covers, if effectively implemented, should eliminate future procurements of unneeded security covers and result in worthwhile economies.

[Index No. 67—B–114878, Sept. 20, 1966]

Potential Savings to the Government Through Increased Purchasing From General Services Administration Supply Sources by Contractors Which Operate Facilities of the Atomic Energy Commission

All the contractors whose activities we reviewed utilized the General Services Administration in varying degrees as a source of procurement of common-use items. However, even in those cases where the

contractors were making substantial use of the General Services Administration as a source of supply, we identified additional common-use items which could have been purchased through the General Services Administration.

Our review showed that savings to the Government amounting to about $309,000 might have been achieved during the period extending from fiscal year 1963 through the latter part of fiscal year 1965 if these items had been procured through General Services Administration rather than directly from commercial suppliers.

We believe that within the Commission's policies and procedures there exists an appropriate framework which should promote the maximum use of General Services Administration as a procurement source and that, through its periodic evaluations, the Commission should have been in a position to examine into the contractors' effectiveness in relation to this matter. We found, however, that the emphasis placed on this aspect had varied considerably among operations offices, with the result that additional costs were being incurred, in some cases quite substantial, which could well have been minimized.

Accordingly, we proposed that the Commission's General Manager reemphasize to the operations office officials the importance of making thorough reviews of operating contractors' practices and procedures relating to the use of General Services Administration as a procurement source. Also, we proposed that the General Manager instruct the operations offices to require the contractors to include in their records written documentation in support of decisions to purchase from sources other than those of the General Services Administration, common-use items for which there is a continuing need. The Commission has advised us that it will implement our proposals.

Corrective actions also were taken by the contractors after we brought our findings to their attention. One contractor revised its policy to place emphasis on increased procurement from General Services Administration supply sources. Other contractors, in implementation of existing policies, made changes in practices, to procure certain items from General Services Administration sources in the future or obtain certain items from the General Services Administration to use and evaluate on a trial basis to determine whether the items would be satisfactory for their needs.

We believe that the actions taken or to be taken by the Commission and the contractors should promote a more effective use of General Services Administration sources of supply by the operating contractors. However, we plan, as part of our continuing review of Commission operations, to evaluate the effectiveness of these actions in subsequent reviews.

[Index No. 68—B–146876, Sept. 20, 1966]

Review of the Policy of Leasing Motor Vehicles for Use by Government Contractors, Department of Defense

The General Accounting Office made a review of the policy of leasing motor vehicles for use by Government contractors. This report presents our findings together with information on the action (1) which the Department of the Air Force has already taken and plans to take by February 1967 to discontinue leasing vehicles for use

of contractors at Vandenberg Air Force Base and (2) which the Department of Defense plans to take to modify regulations and policies in the Departments of the Army, Navy, and Air Force with respect to the interpretation of 5. U.S.C. 78.

Because of problems that arose from having many contractors making independent arrangements for their own intrabase transportation, beginning in August 1962 the Air Force Systems Command—through its Ballistic Systems Division and Space Systems Division—awarded contracts to firms for leasing vehicles for the use of contractors in performing Government contracts at Vandenberg Air Force Base. We estimate that savings of about $800,000 could have been realized over the 3-year period of the current contracts if the Government had purchased the vehicles and furnished them to the contractors for their use on the base.

It has been the opinion of the Department of Defense that it is the intent of the Congress to control the purchase of passenger vehicles by the Department of Defense, regardless of whether the vehicles are to be used by Government or contractor personnel, and that 5 U.S.C. 78 precludes acquisition by the Department of Defense of vehicles other than those specifically authorized by the Congress in the annual Department of Defense Appropriation Acts. In our view, the restrictions on procurement of vehicles included in 5 U.S.C. 78 pertain only to vehicles to be procured for use by Government agencies and departments. We believe, for example, as stated in our report dated October 2, 1964 (B–146876), that funds appropriated for procurement of missiles can be used to purchase vehicles needed by contractors in the performance of contracts financed with such funds and that it is not necessary for the Air Force to obtain congressional approval to purchase vehicles for use of contractors to perform work under Government contracts.

In commenting on our report, the Deputy Assistant Secretary of Defense (Logistics Services) advised us that the Air Force in March 1965 initiated a program to replace with Government-owned vehicles, to the maximum feasible extent, the vehicles then leased for contractor use at Vandenberg Air Force Base. The Deputy Assistant Secretary stated that 101 of the 425 vehicles discussed in our report were programmed for replacement in 1966 and that the Air Force was attempting to program procurement of the remaining 324 vehicles so that they would be on hand when the leasing contract for vehicles for Vandenberg expired in February 1967.

With respect to 5 U.S.C. 78, the Deputy Assistant Secretary indicated that, although he still felt that this legislation was intended to impose rigid congressional control over the acquisition of passenger vehicles for use of both agency and contractor personnel, he recognized that potential savings might be realized in certain circumstances by procuring rather than leasing such vehicles and he was accepting our interpretation that the statute applied only to vehicles acquired for use by agency personnel. He stated that a memorandum to the Assistant Secretaries of the Army, Navy, and Air Force for Installations and Logistics was being issued, requesting that applicable regulations and policies be modified as soon as possible to include the revised policy. We believe that this revised policy should make it possible to realize savings in transportation costs at other military installations where substantial numbers of passenger vehicles and trucks may be leased for extended periods for use by Government contractors.

[Index No. 69—B–156818, Sept. 20, 1966]

Long-Term Leasing of Buildings and Land by Government Contractors

The General Accounting Office review of the long-term leasing of buildings and land by one contractor, the Lockheed Missile & Space Company disclosed that this method of acquiring facilities is more costly to the Government than would be the case if the contractor had constructed and retained ownership of the property for use on Government work. We believe that current provisions of the Armed Services Procurement Regulation provide an incentive for contractors to rent and should be reconsidered by the Department of Defense.

Lockheed entered into noncancelable leases on property which cost about $27 million, for a 25-year period, which committed it to pay total rentals of about $46 million. Although the cost of the land and interest expense on the contractor's investment in buildings and land would not have been reimbursable under the Government cost-reimbursement contracts in effect, the contractor, through the long-term leasing arrangements, is being reimbursed for all costs of the property. If the use of the facilities continues almost exclusively for negotiated Government work over the initial 25-year period of the leases, the Government will pay, through reimbursement of rental payments, about $19 million more than the cost of the buildings, which would be the amount chargeable to Government contracts as depreciation if the contractor owned the property.

Under these conditions, however, the contractor will save during this same period a substantial amount, which we estimate at about $10 mi lion, in interest expense which it would have incurred to finance ownership of the facilities. Also, the higher leasing costs are included in the cost base in establishing fees or profits on Government contracts. Furthermore, under the current Armed Services Procurement Regulation guidelines for establishing the source of resources portion of the contract profit allowances, a contractor is allowed the same profit or fee consideration for furnishing the facilities whether they are owned, and the contractor absorbs the financing costs, or whether they are rented, and the contractor passes the rental costs, which would include the owner's financing costs, on to the Government.

In commenting on a draft of this report, both Lockheed and the Department of Defense emphasized the risk that Lockheed took by entering into the 25-year noncancellable leases without the assurance that its work under Government contracts would continue during the entire period.

However, the Department agreed with our position that the risk is substantially the same whether the contractor purchases the facilities or acquires them through long-term leasing arrangements. The Department stated that it was aware of the magnitude of the leasing costs and that it was not precluded by the Armed Services Procurement Regulation from considering the reasonableness of the costs of leasing in any current or future negotiations. Further, the Department stated that the Armed Services Procurement Regulation Committee would be requested to review the rental cost principle, particularly under noncancellable, long-term leases. The Department also advised that consideration of revisions to the weighted guidelines, which

are used in the establishment of profits and fees, would be possible after sufficient data had been obtained under a Department of Defense Profit Review Study.

We recommended to the Department of Defense that, in its review of the rental cost principle, it consider the alternatives discussed in this report; that is, either to consider the costs of rented buildings and land used by defense contractors to be allowable to the extent that they do not exceed the costs of ownership or to provide a clear distinction between owned and rented facilities in establishing profits or fees. We recommended also that, in conjunction with consideration of these alternatives, the Department review the matter of a requirement for disclosure of contemplated actions involving special or unusual costs to be incurred by defense contractors.

[Index No. 70—B–132989, Sept. 30, 1966]

Follow-Up Review of the Management of Aircraft Engines Used in Ground Training Programs, Department of the Air Force

The General Accounting Office made a follow-up review of management of aircraft engines used in ground training programs. The review was made for the purpose of evaluating the effectiveness of actions taken by the Air Force to correct the deficiencies cited in our November 1962 report to the Congress titled "Management of Jet Aircraft Engines by the Air Training Command in its ground training programs for the Department of the Air Force" (B–132989).

Our follow-up review showed that the Air Training Command had made significant improvements in its procedures for establishing requirements for engines and for controlling the use and disposition of engines acquired for training purposes. We found, however, that certain of the improved procedures had not been adequately implemented at the Command's technical training centers. As a result, the maximum benefits attainable from the improved procedures were not being realized.

In our earlier report we noted that, in its training courses, the Air Training Command was using engines that were needed by other commands for operational use, although older series engines, suitable for training purposes, were available from long supply in the Air Force inventory. In commenting on our report, the Air Force informed us that it had established procedures for the exchange of supply-status information between the Air Training Command and the Air Force Logistics Command which, in conjunction with other changes in Air Force management programs, were expected to result in a significant improvement in engine management. As a result of the various improvements, such as the consolidation of training courses so that engines and related equipment could be used in more than one course, the Air Training Command during fiscal years 1963 and 1964 took action to release or eliminate requirements for engines and equipment valued at about $12,400,000 that, in many cases, were needed for operational use by other commands.

We found, however, that the technical training centers were not making proper use of the engine supply-status information furnished

by the Air Force Logistics Command. Consequently, available substitute engines were still not being utilized to the maximum extent possible in order to release engines needed by other commands. When we brought this to the attention of Air Training Command officials, 37 engines valued at about $3,100,000 were released by the Air Training Command for use by other commands.

In commenting on our report in a letter dated July 6, 1966, the Air Force stated that some shortcomings had existed in the program and that our follow-up review had generated a revitalization of its procedures so that effective management could be achieved. In addition, the Air Force stated that the Air Force Inspector General would include in his inspections the matter of control and utilization of aircraft engines by the technical training centers to ensure that effective management procedures would be followed.

[Index No. 71—B–146876, Sept. 30, 1966]

Procurement of Thrust Vector Control Nozzles for the Minuteman Missile Program, Department of the Air Force

The General Accounting Office reviewed the procurement of thrust vector control nozzles used in the production of first-stage motors of the MINUTEMAN intercontinental ballistic missile by the Department of the Air Force.

In our review of selected components procured by prime contractors for the weapon system, we found that, in establishing a firm price for thrust vector control nozzles purchased by Thiokol Chemical Corporation for use in producing first-stage MINUTEMAN missile motors under negotiated purchased order P62–08432, Arde-Portland, Inc., (1) had not advised the contractor that it had received lower price quotations from, and had placed orders at lower prices with, suppliers of certain components and (2) had used direct labor cost data which, in our opinion, were unrealistic. In our opinion the costs incurred for the purchased components were about $592,800 less than the amount that had been estimated in negotiating the purchase order price due to reductions in price that had been obtained by Arde-Portland prior to definitizing the purchase order but which it had not made known to Thiokol. Also, the lack of realistic cost data for production labor had resulted in the costs' having been overestimated by an indeterminable amount.

Thiokol, by requests included in several teletypes sent to Arde-Portland during September and October 1962, attempted to determine the new prices that Arde-Portland had obtained from its suppliers for the components it proposed to purchase. Arde-Portland's response to the effect that it had incurred increases of substance in these costs was apparently interpreted by Thiokol to mean that Arde-Portland's costs for obtaining the components had increased relative to the estimated costs considered in the initial price negotiations held in August 1962. In actuality, however, Arde-Portland's reply was not responsive, for, as a result of its negotiations with its suppliers during the period September 7 to October 15, 1962, Arde-Portland had negotiated subcontracts with its suppliers for virtually all of its requirements and had been quoted prices for the small remaining balance of its require-

ments, which, in almost every case, were substantially lower than the estimated prices that had been considered in the initial price negotiations. We estimate that, as a result, Arde-Portland's costs for subcontracted items were about $592,800 less than the estimated costs it had included in its initial price proposal.

In our view, the overestimating occurred because Thiokol and the Air Force did not obtain or review the latest available evidence of the estimated costs that Arde-Portland expected to incur in performing its contract with Thiokol. The Air Force advised us on August 17, 1965, that:

> Since August 1964, in addition to an Air Force committee review, an audit is required on all fixed-price subcontract proposals received by Thiokol in excess of $250,000 when the price is to be based on an analysis of a cost estimate.

The Air Force also stated that, to avoid a recurrence of the situation dealt with in our report, Thiokol had incorporated these instructions in its internal procedures, reorganized its purchasing department and made extensive personnel changes and that a subsequent survey made by an Air Force Western Contract Management Region Purchasing Methods Analysis Team had showed that all deficiencies previously found in Thiokol's pricing and negotiating areas had been corrected.

As the result of a meeting held on December 7, 1965, pertaining to the findings included in our draft report, Arde-Portland, Thiokol, and Air Force representatives negotiated supplemental agreement 36 to contract AF 04(694)–133. This agreement reduced the amount of the contract by $266,375, in final settlement of the overestimated material and labor costs of more than $592,000 disclosed by our review. We recommended to the Secretary of Defense that he bring the facts of this procurement to the attention of contracting officials, to emphasize that attempting to obtain recovery after contract performance is not a satisfactory substitute for obtaining, during contract negotiations, reasonable evidence of the estimated costs that subcontractors expect to incur.

[Index No. 72—B–118634, Oct. 19, 1966]

Review of Policies and Procedures Followed in Determining the Size of the New Second Lock at Sault Ste. Marie, Mich., Corps of Engineers (Civil Functions) Department of the Army

On the basis of our review, we estimated that the cost of designing and constructing the New Second Lock was increased by about $651,000 because the Corps of Engineers decided to increase the authorized size of the New Second Lock without first adequately establishing the maximum-size ships that could be expected to use the new lock during its economic life. Shortly after construction started and after the design work was substantially completed, shipping interests expressed concern over the adequacy of a proposed 1,000- by 100-foot lock. As a result, the Corps stopped construction and design work, restudied the proposed lock size, and decided to increase the size of the lock to 1,200 by 110 feet. In our opinion, the data upon which the decision was made to increase the lock size to 1,200 by 110 feet was basically the same as the data available at the time the Corps decided to build the 1,000-foot lock.

The Department of the Army, in commenting on the matters presented in this report, generally disagreed with our findings and conclusions. The Department stated that three principal changes in conditions occurred between 1959, when the decision was made to increase the length of the lock to 1,000 feet, and 1962, when the decision was made to increase the length of the lock to 1,200 feet. The changes referred to by the Department relate primarily to technological changes in ship construction and in processing of low-grade ores and to improvements in the Great Lakes connecting channels. Although these principal changes would probably affect the date at which larger Great Lakes ships would be placed in service, we believe that sufficient information was available in 1959 to place the Corps on notice that these changes would occur during the economic life of the lock and we believe that the Corps should have considered the effect of these changes in determining the size of the New Second Lock.

These and several additional comments by the Department have been considered in our report and are included as appendix II.

Existing regulations and procedures provide general guidelines to be used in the planning and designing of locks, and we are not recommending that these be revised or that more detailed guidelines be established because we recognize that numerous factors are involved in determining the size of a lock and that these factors vary depending on the type of vessels and traffic which will use the lock. Because the decision as to the size of each lock to be constructed—as in the case of the New Second Lock—involves the exercise of judgment, we believe that it is particularly important that the information compiled during the lock-size studies and the recommendations made by the district engineers based on these studies be critically reviewed and evaluated by responsible officials in the division and in the Office of the Chief of Engineers.

Accordingly, we are recommending that, in order to minimize the possible occurrence of similar situations, the Chief of Engineers bring this report to the attention of all district engineers to stress the importance of conducting thorough studies before building new locks. We are recommending also that the Chief of Engineers bring this report to the attention of the division engineers and officials in the Office of the Chief of Engineers to demonstrate the need for more critical evaluations of representations and proposed actions of the district engineers to ensure that the representations and actions are in line with current and forecast lock-size requirements.

[Index No. 73—B–133394, Oct. 31, 1966]

Review of Selected Aspects of Scheduling for Design, Integration, and Test of Nimbus Spacecraft, National Aeronautics and Space Administration

The primary objective of the Nimbus project at its outset was to develop a meteorological satellite system which would be capable of meeting operational, as well as research and development, needs of the nation's atmospheric and weather services. We undertook a review of selected aspects of the management of the Nimbus project,

after noting that project cost estimates had been substantially exceeded and that launch schedules had not been met, to consider the need for strengthening the Space Administration's management practices relating to research and development projects.

We noted that, in the early stages of the Nimbus project, the Space Administration's Goddard Space Flight Center required the Nimbus spacecraft integration contractor to work on prototype spacecraft design and test planning when only tentative design information was available about the spacecraft subsystems. These subsystems—integral parts of the spacecraft—were being designed and fabricated by other Space Administration contractors for integration into the spacecraft. The Goddard Center subsequently authorized the integration contractor to give recognition to delays in completion of the spacecraft subsystems. The integration contractor, however, had to perform substantial reanalysis, redesign, and rework relating to integration and spacecraft testing at an estimated cost of about $1.1 million because much of the tentative subsystem design information it had used in meeting the requirements or the integration schedule proved to be inaccurate.

On the basis of our review, we believe that this situation occurred because the Goddard Center did not give timely recognition to the effects of expected delays in delivery of subsystem hardware on the integration effort at the time these delays became known. Also, we believe that the Goddard Center did not assure itself at that time that any benefits which might have been expected from adhering to outmoded schedules would have offset the added costs which could have resulted from using tentative design data. In our opinion, postponement of the start of spacecraft design and test planning would have evidenced a recognition of the situation as it existed at that time; that is, undertaking spacecraft design and test planning based on tentative design data involved the unnecessary risk of increasing project costs.

Because accounting records normally maintained for the performance of cost-type research and development contracts do not contain this type of information, a reasonable approximation cannot be made of costs that might have been avoided by a more timely adjustment of the integration schedule. We believe, however, that the magnitude of the expenditurse of about $1.1 million subsequently made for reanalysis, redesign, and rework indicate that substantial costs might have been avoided.

The Space Administration, whose comments are included in the report, did not agree with our finding regarding the need for more timely adjustment of schedules under the circumstances that existed. In this regard, we noted that the Space Administration recently issued a new agencywide policy directive for the planning, approval, and conduct of future major research and development projects. This policy, known as Phased Project Planning, was evolved because of the undesirable results that occurred in the form of increased costs over those predicted, and delays or slippages in established schedules, when major research and development projects were allowed to proceed almost directly from feasibility studies to full-scale hardware development.

The new policy directive provides that future research and development projects similar to Nimbus will normally be conducted in four

sequential phases—Advanced Studies, Project Definition, Design, and Development/Operation—with each phase a specifically approved activity to be undertaken only after review and analysis of the preceding effort by agency top management. Under this system final hardware design, development, and fabrication will not be undertaken until necessary design work relating to critical systems and subsystems has been performed to provide reasonable assurance that milestore schedules for the final or development phase can be met. In contrast, milestone schedules for the delivery of advanced state-of-the-art hardware for integration and testing in the Nimbus project were established at the outset and, in our opinion, were adhered to unnecessarily after the Space Administration learned that these schedules were virtually unattainable because of typical developmental problems.

In this regard the Space Administration's policy directive, issued in October 1965, to improve the management of research and development projects would, if adequately implemented, eliminate the likelihood of a recurrence of this situation. The directive contemplates an orderly approach to the management of research projects. However, the tenor of the Space Administration's comments to us, 1 month after issuance of the directive, indicates that, under circumstances similar to those cited in this report, Space Administration management would again make the same decision. Therefore, we plan to examine into the implementation of the new policy as part of our continuing review of the management of Space Administration research and development projects.

[Index No. 74—B–156760, Oct. 31, 1966]

MANAGEMENT CONTROL OF NIKE-HERCULES MISSILE LAUNCHING AND HANDLING RAILS

The Army's management control over the computation of requirements, the procurement, and the accountability of major items of NIKE-HERCULES missile ground support equipment was inadequate in that the Missile Command was unable to account for substantial quantities of costly missile system equipment. The inability to account for this equipment was a result of an inadequate record-keeping system which did not provide sufficient data on which to base requirement computations. Requirements were computed on the basis of new deployments, authorization of increased number of missiles assigned, and individual users' requests, less the quantity of rails shown to be on hand in depots and on order. The total quantity already available at users' locations and the condition thereof were not considered in the requirement computation.

At the time of our review, the Missile Command had obtained authorization of funds and was in process of procuring 149 NIKE-HERCULES missile launching and handling rails, at a cost of about $1.3 million, which were in excess of actual requirements. After we suggested that it reevaluate overall requirements, an Army-wide review was initiated, which resulted in a decision to cancel the planned procurement of 149 rails.

The problems associated with the management control of NIKE rails are not unique. We have previously found and reported on a number of instances where procurement actions were initiated because stock already in the Army supply system was not adequately accounted for by using organizations and because the Army did not have adequate procedures for verifying asset data received from using organizations with procurement and issue information. We have found also that these conditions were due primarily to the lack of adequate accounting control over inventories, particularly at the time of delivery and extending in greater or lesser degree to all echelons of the supply system.

The Deputy Assistant Secretary of the Army (Installations and Logistics) has advised us that the Army concurred generally with our findings and agreed that the records transferred to the Missile Command by the Major Item Supply Management Agency were not adequate to provide inventory control on the rails previously issued to users. The Army noted, however, that certain actions had been taken which it believed would provide supply commodity managers with current, accurate, and reliable worldwide asset information.

The Army is engaged in an overall program for developing a central control of assets and requirements for major items and certain significant spare parts. We believe, however, that the improvements that might result from the Army's actions will depend to a great extent on the performance of the individuals responsible for establishing and reviewing requirements and authorizations.

[Index No. 75—B–159072, Oct. 31, 1966]

Potential Savings Through Greater Use of Available Government Gasoline Outlets, General Services Administration

We found that greater use of Government gasoline outlets is feasible and that substantial savings can be achieved if responsible General Services Administration officials will take action to more effectively control credit-card purchases of gasoline from commercial service stations. In our report dated July 15, 1966 (B–159072), we reported a similar finding on our review of credit card purchases of automotive gasoline for vehicles of the Departments of the Army, Navy and Air Force.

The General Services Administration annually purchases an esti- 25 million gallons of gasoline from commercial service stations. The cost of gasoline purchased with credit cards is from about 7 cents to 19 cents a gallon higher than the cost of gasoline obtained from Government outlets. Our reviews at selected interagency motor pools showed that about 27 percent of the gallons of gasoline purchased at commercial service stations could have been purchased at Government gasoline outlets at substantial reductions in cost. If the feasibility of using Government gasoline outlets that we observed is typical for all motor pools, we estimate that the Government could save about $600,000 annually by using available Government gasoline outlets to the maximum extent practicable.

We apprised the Administrator, General Services Administration, of our findings and suggested that certain actions be taken to obtain

maximum use of Government gasoline outlets for vehicles of the General Services Administration. The Assistant Administrator for Finance and Administration informed us in his letter dated June 28, 1966, that several problems were being encountered but that the General Services Administration was in general agreement with the objective of our suggestions. He advised us of a number of actions that would be taken.

As part of our continuing review of the motor vehicle operations of Federal agencies, we plan to look into the effectiveness of the actions taken by the General Services Administration to obtain greater use of Government gasoline outlets.

[Index No. 76—B–159271, Oct. 31, 1966]

Review of Procurement of Detachable Helicopter Ground Handling Wheel Assemblies, Department of the Army

We found that, as of November 1964, the Army had procured more ground handling wheel assemblies than were needed to support its total planned inventory of UH–1 helicopters. The overprocurement was caused by the fact that Army procedures did not require using units to report accessories or components of major items of equipment which were unnecessary, oversophisticated, or furnished in quantities greater than needed and did not specify that this factor be considered in requirement computations. After we discussed this condition with Army officials, action was initiated to establish more realistic requirements for these assemblies. As a result, procurement orders for 117 wheel assemblies or 58.5 sets costing approximately $43,700 were canceled and the need for possible future procurement of an additional 2,400 sets costing about $2.1 million was eliminated.

The Assistant Secretary of Defense subsequently advised us that the Department of Defense concurred in our finding and stated that the Army's revised criteria for wheel assemblies should preclude further overstatement of needs. The Assistant Secretary of Defense further advised that, on the basis of planned procurement of UH–1B/D helicopters through fiscal year 1967, the Army would be able to utilize all the UH–1B/D wheel assemblies in the system and probably would have to procure additional ones. The only wheel assemblies which would then be excess to the Army's needs would be 172 sets for the UH–1A helicopter, valued at $176,000, which could not be used for the UH–1B/D helicopter. The increased requirement for UH–1B/D wheels was due to the fact that the Army had greatly increased its planned procurement of UH–1B/D helicopters since the date of our review. We believe that, in view of this increase, savings on future procurement of ground handling wheel assemblies resulting from the Army's revised criteria should be even greater than $2.1 million.

The Assistant Secretary of Defense also advised us that the Office of the Secretary of Defense and the Department of the Army concurred in our proposal that procedures be established to provide for using units to report to higher authority all items received with or furnished on major items of equipment that are unnecessary, oversophisticated, or in excess of actual needs. He said that the Army would make a study to determine the form and scope of these procedures.

[Index No. 77—A–90545, Nov. 28, 1966]

Procurement of Printing of Technical Manuals From Equipment Contractors, Department of Defense

We made a review of the opportunity for savings by the Department of Defcnse in the procurement of the printing of technical manuals from equipment contractors. We conducted this review in cooperation with the Joint Committee on Printing, Congress of the United States, which, as part of its overall study of the Federal printing program, had requested us to review the practices followed by the military departments in the procurement of printing. On the basis of our review, we believe that, in most cases, the military departments can achieve significant savings by procuring the printing of technical manuals from commercial printers under formally advertised contracts awarded by the Government Printing Office in lieu of procuring such printing from the manufacturers of equipment.

The Joint Committee on Printing, as part of its authority under title 44 of the United States Code, promulgates and publishes the Government printing and binding regulations. The regulations state that, when printing is authorized as part of an equipment contract, the cost thereof must be identified in the contract and a record of the cost thereof must be maintained for review.

Our examination covering the fiscal year ended June 30, 1964, disclosed that (1) information on the total expenditures for printing technical manuals procured from equipment contractors was not maintained by the military departments and (2) costs for printing technical manuals generally were not identified in the individual equipment contracts. Therefore, we made a review of Government expenditures for the printing of technical manuals at selected contractor locations. Our detailed examination of the contractors' records disclosed that the cost to the Government for printing technical manuals furnished to the military departments under equipment contracts held by these contractors amounted to approximately $2.2 million in fiscal year 1964. Also, we obtained from the Government Printing Office estimates of the prices that could have been obtained for printing certain manuals furnished by these contractors if the printing had been procured from commercial printing sources under contracts awarded by the Office. On the basis of data obtained from the contractors and the Government Printing Office, we estimate that the military departments could have saved about $770,000, or 35 percent of the $2.2 million.

On the basis of our limited test, we estimated that, during fiscal year 1964, the military departments spent between $25 million and $30 million for printing manuals procured through equipment contractors and that the military departments could save about 35 percent of such costs annually.

For fiscal year 1964, this savings could have amounted to about $8 million. In our opinion, adequate cost information would have furnished a sound basis on which the military departments could have determined the most economical method of procurement and thereby realized significant savings.

In reply to our draft report on this matter, the Department of Defense concurred with our findings that information on the total

costs incurred by the military departments for the printing of technical manuals procured from equipment contractors was not available and that costs for printing technical manuals generally were not identified in the individual equipment contracts. Further, the Department concurred with our recommendation that the Secretary of Defense take the necessary action to ensure maximum procurement of printing of technical manuals through the Government Printing Office consistent with cost economy and operational effectiveness. We were also advised that the military services had underway accelerated programs for obtaining the printing of their manuals through contracts established by the Government Printing Office. These actions should result in significant savings to the Department of Defense in the procurement of technical manuals.

[Index No. 78—B–133127, Nov. 29, 1966]

Review of Coordination Between Procurement of Technical Equipment and its Ultimate Utilization, Federal Aviation Agency

On the basis of our review, we believe that there was a need for the Agency to achieve better coordination between the procurement of air navigational and traffic control equipment and its ultimate installation at field facilities. We noted that the Agency had accumulated sizable overstocks of such equipment because it had procured the equipment without having firm plans for the installation of the equipment. We noted also that, because of the inadequacy of its procedures for determining stock availability, the Agency had purchased equipment from commerical sources, at a cost of about $136,000, when similar equipment stocked at its Oklahoma City depot was in excess of reasonably current needs. We noted evidence that procumrent actions had been expedited in an apparent effort to obligate funds before the end of the fiscal year.

The overstocks and unnecessary or premature purchases resulted in (1) large stocks of some items becoming obsolete because of technological advances after the items were purchased, (2) the manufacturers' warranties on many of the items in storage substantially or completely expiring, and (3) the premature investment of Government funds in inventories when these funds might have been used for other more essential purposes. Also, these factors tended to result in additional interest, storage, and handling costs.

We proposed that the Agency (1) establish definitive procedures for determining the amount of air navigational and traffic control equipment to be purchased, (2) discontinue the practice of procuring air navigational and traffic control equipment on the basis of budget estimates and tentative plans, and purchase such equipment as near as possible to the date of actual need for the equipment on specific approved projects, and (3) identify equipment excess to the Agency's reasonably current needs for approved or firmly planned projects, and report excess stocks to the General Services Administration so that they may be made available to other Government agencies.

In a letter to us dated May 10, 1966, the Administrator of the Federal Aviation Agency stated that he agreed with our findings and our proposals for corrective action. He informed us that the Agency had issued, during the past 2 years, three directives designed to provide stopgap corrective action until such time as more comprehensive system improvements could be implemented. The Administrator informed us also that, on November 2, 1965, the Agency issued the more comprehensive system improvements for the management of project material, which would be fully implemented in the Agency by December 31, 1966, and would provide for the constant comparison of requirements and assets, the reassignment of assets to meet changing requirements, and the early identification and prompt disposal of excesses to ensure their availability to other Government agencies.

The Administrator added that (1) an Agency directive would be issued to give formal status to informal instructions now in existence which provide for miscellaneous construction supplies to be procured on a more realistic basis, (2) every effort was being made to buy equipment nearer to the actual need date, and (3) Agency internal audit follow-up and future management reviews would determine the effectiveness of all the corrective actions taken.

We believe that the comprehensive system improvements, when they are fully in effect, should significantly enhance the coordination between the purchase and ultimate use of equipment. In the interim, however, we believe that, for effective management of project material now on hand, definitive criteria are needed as to when material reserved for a future project may be considered available for current use on another project with an earlier start date, and we are recommending that such criteria be included as an amendment to the Agency's November 1965 directive.

[Index No. 79—B–146700, Nov. 29, 1966]

SAVINGS ATTAINABLE IN THE USE AND PRICING OF CERTAIN NONPERISHABLE FOODS, DEPARTMENT OF DEFENSE

The General Accounting Office has made a review of certain aspects of the use and pricing of specification nonperishable foods within the Department of Defense.

We believe that significant savings will be realized by the military services in the future through maximizing the use of food items packaged in large-size containers. We believe also that significant savings will be achieved by the services, in connection with the sale of food items to military commissary stores, as a result of establishing prices for food items on the basis of their actual cost in each size of container rather than on the basis of the average cost in all container sizes. In this connection, our review indicated that, during fiscal year 1964, annual savings of as much as $2 million could have been realized had maximum use been made of foods packaged in large-size containers and had food items sold to commissary stores been priced at actual cost.

At the time of our review, policies and procedures had not been established to determine and/or encourage the use by military services of the most appropriate size or type of container of food. In

addition, the Defense Subsistence Supply Center, which managed food items for the Department of Defense, had taken the position that its responsibility was limited to furnishing food items in the manner prescribed by the military services.

In advising the Department of Defense of our findings, we also proposed that the Secretary of Defense establish a program for the periodic review of subsistence items used by the military departments to identify uneconomical practices and that he initiate the necessary corrective action.

The Deputy Assistant Secretary of Defense (Materiel Requirements), by letter dated June 21, 1966, concurred with our findings and conclusions and, in regard to our proposal, identified recent steps taken by the military departments and the Defense Personnel Support Center which provide the means for continuous review of subsistence items used by the military departments. These steps are (1) issuance of military departmental regulations requiring the utilization of large-size containers, (2) implementation on January 1, 1966, of Defense Personnel Support Center policy establishing separate prices for each size container of food, and (3) distribution to the services of Defense Personnel Support Center usage reports to provide the capability of determining and controlling the container sizes of food being used by their installations.

In addition, the Deputy Assistant Secretary advised us that the Secretary of Defense had recently authorized, and would establish on or about July 1, 1966, a focal point Directorate of Food Services Management Systems within the Office of the Deputy Assistant Secretary of Defense (Materiel Requirements). Responsibility for the continuation and improvement of the program to identify uneconomical practices and to initiate corrective action will be assigned to that Directorate.

The action by the military departments and the Defense Personnel Supply Center was taken after our review was completed and our findings brought to their attention. Effective central control over the program, in our opinion, would likely have resulted in earlier identification of the uneconomical practices so that corrective measures could have been taken by management officials. In this regard, we believe that the plan of the Secretary of Defense to establish a focal point Directorate of Food Services Management Systems will likely provide the central control needed to efficiently manage the subsistence program.

[Index No. 80—B–159210, Nov. 30, 1966]

Utilization of Motor Vehicles in the Cape Kennedy Interagency Motor Pool; General Services Administration, National Aeronautics and Space Administration

Because of continuing congressional interest in efficient and economical motor vehicle operations in the Government, we are reporting on these matters to inform the Congress (1) of the corrective actions taken by the General Services Administration and the National Aeronautics and Space Administration and (2) of the opportunity to improve utilization of interagency motor pool vehicles by establishing

vehicle rental rates that should discourage the use of motor vehicles for unusually low mileage requirements and, at the same time, recover the actual cost of owning and operating vehicles on the basis of usage by each agency.

Prior to our review the National Aeronautics and Space Administration renewed certain long-term lease contracts with a commercial leasing firm. Our review showed that, if the General Services Administration and the National Aeronautics and Space Administration had coordinated their efforts in determining the best means of providing motor vehicle support, substantial economies could have been achieved by obtaining transportation support from the General Services Administration.

Before the expiration of these leases and without a proper determination as to whether the leases could be terminated without penalty to the Government, the General Services Administration established a motor pool at Cape Kennedy, Florida, and purchased additional vehicles to provide transportation support to the National Aeronautics and Space Administration. As a result, the number of Government owned and leased vehicles on hand in the Cape Kennedy area substantially exceeded the number needed.

Our detailed review of vehicle utilization records covering a 9-month period during fiscal year 1965 showed that the number of vehicles assigned to the National Aeronautics and Space Administration by the Cape Kennedy motor pool continued to substantially exceed the number of vehicles required to efficiently and economically satisfy automotive needs.

Our review showed also that the General Services Administration motor vehicle rental rates, which were in effect throughout the country, did not recover the full cost of owning and operating vehicles assigned to meet low-mileage requirements. We believe that, if the General Services Administration would establish a rental rate structure designed to recover vehicle costs on the basis of usage by each agency, vehicle utilization would be improved on a nationwide basis. Such action should also provide the necessary degree of correlation between the rates charged and the cost to the Government to enable and encourage the consideration of such costs by vehicle users in their decisions as to how their transportation needs should be met.

We brought our findings and proposals for corrective action to the attention of the General Services Administration and the National Aeronautics and Space Administration. In their written comments on these matters, neither agency agreed fully with our findings, but both agencies informed us of substantial degrees of corrective action that had been taken.

To improve utilization of vehicles and recover vehicle costs on the basis of usage by each agency, we are recommending to the Administrator of General Services that motor vehicle rental rates be revised to provide for a flat rate to cover the fixed costs that are incurred by the passage of time plus a mileage rate to cover the variable costs that are related to the miles driven.

[Index No. 81—B–159206, Dec. 5, 1966]

Review of Price Increases Under Shipbuilding Contracts, Department of the Navy

The General Accounting Office has examined into the propriety of certain price increases under shipbuilding contracts.

The Department of the Navy agreed to reimburse prime shipbuilding contractors for price adjustments paid to their supplier of marine propulsion equipment and turbine generator sets on the basis of increases in the supplier's catalog prices for designated commercial items. Within 3 months after the award of the related subcontracts, the supplier increased the catalog prices for the designated commercial items and claimed and was paid price increases of more than $1.7 million for items purchased by the Government.

The record shows, however, that, with respect to certain of these items, there were no commercial sales of the items designated by the supplier as the nearest commercial equivalent upon which to base price adjustments. Also, for the remaining items, increases in the commercial selling prices were not proportionate to the increases in the supplier's catalog prices. In fact, in some instances, even though the catalog prices were increased, the commercial selling price remained the same.

The Department of the Air Force resident auditor responsible for all Department of Defense activities at the supplier's plants requested the supplier to furnish information on its commercial selling prices and other pertinent data concerning the price increases prior to the time the Navy reimbursed the prime contractors for the $1.7 million discussed in this report. The requested information was not furnished by the supplier. The prime contractors and the supplier advised us, in substance, that the price increases were in accordance with contractual arrangements.

The Armed Services Procurement Regulation in effect at the time of negotiations did not specifically require the agency or the prime contractors to establish that catalog prices were bona fide commercial prices before agreements were reached to pay price increases based upon increases in catalog prices. In accordance with the provisions of Public Law 87–653, the procurement regulation has been revised to require that catalog prices for designated commercial equivalents be verified to ensure that they represent actual prices of commercial items sold in substantial quantities to the general public. Further revisions are being considered by the Armed Services Procurement Regulation Committee.

In addition, we were advised that our findings on certain of these items suggested a possible breach of contract and that the Navy would made a detailed evaluation. Department of the Navy officials advised us also that, in the study indicates a basis for recovery, the Navy will evaluate the remaining items discussed in this report as well as other items purchased under other Government prime contracts and subcontracts awarded under conditions and terms similar to those discussed in this report.

[Index No. 82—B–156269, Dec. 14, 1966]

Review of Determinations of Wage Rates for Construction of Carters Dam, Ga., Department of Labor

Our review showed that the wage rates determined by the Department as prevailing, thereby becoming minimum rates payable for construction of the Carters Dam project, increased an average of about 63 percent during the period March 20, 1963, to January 28, 1965. We estimated that, as a result of the wage-rate increases, the contract value of phase II work—about $15.4 million—included about $1.7 million in extra direct labor costs which we believe were considered by the contractors in their bids and accordingly increased the project cost to the Government.

The higher minimum wage levels were largely based on wages paid by contractors for the diversion tunnel and the main dam, phase I, which were relatively small contracts of $601,265 and $1,827,045, respectively. The contractor for the diversion tunnel paid premium wages principally because of the hazardous and specialized nature of his work. We believe that these high rates for unusual work should not have been carried forward, as was done by the Department, as minimum wage rates for more ordinary work.

By agreements with local unions, the contractor for the main dam, phase I, paid wages at increased rates on only the last part of the phase I construction. These increased wage rates were accepted by the Department as being the prevailing wage levels in the area and, as of January 28, 1965, were determined to be the minimum wage rates payable by the contractor on the main dam, phase II, the $15.4 million contract.

We believe that lower minimum wage rates would have been determined had appropriate consideration been given to (1) the wage rates prevailing on similar heavy and highway construction work in the area, instead of using as a basis the wage rates determined and paid for prior work of a specialized and hazardous nature at the dam; (2) the wage rates paid during the representative peak payroll periods on similar work in the area, instead of using the rates paid only during the last few weeks of just prior work on the dam; and (3) the wage practices of other contractors in the area, instead of using the higher rates negotiated by an outside contractor for a small part of his work on the dam.

By letter dated January 11, 1966, the Assistant Secretary for Administration, Department of Labor, informed us that the Department had no specific comments on our findings except to say that all the information available to the Department at the time of issuance of the determinations was considered and it is believed that the rates predetermined were proper for the type of construction involved. The Assistant Secretary also stressed that this opinion was consurred in by the Wage Appeals Board in its decision of March 1, 1965.

In a second letter, dated March 8, 1966, the Assistant Secretary for Administration commented on why the Department did not consider highway and road projects in its determination of prevailing wages for Carters Dam construction. His pertinent comments and our evaluation are included in the body of the report.

This report is for the information of the Congress because we believe the Department's wage determinations are not in accordance

with the intent of the Davis-Bacon Act which is that its administration should not be used to exert either an inflationary or a deflationary effect. We believe that it was not intended that the Government be put in the position of fixing or of anticipating wage levels or that wage determinations be used to establish high wage rates for Government-financed projects in areas where lower rates actually prevail, but that the wage determination requirement was intended to protect comparable wage levels in the area prevailing before beginning of the construction contract.

[Index No. 83—B–153129, Dec. 27, 1966]

REVIEW OF POLICIES AND PROCEDURES USED IN DETERMINING THE ADMINISTRATIVE OFFICE SPACE TO BE PROVIDED IN MAJOR POSTAL FACILITIES, POST OFFICE DEPARTMENT

Our review indicated a potential for substantial savings to the Government through (1) planning the office space in new postal facilities on the basis of standards comparable to those established by the General Services Administration for use in determining the office space needs of other Federal agencies and (2) subleasing office space in leased postal facilities, which is in excess of current requirements.

The Department's space standards provide for administrative offices which, in the 10 facilities that we reviewed, averaged about 32 percent larger than would have been provided under General Services Administration standards. We believe that, in most cases, the administrative operations of postal facilities could be carried out without loss of efficiency in offices of the sizes authorized under the General Services Administration's standards which were developed, with the cooperation and concurrence of more than 60 Federal agencies, on the basis of studies made to determine the amounts and types of space required for efficient operations.

We estimated that, if the 10 major leased facilities covered by our review had been planned on the basis of the General Services Administration standards for administrative office space, the savings in rentals might have amounted to as much as $88,000 annually, or $2,580,000 over the lives of the leases. As the Department currently has about 90 major facility projects under development and has a continuing program for constructing new facilities to meet its expanding needs, we believe it reasonable to conclude that substantial savings to the Government would result if the office space for new postal facilities were planned on the basis of standards comparable to those established by the General Services Administration.

The Post Office Department has sole responsibility for planning facilities to be acquired under the lease-construction program, but a question exists as to the agency responsible for establishing standards for the administrative office space to be occupied by the Department in federally owned buildings. The Post Office Department and the General Services Administration are in disagreement as to which of the two agencies has this responsibility. Although the General Services Administration generally has not required compliance with its space standards with respect to Post Office Department office

space in federally owned buildings, it has disagreed in the past with the Department's requests for office space in several such buildings. Some of these disagreements had not been resolved at the time of our review.

In commenting on our findings, the Postmaster General advised us that the Department proposed to adopt new administrative office space standards more in line with current needs and the General Services Administration's allowances.

While the adoption by the Department of new standards for administrative office space should result in improvement of the conditions found in our review, we believe it to be desirable to have a consistent Government-wide policy with respect to administrative office space, and we found in our review no sound reasons for exempting the Post Office Department from the general policy of having the General Services Administration responsible for establishing or approving office space standards for Government agencies. We also believe it to be desirable to remove the uncertainty which now exists as to which agency has the responsibility for determining the amounts of office space to be provided to the Department in federally owned buildings.

We are recommending that the Congress give consideration to enacting legislation which would make the General Services Administration responsible for either establishing or approving the standards to be used in planning space for the Post Office Department's administrative activities in both leased facilities and federally owned buildings.

The Department usually plans the administrative office space for major lease-construction projects on the basis of estimates of the requirements 20 years in the future, with the result that most new facilities contain substantial amounts of unneeded office space during the first few years after the facilities are constructed. We believe that, with adequate advance planning, much of the excess office space in new leased facilities could be consolidated in one area so as to facilitate subleasing until the space is needed, which would result in savings to the Government. In view of the Post Office Department's continuing program for constructing new facilities to meet its expanding needs, we believe that the savings resulting from subleasing could be substantial.

We estimated that, for 8 of the 10 leased postal facilities involved in our review, the Government could realize annual savings in rental costs of about $147,500 by subleasing the planned excess office space to other Government agencies which lease office space from private lessors. A portion of these savings would be offset by moving and partitioning costs that would not otherwise be incurred. In cases where excess office space could not be subleased to other Government agencies, the Department could sublease to non-Government users.

The Department concurred with our proposal that office space in postal facilities be subleased to the maximum extent practicable and stated that it would establish appropriate procedures to implement this policy.

[Index No. 84—B–125053, Dec. 29, 1966]

Need to Resolve Differences in Procedures Used by Federal Timber Management Agencies in Appraising Timber Offered for Sale, Forest Service, Department of Agriculture; Bureau of Indian Affairs, Bureau of Land Management, Department of the Interior

There are three principal timber-selling agencies in the Federal Government: the Forest Service, Department of Agriculture, and the Bureau of Land Management and Indian Affairs, Department of the Interior. Each of these agencies uses the analytical appraisal method to calculate appraised values representing the minimum acceptable selling prices of timber. Under the analytical appraisal method, the value of a given amount of standing timber is considered to be the residual value after deducting the estimated processing costs and an allowance for profit and risk from the estimated selling value of the timber end products.

The procedures used by the three agencies to appraise timber in the States of Oregon and Washington have differed in significant respects in regard to (1) determining the estimated selling values of wood products and by-products, (2) estimating the cost of producing wood products, and (3) establishing the allowance for profit and risk. Therefore, because of their varying procedures regarding these factors, the three agencies could compute significantly different appraised values for like stands of timber.

We believe that it is important, when different agencies are selling timber, for the responsible management officials to coordinate their activities to help ensure that the policies and procedures for the appraisal and sale of this timber are uniform and equitable to both the Government and timber purchasers.

We found that certain of the valuation procedures followed by the agencies did not recognize the full value of timber end products. We estimate that, if, in each such instance, the more appropriate procedures of one agency had been used by the other agencies, the appraised value of timber offered for sale in fiscal year 1963 and part of fiscal year 1964 could have been increased by more than $3.1 million. The inaccuracies causing the underappraisal resulted from (1) not considering the value of sawlog chips, a wood by-product, (2) using inappropriate lumber pricing data, and (3) using outdated veneer prices in establishing selling values for peeler logs (logs suitable for the production of veneer sheets).

Competitive bids accepted from purchasers for part of this timber were sufficiently above the appraised amounts to offset about $1.5 million of the $3.1 million understatement of appraised values. If the remaining timber had been offered for sale and sold at appraised values adjusted by the underappraisals disclosed by our review, the Government would have obtained nearly $1.6 million in additional revenue.

For other differences in procedures identified in our review that contributed to the calculation of different appraised values for like stands of timber, we were unable to determine which agency's procedures were the more appropriate. Consequently, we were unable to estimate what the effect on the appraised values of each agency would

have been if the agencies, in each such instance, had utilized the most appropriate of the different appraisal procedures.

As discussed in this report, the Federal timber management agencies have taken action to eliminate some of the differences in their appraisal procedures. However, officials of the Department of Agriculture and the Department of the Interior have not resolved other differences although there was a statement of congressional intent in 1956 that the Federal timber-selling agencies should have uniform policies, methods, and procedures and although, in 1959, the Bureau of the Budget requested both Departments to achieve consistency in these areas.

Interagency committees that were assigned responsibility in 1961 for developing uniformity in the agencies' timber appraisal procedures have not submitted their recommendations on this subject to either Department. However, a joint study of appraisal procedures recently conducted by the Department of the Interior and the Department of Agriculture for the Bureau of the Budget should provide information on the differences and relationships between the agencies' appraisal procedures, that could be useful for instituting appropriate uniform appraisal procedures.

In commenting on these matters, both the Department of the Interior and the Forest Service, Department of Agriculture, agreed that it would be desirable to attain a higher degree of uniformity in the appraisal procedures used by the Federal timber-selling agencies. They did not accept our estimates of the underappraisals and revenue losses.

An official of the Bureau of the Budget informed us in December 1966 that the aforementioned joint study was still under review. This official advised us that the Bureau of the Budget was deferring specific comment on the matters discussed in our report, pending completion of this review. In connection with this consideration of the joint study, we are recommending that the Director, Bureau of the Budget, take the necessary action to ensure that the agencies jointly develop and apply the most desirable set of appraisal procedures that will resolve the existing differences, discussed in this report as well as any other differences disclosed by the study.

[Index No. 85—B–160410, Jan. 10, 1967]

Savings Available by Purchasing Rather Than Leasing Commercial Two-Way Radio Equipment, Department of Defense

The General Accounting Office has made a review of the costs incurred by the military services for leasing commercial two-way radio equipment.

As of June 30, 1965, the military services were leasing commercial two-way radio equipment from three manufacturers at an annual cost of about $9.5 million. This type of equipment has a generally accepted useful life of 5 to 7 years and has not been subject to frequent technological obsolescence. On the basis of our review, we estimate that, by purchasing rather than leasing the equipment, the Department of Defense could save about $2.5 million a year, or about

$12 million over a 5-year period, the minimum estimated useful life of the equipment.

Department of Defense policy on rental of equipment, as set forth in the Armed Services Procurement Regulation, provides that the decision to lease rather than purchase be made on a case-by-case basis and that leasing be used only when it is more economical. We found that such decisions have not always been made in accordance with this policy. Our review disclosed that, while all the military services use the same type of commercial two-way radio equipment and acquire it from the same manufacturers, the Department of the Air Force leases such equipment almost exclusively but the Departments of the Army and Navy purchase the greater part of their equipment.

Of the total annual leasing costs of about $9.5 million being incurred by the Department of Defense, about $8.6 million was for Air Force equipment and about $0.9 million was for Army and Navy equipment. Information we obtained on equipment purchased by the services subsequent to 1960 showed that Air Force purchases amounted to about $0.3 million worth of this type of equipment compared with Army and Navy purchases which amounted to about $3.7 million.

Since the equipment has similar application in the three military services it appears to lend itself to procurement by a single procurement office. Vesting responsibility for purchasing the equipment in a single procurement office would permit consolidation of requirements, with a view to obtaining more favorable prices on volume purchasing, and would promote effective cross-service utilization of the equipment.

Accordingly, we proposed to the Secretary of Defense that the Department (1) give consideration to the need for issuing instructions to the military services to ensure that their determinations to lease or purchase commercial two-way radio equipment, including equipment in use, were justified on the basis of the criteria enumerated in the Armed Services Procurement Regulation, (2) designate a single procurement office to consolidate requirements for two-way radio equipment, since it is common to all services, and (3) give consideration to purchasing the equipment on an incremental basis when funds to finance the purchase of all equipment needed to fill the total requirements are unavailable.

The Department of Defense advised us on November 1, 1966, that it concurred in our conclusion that significant savings could be realized by the outright purchase of commercial two-way radio equipment. The Department advised us further that action was being taken to implement the proposals.

[Index No. 86—B–39995, Jan. 16, 1967]

Need for Improving Administration of the Cost or Pricing Data Requirements of Public Law 87–653 in the Award of Prime Contracts and Subcontracts, Department of Defense

During fiscal years 1957 through 1966, we submitted to the Congress 177 reports disclosing that Government costs on negotiated prime contracts and subcontracts were increased by about $130 million. The increased costs resulted primarily from the failure of contracting officials in negotiating contract prices to obtain accurate, current, or

complete cost or pricing data upon which to establish fair and reasonable prices. As a result of certain of these reports, the Congress enacted Public Law 87–653 to provide safeguards for the Government generally where competition is lacking.

We examined into the extent that agency procurement officials were requiring prime contractors and subcontractors to submit cost or pricing data and a certificate prior to the award of negotiated contracts as required by Public Law 87–653 effective December 1, 1962. Our examination covered 242 negotiated prime contracts and subcontracts awarded to 85 prime contractors and 89 subcontractors after October 1964. This examination was performed at 18 military procurement agencies and 31 prime contractor plants during the period April 1965 to June 1966.

We found that 185 of the 242 procurements were awarded under requirements of the law and the procurement regulations for submission of cost or pricing data and a certificate that the data submitted were accurate, complete, and current. However, in 165 of these awards, we found that agency officials and prime contractors had no record identifying the cost or pricing data submitted and certified by offerors in support of significant cost estimates.

As a result it appears that the certificate is not wholly effective since it may be impracticable to establish whether the offeror had submitted inaccurate, incomplete, or noncurrent data in instances where he had not identified the data he had certified. Further, the Government's rights under the defective-pricing-data clause required by the law to be included in these contracts may be impaired since in such cases it may be impracticable for the contracting officer to establish that erroneous data were relied on the negotiation if data were not submitted or made a matter of record by the offeror.

We also found that, in the remaining 57 of the 242 procurements examined, agency and contractor records of the negotiation indicated that cost or pricing data were not obtained apparently because the prices were based on adequate price competition or on established catalog or market prices of commercial items sold in substantial quantities to the general public.

Public Law 87–653 waives the requirement for obtaining certified cost or pricing data under such circumstances. However, the records of these awards did not contain an explanation by the contracting officials of why cost or pricing data were not required and the reasons for determining that the prices were based on adequate price competition or on catalog or market prices of commercial items. As a result, it could not be ascertained whether the bases for these determinations were consistent with criteria established in the Armed Services Procurement Regulation.

We found that prime contractors also had no record identifying the cost or pricing data submitted by subcontractors in support of significant cost estimates even though agency contracting officials were required, under negotiated prime contracts other than firm fixed-price type, to ascertain that such data were being obtained. Therefore, there also appears to be a need for thorough reviews by agency administrative contracting officials to ensure that prime contractors are obtaining adequate cost and pricing data, where appropriate, in the award of subcontracts.

We found that agency officials in awarding prime contracts were not requiring prime contractors to use a new Contract Pricing Proposal Form (DD Form 633) dated December 1, 1964. This form contains instructions to offerors which, if properly implemented, could, in our opinion, go a long way toward achieving compliance with the procurement regulations implementing the law. The Department of Defense has now taken steps to correct this matter. However, during our review of subcontracts, we found that prime contractors were not being required to use the new form in obtaining proposals from their subcontractors.

We proposed that the Department of Defense clarify its procurement regulations to provide that, where cost or pricing data are required in the award of prime contracts and subcontracts, agency officials and prime contractors be required to obtain from offerors written identification of the cost or pricing data, as defined in the regulations, in support of cost estimates along with certificates specifically covering the identified data and to retain such records in procurement files.

We proposed also that the prescribed certificate be revised to require the contractor to certify that a written identification of the cost or pricing data, as defined in the regulation, provided or otherwise made available to the contracting officer or his representative in support of the proposal, has been submitted and that such data are accurate, complete, and current as of the date agreed upon by the parties (which shall be as close to the date of agreement on the negotiated price as is practicable).

Further, we proposed that the Department of Defense take appropriate actions to emphasize and clarify certain existing requirements dealing primarily with the application of Public Law 87–653 to the award of subcontracts and to ensure that agency and contractor officials are complying with them.

The Deputy Assistant Secretary of Defense (Procurement) advised us that a special group had been appointed under the guidance of his office to study all the material contained in our report. He assured us that the necessity of providing additional guidance on the subject of submittal and retention of data or identification in lieu of submittal will be considered.

[Index No. 87—B–146778, Jan. 18, 1967]

Review of Procurement of Foreign Produced Aircraft Ejection-Seat System, Department of Defense

Our review of the procurement or the ejection-seat system for installation in F–4C type of aircraft shows, in our opinion, that the selection of a domestically produced seat system instead of the foreign-produced seat system could have resulted in potential savings of about $4.4 million in procurement, maintenance, and supply support costs for fiscal years 1964 through 1969. Our estimate of potential savings was based on the selection of the domestically produced seat system installed in the Department of the Air Force F–105 type of aircraft. (This review was made in response to a request dated September 16, 1963, from the Chairman, Committee

on Appropriations, House of Representatives, to perform cost studies of the F–4 type of aircraft.)

One of the factors considered in the selection of the foreign-produced seat system to be installed in the Department or the Navy version of the F–4 aircraft was the assumption that savings were obtainable through the use of identical seat systems in both versions of the F–4 aircraft. At the time procurement of F–4C type of aircraft for the Air Force began, however, a less costly comparable seat was in use in Air Force fighter aircraft, and we believe that this seat system could have been used with minor modifications in the F–4C aircraft.

The Navy's ejection-seat system was produced by a foreign manufacturer who claimed proprietary rights for this item. Consequently, in addition to the cost differential mentioned above, the use of this seat system in Air Force F–4C type of aircraft involved a number of factors which, in our opinion weighed against its procurement. Among these factors were (1) the effect that a lack of a domestic source of supply would have on mobilization capability in time of national emergency, (2) the inherent disadvantage to the procuring party in attempting to negotiate favorable terms with a sole-source producer, compounded by the location of that producer in a foreign country, and (3) the additional tax revenues and employment opportunities which the use of an ejection-seat system manufactured in the United States would generate.

The Deputy Assistant Secretary of Defense (Materiel Requirements) advised us that the Department did not agree that savings could have been realized through selection of the domestically produced ejection-seat system installed in Air Force F–105 type of aircraft, or that the F–105 aircraft seat system could have been modified in time to be installed in the first F–4C type of aircraft. In addition, we were advised that the foreign-produced seat system was selected because it possessed safety features which made it superior to the domestically produced F–105 seat.

We have carefully considered the position of the Department of Defense in light of the information of record and are of the opinion that the circumstances surrounding the continued procurement of a foreign produced seat system would be of interest to the Congress.

Although the Department of Defense has established a Cost and Economic Information System for use by management in (1) performing feasibility and predesign studies, (2) making choices among competing development or production alternates, and (3) negotiating systems and development contracts, we do not believe that the implementation of this system will provide the Department of Defense with the type of information necessary to fully evaluate the type of problem highlighted in our report. In this connection we were advised that the Cost and Economic Information System was not designed to identify individual items of equipment, such as ejection seats, already in the supply system that offer significant cost reduction and/or increased efficiency through alternate sources of supply but was designed only for analyses of total new weapon systems and new major components such as aircraft engines.

We recommended, therefore, that the Secretary of Defense either through expansion of the Cost and Economic Information System or through a subordinate system provide for appropriate analysis of

individual items or equipment such as ejection seats, radar systems, and communications equipment that are not included in the present system. In this regard, the system should provide for (1) the identification of alternate items of equipment and related costs for consideration by appropriate levels of management and (2) the continuous review and surveillance or procurements, particularly those made on a sole-source basis, in an effort to establish when cost savings may be realized on alternate sources of supply.

[Index No. 88—B–158469, Jan. 23, 1967]

Review of Methods Used To Provide Telephone Service to Military Family Housing Occupants, Department of Defense

The General Accounting Office has made a review of the methods used to provide telephone service to military family housing occupants with a view to determining the reasons why different policies and procedures exist within the three military departments. We also examined into the economy of the methods of providing telephone service.

Congressional policy, as expressed in the United States Code (10 U.S.C. 2481), has not permitted the military departments to sell certain utility services unless it has been determined that the needed services were not available from another local source. Notwithstanding this policy, we found that the Departments of the Army, Navy and Air Force sold telephone service to a substantial number of the military family housing occupants although commercial service was available. We believe that this situation results in large part because the military departments differ in their interpretation of the law and because the Department of Defense has not provided definitive guidance to the military departments to ensure uniform interpretation and compliance with the law.

In a letter dated July 20, 1966, commenting on our findings, the Deputy Assistant Secretary of Defense (Logistics Services) stated that the Army, Navy, and Air Force had not been in accord in their interpretation of the law and that Government-operated telephone systems would be utilized only where commercial service was otherwise unavailable and when it was determined that it was "in the interest of national defense or in the public interest" to provide such service. He stated also that our proposal regarding the uniform application of the statute by all the military departments was accepted by the Department of Defense and would be implemented.

Under the procedures that the Department of Defense plans to follow, there is a potential for savings through the elimination of telephone lines, leased at Government expense, presently required where telephone service to housing occupants is provided through telephone company switchboards rather than directly through military installation switchboards. The Deputy Assistant Secretary of Defense stated that the Department of Defense, in order to secure the maximum economic advantage within the existing framework of the law, intends to examine in detail the possibility of allowing commercial companies to connect their systems serving base housing to the Government-controlled administrative systems. We agree that this

proposal has merit and should be studied further for the purpose of attaining economies.

[Index No. 89—B–133188, Jan. 25, 1967]

Review of Geodetic Surveying Activities Within the Federal Government, Bureau of the Budget, Department of the Interior, and Department of Commerce

The General Accounting Office has made a review of the geodetic surveying activities of selected agencies of the Federal Government. Our findings and recommendation with regard to the economies available through improved coordination of these activities are summarized in this letter and described in more detail in the accompanying report.

Geodetic surveys are basically land surveys made for the purpose of determining the precise position of specific points on the earth's surface in terms of latitude, longitude, and elevation. Once the positions are identified and monuments are established to mark the positions, the area is considered to be under geodetic control. This report is concerned primarily with horizontal control which identifies positions of known latitude and longitude. The Environmental Science Services Administration, Department of Commerce, has the responsibility for establishing a nationwide network of geodetic control points, and the Bureau of the Budget has the responsibility for coordinating geodetic surveying activities in the Federal Government.

Other Federal agencies—including the Geological Survey, Department of the Interior, in its national mapping program and the Bureau of Public Roads, Department of Commerce, in its highway programs—also establish geodetic control points. These geodetic control points generally are established, however, only to standards required for individual program needs and, for the most part, do not meet the standards of accuracy required to extend the national network. Consequently, the Environmental Science Services Administration plans to resurvey most of the same areas to establish geodetic control points that will meet the standards of the national network.

We believe that, if the initial surveys could be made to national network standards, substantial savings in effort and cost would result, because it would not be necessary for the Environmental Science Services Administration to resurvey the same areas. On the basis of data available during our review, we estimated that past or planned expenditures for geodetic surveys which would not contribute to the national network of geodetic control by the Bureau of Public Roads under its highway programs would total about $30 million and by the Geological Survey under the topographic map program would total about $15 million.

The Bureau of the Budget, in June 1966, agreed that it should continue to press for improved coordination and efficiency in the conduct of the Government's geodetic control activities but doubted that it was either desirable or possible to ensure that all geodetic control work would extend the national network. Subsequently, in Septemper 1966, the Bureau of the Budget advised us that the Geological Survey and the Environmental Science Services Administration had entered into an agreement whereby horizontal geodetic control to

national network standards would be achieved as a part of the Geological Survey's topographic map program.

The agreement provides that, where other requirements are equal, preference in the authorization of mapping will be given to an area which has been basically controlled over an area which does not contain basic control. The Geological Survey will continue to advise the Environmental Science Services Administration of its mapping plans so that it may accomplish as much of the basic control as possible. In situations where a portion of a large uncontrolled area must be mapped, however, the Geological Survey will establish horizontal control to national network standards, with proper connections to existing control points.

We believe that this agreement is an important step in the right direction. In our opinion, however, a more economical arrangement may be possible by requiring Geological Survey to perform all the basic control required for those areas which are presently uncontrolled and which it plans to map under its current mapping program. Such an arrangement would result in only one field operation by the Geological Survey, whereas, if the Environmental Science Services Administration performs the control prior to the time the Geological Survey does its mapping, two field operations would be required—one by the Environmental Science Services Administration to establish the control and one by the Geological Survey to identify and utilize the control for mapping purposes.

The various agencies, in commenting on this matter, did not indicate that any specific action would be taken to improve the coordination of the geodetic surveying activities of the Bureau of Public Roads and other Federal agencies with those of the Environmental Science Services Administration. In our opinion, geodetic control surveys should be performed to national network standards whenever such surveys are performed in an area where they will fit into the overall nationwide geodetic control plan and whenever such control would eliminate the need for the Environmental Science Services Administration to resurvey the same area.

Accordingly, we are recommending that the Director, Bureau of the Budget, determine whether the geodetic surveying activities conducted by Federal agencies and under programs administered by Federal agencies are or such a nature and scope that it would be economically feasible to have such surveys, when undertaken in uncontrolled areas, performed to standards which would extend the national network of geodetic control. This recommendation contemplates that the Environmental Science Services Administration will continue to provide for the direction and coordination necessary for establishment of a national network of geodetic control and that consideration will be given to having it fund the additional costs incurred by other Federal agencies to bring their surveys up to the national network standards.

[Index No. 90—B–157421, Jan. 31, 1967]

Procurement of Locomotives for Thailand Under the Military Assistance Program, Department of Defense

The General Accounting Office has examined into the Department of the Army's procurement of locomotives for Thailand under the

military assistance program. Our findings are summarized in this letter add described in more detail in the accompanying report.

We found that the Department of the Army had incurred costs of about $1 million to buy for and deliver to Thailand, locomotives which were unable to meet Thailand's specific requirements for main-line use, the purpose for which furnished. We found also that Department of the Army officials had not obtained clarification of contradictory technical requirements but, instead, had prepared a purchase description and initiated procurement of the locomotives before ascertaining whether the locomotives would be able to perform the function for which they were intended. Therefore the locomotives procured, which are adequate only for switching and yard work, are being replaced with main-line locomotives costing about $2,305,000. The replacement locomotives were expected to be delivered to Thailand in December 1966.

In our opinion, locomotives which were unsuitable for the specific needs of the user would not have been procured if Department of the Army officials had obtained clarification of the contradictory technical requirements. We believe that such clarifications would have been facilitated by management procedures requiring the user's review and approval of a purchase description for complex nonstandard items prior to the award of a contract.

In view of significant unnecessary costs that could be incurred in similar cases throughout the Defense establishment, we proposed that the Secretary of Defense require the military departments to establish procedures requiring that purchase descriptions for complex equipment be submitted to interested review and user activities for comment and approval prior to procurement. We proposed also that the Secretary of Defense direct the Department of the Army to consider using the locomotives now in Thailand, which are adequate only for switching and yard work, for satisfying potential requirements or, in the absence of such valid requirements, to consider selling the locomotives to Thailand.

The Department of the Army, on behalf of the Department of Defense, advised us that then-current policies and procedures within the Defense establishment were responsive to our proposals, and that applicable Army Regulations direct that supplying agencies correspond directly with military assistance advisory groups and unified commands when clarification is essential for ensuring that the equipment to be procured will meet the user's requirements. As discussed in this report, however, even though direct contact had been established between the requisitioning and procuring activities, locomotives were procured that were not suitable for performing the passenger and freight-hauling functions required.

Accordingly, we are recommending that the Secretary of Defense require the military departments to establish procedures providing for user activity review and approval of a purchase description for complex nonstandard equipment when there is doubt as to the exact nature of the intended equipment. This review should be made prior to the award of a contract for the equipment and should be documented in the contract file covering such procurement.

The Department of the Army also advised us that it was exploring potential outlets for the locomotives which were unsuitable for the purposes for which provided. We intend to inquire further into the

disposition of or uses made of the switching locomotives by United States activities.

[Index No. 91—B-39995, Feb. 15, 1967]

Survey of Reviews by the Defense Contract Audit Agency of Contractors' Price Proposals Subject to Public Law 87-653

Since July 1965, contract audit work in the Department of Defense has been performed by the Defense Contract Audit Agency, a new agency formed at the direction of the Secretary of Defense by consolidating various contract audit staffs formerly assigned to the three military departments.

We made a survey of the Agency's reviews of contract pricing proposals negotiated without the safeguards of competition. These reviews, which are made prior to negotiation with the contractor, constitute a substantial portion of the Agency's workload and are accorded the highest priority. Our survey included work at Agency audit sites at 20 plants of private companies generally among the top 100 defense contractors in the United States.

The Agency is making significant progress. But our survey showed that, in order to operate more effectively with its workload of many thousands of contract pricing proposals totaling over $40 billion annually, improvements are needed in four areas, as summarized below.

1. Prices of most defense procurement contracts are based largely on estimated costs in proposals submitted by contractors as a basis for negotiation. Nationwide and individual reviews in recent years by military procurement and audit organizations—as well as current surveys by the Defense Contract Audit Agency—have disclosed a need for major contractors to improve and incorporate into a formal system their estimating methods and procedures. This would provide greater management control over the estimating processes used in preparing price proposals, and facilitate review and negotiation.

We brought this problem to the attention of top Defense officials in a preliminary report and in a special briefing. In January 1967 the Department released a Defense Procurement Circular, effective immediately, designed to attain a number of improvements, including—

Policy guidance to procurement officials and auditors.

Criteria for acceptable cost estimating systems.

Reasons why these systems benefit industry as well as Government.

Steps to be taken to correct present deficiencies.

This action by the Department is important and commendable. We recommended some steps to help out the new directive.

2. In a number of instances defense auditors did not review significant cost estimates in price proposals. This was due in part to a carryover of practices followed by former audit organizations when responsibilities for reviews of proposals were less than those currently specified in procurement regulations. The Department told us that actions are underway—or are planned—to

correct this situation. We recommended that the Secretary of Defense review these corrective efforts within the next year.

3. Defense auditors ordinarily were not receiving information from procurement officials on the usefulness of their audits in negotiations or on ways that their services could be more effective in future negotiations. The Department has acted on our proposal to provide this type of "feedback" to its auditors.

4. Defense auditors have experienced difficulties, when reviewing proposed contract prices, in obtaining what they considered to be sufficient access to contractors' records. The Department informed us that new guidelines had been issued to help resolve these access-to-records problems. If this action is supported by continuous assistance from procurement officials, at all levels, it should improve the situation.

In a prior report to the Congress (E–158193, February 1966), we recommended that the Defense Department establish a regularly scheduled program to administer the defective pricing provisions required in certain types of negotiated contracts by Public Law 87–653—"The Truth in Negotiation Act." This law provides for price adjustments in favor of the Government when it is found that established prices have been increased significantly because of defective data used in negotiations. A program for these reviews was established by the Defense Contract Audit Agency during 1966.

[Index No. 92—B–118654, Feb. 23, 1967]

Potential Savings Through Constructing Rather Than Leasing Housing at Brewerville, Liberia, United States Information Agency

The General Accounting Office has examined into the economical aspects of the construction of housing rather than the planned and current leasing of housing by the United States Information Agency at Brewerville, Liberia.

We believe that savings of upwards of $2 million would have been obtainable over the period of the 33-year country-to-country agreement if the United States Information Agency, at the appropriate time, had sought and obtained from the Congress the necessary funds and had constructed houses required at Brewerville, Liberia, rather than leasing from private owners. Although the total potential savings are diminishing each year, we believe that substantial savings are still possible by constructing housing. Moreover, the potential savings could be much higher if the Agency African Program Center in Brewerville, Liberia, is staffed to the level that the Agency has planned and if the number of houses constructed are increased to meet the full level of planned staffing.

The Agency requested funds from the Congress in its fiscal year 1964 budget to construct the African Program Center, but no information was furnished to the Congress as to how the Agency planned to meet housing needs for employees required to operate this facility. The Agency did not request funds for construction of housing in either its fiscal year 1964 or fiscal year 1965 budget submissions,

although the Agency was already well aware of the desirability of constructing its own housing rather than leasing. We were informed that the Agency subsequently attempted to request funds for housing construction in its fiscal year 1966 submission but that this request was deleted by the Agency from the budget submission to the Congress when the Bureau of the Budget required the Agency to reduce the total budgetary funds being requested. No request for funds for this purpose appeared in the fiscal year 1967 budget submission to the Congress.

We submitted a draft report on this subject to the United States Information Agency. The Agency's response indicated general agreement with the facts presented in our report.

[Index No. 93—B–133118, Feb. 23, 1967]

Potential Savings in the Procurement of Spare Aircraft Parts for Outfitting Aircraft Carriers, Department of the Navy

The General Accounting Office has examined into the noncompetitive purchase of spare parts by the Department of the Navy for use on aircraft placed aboard aircraft carriers.

The purchase of parts competitively or directly from parts manufacturers whenever feasible is a stated policy of the Department of Defense. We found, however, that spare parts for the initial support of certain aircraft weapon systems were being purchased by the Navy from the airframe manufacturer on a sole-source basis although the majority of the parts were manufactured by other sources from which the Government could have obtained the parts at a significant reduction in price. We were informed that the Navy purchased the parts from the airframe manufacturers because sufficient time was not available to permit purchase of the parts competitively or directly from parts manufacturers.

With adequate advance planning, we believe that this problem can be overcome and that the Navy can realize the savings obtainable by purchasing from other sources. For example, we estimate that savings of as much as $2.3 million on the RA–5C and A–6A types of aircraft might have been realized if the procurement method we are advocating had been followed in the outfitting of certain aircraft carriers. We estimate also that future savings of about $1.5 million can be obtained on the A–7A type of aircraft by adoption of this procurement method before the carrier outfittings and that comparable savings can be realized on other aircraft to be purchased in the future.

On the basis of the information obtained during our review, we believe that it is practicable to buy a substantial portion, if not all, of the parts for carrier outfittings from parts manufacturers on a competitive or direct basis instead of through the airframe manufacturer on a sole-source basis. This is exclusive of those parts manufactured in whole or significant part by the airframe manufacturer itself.

Therefore, we proposed that the Secretary of the Navy take the necessary steps to increase the quantities of parts that will be purchased competitively or directly from parts manufacturers for carrier outfittings. In this connection, we proposed that the Navy identify

and purchase those parts which have a procurement lead time short enough to permit competitive or direct procurement from the parts manufacturers in time to meet carrier outfittings schedules. For the remaining parts, those having a relatively long procurement lead time, we proposed that a study be made to determine whether, with adequate planning, it is also practicable for the Navy to assume procurement responsibility for some, if not all, of those parts.

The Department of the Navy in a letter dated September 27, 1966, expressed agreement with our proposal and stated that it would take such steps as are necessary to increase purchase of aeronautical spare parts in support of carrier outfittings on a competitive basis or directly from parts manufacturers. On December 28, 1966, the Department also advised us that it plans to purchase more than 46 percent of the total value of spare parts required for support of A–7A type of aircraft on a competitive or direct basis.

[Index No. 94—B–160419, Feb. 23, 1967]

Savings Available Through Expanded Use of Regional Contracts for the Repair and Maintenance of Selected Office Machines, General Services Administration

The General Accounting Office has made a review of the General Services Administration program for obtaining repair and maintenance services for selected Government-owned office machines. The review showed that opportunities existed for savings on the repair and maintenance of office machines through the use of contracts with local repair firms instead of through the use of national Federal Supply Schedule contracts with machine manufacturers. Our findings are summarized in this letter and described in detail in the accompanying report.

The General Services Administration makes available repair and maintenance services for office machines to Federal agencies through national contracts negotiated with the office machine manufacturers and published in Federal Supply Schedules and through regional contracts awarded on a competitive bid basis to local repair firms. The national and regional contracts generally provide several basic plans for servicing office machines, including repairs and services made on a per-call basis at an hourly charge, and maintenance inspections and services, including any necessary replacement parts, at a fixed annual fee.

Our review showed that the prices paid for repair and maintenance services for adding machines, calculators, comptometers, and electric typewriters under the national contracts were higher than the prices charged for the same types of services under regional contracts and under separate arrangements made by Federal, State, and local government activities, and commercial concerns with selected local repair firms.

On the basis of our review, we believe that the services furnished under regional contracts and under separate arrangements were satisfactory and that the price differences were not justified by service considerations. We estimate that Federal agencies could have saved up to $1.2 million during fiscal year 1965 for repair and maintenance

services of the selected office machines through the use of local repair firms instead of the Federal Supply Schedule contractors.

Our review also showed that, although Government and independent studies indicated that the per-call basis was the least expensive method for obtaining services, most of the Federal expenditures had been for the more costly maintenance inspections and services at a fixed annual fee. The General Services Administration had, in July 1965, encouraged Federal agencies to study and analyze their office machine servicing needs as part of a project to establish Government-wide guidelines for obtaining service for office machines. However, because of the lack of agency responses, the General Services Administration had taken no further action.

In a letter dated August 15, 1966, the Deputy Administrator advised us that the General Services Administration was in accord with our proposals to (1) expand the use of regional contracts for servicing office machines and aggressively stimulate their use by Government agencies and (2) review the status of the project to establish criteria and guidelines to assist Government agencies in determining the best method to be used in obtaining services for office machines. The Deputy Administrator stated that, to give additional impetus to the regional contract program, it now appeared that a scheduled phaseout of the use of the national contracts in selected areas, especially where sufficient contractor capability was known to exist, was warranted. He stated also that the agency expects to have regional contracts in effect in all regions by June 30, 1967.

The Deputy Administrator advised us also that a revision to the Federal Property Management Regulations concerning the relative advantages and disadvantages of the per-call and annual maintenance contracts would be published and that more definite criteria and guidelines would be issued to Federal agencies at a future date. The first revision to the Federal Property Management Regulations was effective on November 4, 1966.

We believe that the proposed actions should result in a greatly expanded regional contract program with significant savings to the Government. We believe also that participation by the Department of Defense in the General Services Administration regional contract program, to the maximum extent possible, will result in the lowest overall prices to the Government.

77-601—67——20

Appendix 6

G.S.A. Selected Statistics, July 1, 1956–June 20, 1966

SOURCE OF DATA

This publication contains selected financial and operating statistics covering GSA's operations and growth for the fiscal years 1957 through 1966. These statistics are presented for each GSA "service" by major program activity.

Financial data and related operating statistics, where applicable, are based on actual year data contained in budget justifications submitted to the Bureau of the Budget. Data not contained in budget submissions are based on other official published financial and operating reports.

Data have been adjusted for the more significant changes to reflect comparability irrespective of the date of establishment of organizational or funding entities (e.g., Transportation and Communications Service, Property Management and Disposal Service, Data Processing Working Fund) and of the realinement of functions among the Services and Staff Offices.

Public Buildings Service

[All dollars in millions]

	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966
Operating expenses, PBS:										
Appropriation (adjusted)	$118.4	$132.9	$143.9	$154.6	$167.6	$179.9	$194.0	$218.8	$225.3	$238.3
Obligations	$117.6	$132.9	$143.1	$154.2	$164.6	$179.5	$193.6	$217.1	$225.2	$247.8
Expenses, U.S. courts:										
Appropriation								$1.0	$1.0	$1.6
Obligations								$.9	$.9	$1.4
Repair and improvement:										
Appropriation	$55.2	$65.0	$75.0	$60.0	$58.0	$58.0	$65.0	$75.0	$90.0	$87.5
Obligations	$45.8	$76.0	$75.9	$53.1	$61.2	$62.6	$64.8	$76.0	$90.7	$88.4
Workload (millions of net square feet)	111.2	114.4	114.4	115.6	121.4	128.5	114.1	156.3	163.7	173.4
Buildings management fund:										
Income by source:										
Operating expenses, PBS	$113.2	$125.3	$130.1	$137.2	$151.5	$163.2	$176.3	$197.1	$210.5	$222.8
Repair and improvement	10.2	29.0	24.1	14.0	14.2	15.6	15.9	17.5	17.4	19.1
Other GSA appropriations and funds	9.5	8.0	9.5	8.7	8.8	10.1	11.6	11.0	11.5	11.6
Other agencies	39.5	42.5	56.5	66.4	67.7	70.9	61.4	62.6	63.7	75.8
Rental of future building sites			.8	1.4	1.1	.7	.6	1.1	1.2	1.1
Construction and alteration program							10.4	33.1	22.7	49.5
Total	172.4	204.8	221.0	227.7	243.3	260.5	276.2	322.4	327.0	379.9
Expenses by function:										
Government-owned space	62.6	71.2	78.4	85.3	97.5	102.3	106.9	115.9	129.5	139.9
Leased space	66.4	73.2	80.4	86.9	88.5	96.1	113.0	129.1	133.6	143.1
Maintenance repairs	13.5	10.3	11.3	10.2	14.2	14.5	15.1	15.7	16.1	17.8
Job orders work	29.5	49.5	49.9	43.1	42.6	46.1	28.4	26.9	23.5	26.9
Operation of future building sites			.1	.3	.2	.1		.2	.2	
Construction and alteration program							10.4	33.1	22.7	49.5
Total	172.0	204.2	220.1	225.8	243.0	259.1	273.8	320.9	325.6	377.2
Expenses by kind:										
Labor	74.7	85.8	991.3	85.6	93.9	96.2	99.8	109.1	117.0	126.4
Supplies and material	6.7	8.1	10.0	9.1	10.0	11.2	11.3	11.4	11.4	12.9
Utilities and fuel	16.4	17.4	18.8	23.1	23.1	31.2	28.8	31.6	33.5	36.1
Rent	51.2	56.6	63.5	70.2	71.2	80.0	96.3	111.7	116.5	126.0
Other	23.0	36.3	36.5	37.8	44.8	40.5	37.6	57.1	47.2	75.8
Total	172.0	204.2	220.1	225.8	243.0	259.1	273.8	320.9	325.6	377.2

Public Buildings Service—Continued

	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966
Space management workload (million average net square feet):										
Government-owned space—financed by:										
Operating expenses, PBS	$54.9	$54.9	$55.1	$57.7	$62.9	$69.2	$73.5	$78.6	$83.5	$87.5
Other agencies and other GSA funds	14.6	19.3	22.9	26.0	29.9	35.5	40.1	46.5	50.3	54.2
Total	69.5	74.2	78.0	83.7	92.8	104.7	113.6	125.1	133.8	141.7
Leased space—fiinanced by:										
Operating expenses, PBS	$20.5	$21.4	$22.0	$22.1	$22.0	$24.0	$26.9	$30.6	$30.4	$29.5
Other agencies and other GSA funds	13.5	14.4	14.5	14.0	13.9	13.0	14.0	12.8	13.2	14.3
Total	34.0	35.8	36.5	36.1	35.9	37.0	40.9	43.4	43.6	43.8
Total all space	103.5	110.0	114.5	119.8	128.7	141.7	154.5	168.5	177.4	185.5
Number of occupants of buildings	461,054	473,110	472,492	489,946	486,841	532,971	548,606	575,157	593,161	623,473
Construction:										
GSA direct:										
Construction:										
Appropriation	$0.5	$3.9	$173.1	----------	$166.0	$215.4	$182.4	$157.6	$164.7	$133.6
Obligations	5.5	4.1	55.0	$95.7	127.4	79.4	243.2	125.6	157.2	133.3
Sites and expenses:										
Appropriation	5.0	20.0	39.9	25.0	21.0	24.9	30.5	40.0	20.1	19.5
Obligations	13.2	7.9	30.3	8.8	18.9	14.5	36.2	33.8	23.4	23.5
Payments, purchase contracts:										
Appropriation	.2	1.3	.3	1.7	4.0	5.2	5.4	5.2	9.9	3.4
Obligations	----------	.1	.1	1.3	3.7	4.7	5.0	5.2	9.8	3.4
Additional court facilities:										
Appropriation	----------	----------	----------	----------	----------	4.5	8.5	----------	----------	----------
Obligations	----------	----------	----------	----------	----------	1.3	2.5	4.1	1.5	.4
Transfer to GSA:										
Appropriation	65.4	43.5	133.4	24.3	56.3	56.1	51.8	84.5	61.6	69.6
Obligations	59.5	39.6	85.8	46.6	62.6	49.3	41.2	69.9	44.0	64.4
Construction services fund:										
Income by source:										
Operating expense, PBS	----------	----------	----------	$0.2	$0.3	$0.5	$0.7	$0.8	$1.1	$0.9
Sites and expenses	1.0	1.1	1.3	1.1	1.6	1.7	2.4	3.7	4.0	5.1
Repair and improvement	.2	.2	.2	4.2	4.3	4.0	4.0	4.5	4.8	6.4
Other GSA funds	.3	.5	.8	.1	.1	.1	.2	.2	.1	.3
Other Government agencies	.1	.1	.1	2.3	2.9	3.3	4.3	5.2	5.9	5.5
Total	1.6	1.9	2.4	7.9	9.2	9.6	11.6	14.4	15.9	18.2

Number of employees, EOP	19,148	19,365	19,251	19,374	19,851	20,232	20,587	22,066	22,626	22,663
Buildings management fund	17,844	17,983	17,856	17,983	18,343	18,567	18,652	20,013	20,598	20,697
Construction services fund	904	978	993	1,005	1,102	1,129	1,341	1,452	1,437	1,396
OE,PBS	387	372	366	355	367	500	553	559	549	528
Sites and expenses	13	32	36	31	39	36	41	42	42	42
Central office	403	474	487	455	480	434	465	475	452	395
Field:										
General schedule	5,200	5,200	5,223	5,276	5,474	5,513	5,882	6,187	6,415	6,390
Wage board	13,545	13,691	13,541	13,643	13,897	14,285	14,240	15,404	15,759	15,878

Federal Supply Service

[Dollars in millions]

	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966
Operating expense (obligations):										
Appropriated funds	$19.1	$21.9	$24.6	$25.0	$28.3	$34.1	$39.8	$47.8	$53.5	$59.0
Advances and reimbursements	$2.0	$2.8	$3.5	$3.5	$4.1	$3.8	$4.1	$5.7	$7.7	$13.5
General supply fund:										
Sales by type:										
Stores sales:										
Depot (including fuel)	$116.4	$120.7	$145.5	$154.3	$183.2	$229.6	$259.7	$287.8	$343.9	$422.8
Direct delivery	$14.7	$17.5	$25.0	$20.5	$22.7	$38.1	$32.4	$36.3	$38.3	$49.2
Nonstores sales	$67.4	$57.3	$99.4	$94.9	$112.7	$135.9	$154.9	$168.9	$211.0	$194.5
Sales by customer agency	$198.5	$195.5	$269.9	$269.7	$318.6	$403.6	$447.0	$493.0	$593.2	$666.5
Military	95.1	105.3	157.1	159.9	169.9	229.0	249.6	286.4	374.9	454.8
Civilian	103.4	90.2	112.8	109.8	148.7	174.6	197.4	206.6	218.3	211.7
Items paid directly by using agency	$77.9	$80.1	$74.4	$55.3	$44.3	$62.7	$59.0	$61.0	$61.6	$59.4
Federal supply schedule purchases	$373.7	$411.3	$511.7	$540.2	$644.8	$697.1	$782.0	$985.5	$962.0	$1,019.7
Number of line items shipped (millions)	3.1	3.2	3.7	4.1	4.7	5.4	5.9	6.6	7.9	8.4
Inventories, EOP	$37.1	$41.1	$53.1	$55.5	$66.3	$94.8	$105.6	$182.7	$188.1	$190.9
Accounts receivable, EOP	$34.8	$37.5	$34.0	$55.7	$48.8	$80.0	$70.4	$82.0	$116.0	$135.6
Working capital:										
Appropriated	$62.0	$74.5	$95.8	$95.8	$115.8	$129.2	$167.8	$197.8	$197.8	$197.8
Donated assets (net)	$3.3	$5.1	$6.3	$8.4	$9.9	$10.9	$14.2	$56.2	$60.9	$81.3
Advances from other agencies	$12.4	$7.8	$21.8	$23.1	$28.8	$42.9	$64.9	$54.6	$77.6	$145.2
Number of employees, EOP	1,993	2,036	2,145	2,188	2,570	3,144	3,429	3,972	4,357	5,309
Regular programs	1,953	1,986	2,055	2,061	2,399	2,884	3,072	3,462	3,727	4,302
Reimbursable	40	50	90	127	171	260	357	510	630	1,007
Central offices	415	476	483	498	595	730	720	813	863	923
Field	1,578	1,560	1,662	1,690	1,975	2,414	2,709	3,159	3,494	4,386

	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966
Operating expenses, NARS (millions of dollars):										
Appropriation (adjusted)	6.9	7.8	9.2	9.4	14.3	14.0	14.4	14.7	15.8	16.6
Obligations (including reimbursable)	7.0	8.0	9.2	9.4	14.3	14.1	14.5	14.9	16.1	17.3
Records centers	4.0	4.2	4.9	4.9	8.8	8.4	8.6	8.6	9.4	9.8
Other activities	3.0	3.8	4.3	4.5	5.5	5.7	5.9	6.3	6.7	7.5
Historical publications grants (millions of dollars):										
Appropriation									0.35	0.35
Obligations									0.31	0.33
Records centers:										
Accessions (thousand cubic feet):										
Regional centers	629	581	692	688	694	741	735	771	761	750
National personnel records centers	14	16	13	13	50	78	126	64	70	74
Disposals (thousand cubic feet):										
Regional centers	325	346	405	411	570	537	555	542	552	556
National personnel records centers	6	5	5	5	17	13	6	28	10	12
Inventory, EOP (thousand cubic feet):										
Regional centers	3,186	3,391	4,677	5,301	5,362	5,438	5,784	5,994	6,129	6,475
National personnel records centers	436	449	457	463	1,373	1,512	1,661	1,695	1,778	1,913
Reference services: (thousands):										
Regional centers	1,663	1,944	2,621	2,946	2,972	3,110	3,125	3,104	3,166	3,597
National personnel records centers	685	559	530	483	1,842	1,764	1,690	1,640	1,673	1,860
Number of employees, EOP	1,009	1,125	1,190	1,203	1,885	1,891	1,848	1,800	1,852	1,902
Operating expenses, NARS	991	1,096	1,156	1,168	1,846	1,848	1,795	1,739	1,781	1,806
National Archives	247	250	331	339	353	347	367	355	348	363
Federal records centers	350	455	443	458	461	447	439	437	512	509
Personnel records centers	240	255	215	197	849	859	796	735	696	709
Presidential liabraries	13	24	12	25	29	36	35	49	54	53
Federal Register, etc	141	112	155	149	154	159	158	163	171	172
Trust and gift fund	18	29	34	35	39	43	53	61	71	96
Reproduction and microfilm	12	21	24	24	29	32	41	41	43	48
Presidential libraries	6	8	10	11	10	11	12	13	13	24
Historical publications								7	15	24
Central office	380	378	464	476	499	496	533	539	570	592
Field (includes departmental personnel payrolled in the field)	629	747	726	727	1,386	1,395	1,315	1,261	1,282	1,310

Transportation and communications service [1]

	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966
Regulatory proceedings:										
Transportation cases:										
Entered	21	16	9	12	9	2	10	8	5	----------
Concluded	7	18	7	11	14	4	9	11	9	2
Pending, end of period	22	20	22	23	18	16	17	14	10	8
Utility cases—GSA:										
Entered	6	7	2	5	4	5	2	4	2	1
Concluded	2	3	3	7	4	2	5	4	4	1
Pending, end of period	5	9	8	6	6	9	5	5	3	3
Utility cases delegated	----------	2	----------	10	11	9	4	3	6	2
Communications: including SAGE cases:										
Entered	2	1	3	7	9	2	7	5	2	3
Concluded	----------	----------	----------	2	3	2	4	3	7	1
Pending, end of period	2	3	6	9	15	15	19	21	16	18
Estimated freight savings (in millions)	$9.7	$12.1	$16.9	$15.6	$24.1	$16.9	$19.1	$12.5	$31	$31
Interagency motor pool system:										
Pools in operation	22	33	44	56	60	66	75	82	91	94
Vehicles in use, June 30	6,535	10,848	13,196	17,342	20,659	23,726	26,833	32,869	38,941	45,612
Revenue mileage (in thousands)	40,293	86,962	129,612	170,056	221,768	248,147	292,722	344,704	411,949	473,165
Nonrevenue mileage (in thousands)	----------	----------	----------	----------	----------	----------	----------	----------	----------	717
Sales (in thousands)	$3,704	$7,429	$10,972	$14,444	$18,733	$20,920	$24,469	$28,213	$34,340	$39,264
Operating expense:										
Obligations (in thousands)	$1,959	$2,515	$2,995	$2,977	$3,305	$4,046	$4,800	$5,129	$5,834	$5,865
Appropriated funds	$1,829	$2,305	$2,758	$2,755	$3,057	$3,807	$4,554	$4,915	$5,634	$5,712
Transfers and reimbursements	$130	$210	$237	$222	$248	$239	$246	$214	$200	$153
Federal telecommunications fund sales [2] (in millions)	$15.5	$17.1	$19.3	$21.1	$22.7	$27.1	$33.6	$41.5	$63.5	$81.6
Cost of communications service (in thousands):										
Voice	$13.5	$14.8	$16.6	$18.1	$19.8	$23.5	$29.4	$33.3	$60.7	$69.7
Record	$1.8	$2.1	$2.7	$3.0	$2.8	$3.2	$3.7	$4.5	$4.1	$3.9
Other	----------	----------	----------	----------	----------	----------	$0.2	$1.7	$3.2	$3.8

Number of employees, end of period:										
Appropriation:										
Central office	143	157	132	129	147	172	206	200	214	218
Field	92	119	119	136	157	172	184	173	188	177
Total	235	276	251	265	304	344	390	373	402	395
DPA, CCC, and CD warehousing, etc.:										
Central office	50	57	61	36	18	18	17	21	22	14
Field	6	6	6	33	11	11	11	4	----	----
Total	56	63	67	69	29	29	28	25	22	14
Interagency motor pool:										
Central office	----	10	12	16	14	12	12	14	14	15
Field	284	338	375	449	485	502	535	681	794	849
Total	284	348	387	465	499	514	547	695	808	864
Federal telecommunications fund: [2]										
Central office	----	----	----	----	----	----	----	12	28	74
Field	[3] 1,100	[3] 1,100	1,162	1,173	1,189	1,274	1,366	1,488	1,469	1,441
Total	[3] 1,100	[3] 1,100	1,162	1,173	1,189	1,274	1,366	1,500	1,497	1,515
Total, transportation and communications service:										
Central office	193	224	205	181	179	202	235	247	278	321
Field	1,482	1,563	1,662	1,791	1,842	1,959	2,096	2,346	2,451	2,467
Total	1,675	1,787	1,867	1,972	2,021	2,161	2,331	2,593	2,729	2,788

[1] Established in fiscal year 1962.
[2] Activated July 1, 1963.
[3] Estimated.

Property management and disposal service—Stockpile management

	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966
Inventories, end of period (acquisition cost): [1]										
National stockpile	6,041.8	6,169.0	6,216.2	6,153.5	6,107.2	6,049.6	5,816.5	5,677.3	5,394.6	4,913.5
Supplemental stockpile	216.6	291.9	604.1	754.2	950.6	1,141.1	1,276.1	1,358.2	1,396.5	1,407.6
Defense production	679.6	1,140.1	1,368.2	1,448.7	1,482.9	1,495.8	1,499.5	1,463.6	1,397.9	1,181.3
Commodity Credit Corporation	143.5	226.5	98.5	119.1	108.8	99.9	57.4	15.3	10.1	18.0
Other	27.1	32.5	9.5	9.5	9.5	----------	----------	----------	----------	20.2
Total	7,108.6	7,860.0	8,296.5	8,485.0	8,659.0	8,786.4	8,649.5	8,514.4	8,181.1	7,540.6
Number of storage locations	223	216	217	215	213	208	165	158	152	152
Commercial	136	129	130	125	123	119	79	73	67	67
Government:										
Military agencies	65	65	62	58	58	57	53	52	47	44
Civilian agencies	22	22	25	32	32	32	33	33	38	41
Disposals (sales value): [1]										
SCM	----------	----------	----------	----------	42.2	47.7	80.5	127.1	343.3	808.9
DPA	----------	----------	----------	----------	27.1	29.2	30.0	40.0	80.2	198.5
Other	----------	----------	----------	----------	----------	10.6	----------	----------	9.0	20.7
GSA/CD depots:										
Warehouses in operation	21	24	23	22	22	21	21	18	17	16
Storage locations, fallout shelter supply	----------	----------	----------	----------	----------	----------	40	34	24	14
Inventory, end of period [1]	85.0	96.2	99.5	99.5	100.8	117.5	208.9	216.6	228.8	213.9

Strategic and critical materials (obligations):[1]										
New materials purchases	191.2	80.8	4.3	1.6	.6	1.0	.7	.6	.3	.5
Upgrading of materials		2.3	4.5	0.6	3.6	.4	.1			.1
Rotation purchases	70.2	40.2	48.1	14.4	8.5	13.4	.4			
Administrative, storage and NIER	18.2	20.3	25.1	19.0	17.6	17.1	16.5	15.2	16.4	15.9
Total	279.6	143.6	82.0	35.6	30.3	31.9	17.7	15.8	16.7	16.5
Value of material used as payment of upgrading[1]								.9	3.0	1.6
Defense Production Act:[1]										
Cumulative gross transactions contracted, end of period	7,315.9	7,550.1	7,489.9	7,492.7	7,481.3	7,508.7	7,566.0	7,635.8	7,719.9	7,821.0
Deliveries of strategic materials	216.9	495.2	246.6	135.1	72.0	57.0	21.5	4.0		
Gross expenditures for operations	281.7	552.0	310.1	224.1	163.8	129.9	90.8	74.4	79.8	75.9
Number of employees, end of period:										
Central Office	233	214	176	152	143	138	138	130	137	169
Field	685	596	553	513	525	793	909	889	835	735
Total	918	810	729	665	668	931	1,047	1,019	972	904
Strategic and critical materials	662	566	473	548	543	493	521	466	445	489
Defense Production Agency	117	109	96	66	56	50	27	24	27	39
Commodity Credit Corporation	39	44	40	51	69	66	65	56	48	29
GSA/CD Depots						322	432	472	450	345
Other	100	91	120				2	1	2	2
Machine tools (in storage, on lease or loan):										
Quantity	6,465	5,219	4,935	6,694	8,287	9,342	9,452	9,810	10,027	10,201
Value (in thousands of dollars)	36,668	35,122	46,785	68,240	86,846	95,667	92,317	92,981	90,296	86,099

[1] Amount in millions of dollars.

Property management and disposal service—Excess and surplus property

[Dollar amounts in millions]

	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966
Real property:										
1. Excess reported:										
(a) Number of properties	536	780	886	899	863	825	880	814	969	1,009
(b) Acquisition cost	$119	$357	$571	$887	$640	$696	$801	$469	$658	$1,547
2. Utilization transfers:										
(a) Transfers to Federal agencies:										
(1) Number of properites	102	90	70	87	63	44	62	53	71	63
(2) Acquisition cost	$5	$21	$7	$9	$79	$87	$114	$101	$158	$102
(b) Withdrawn by holding agencies:										
(1) Number of properties	65	80	76	102	59	55	66	49	65	83
(2) Acquisition cost	$7	$10	$14	$24	$8	$10	$31	$77	$84	$233
3. Sales:										
(a) Number of properties	165	278	339	336	275	260	253	268	292	365
(b) Acquisition cost	$27	$80	$81	$320	$413	$442	$360	$340	$260	$416
(c) Appraised fair market value (AFMV)	$10	$31	$27	$71	$72	$71	$75	$85	$42	$80
(d) Selling price	$12	$40	$31	$78	$72	$79	$78	$90	$46	$125
(1) Percent of acquisition cost	43	50	38	24	17	18	22	26	18	22
(2) Percent of AFMV	119	129	113	109	100	110	104	106	111	118
4. Other surplus transactions:										
(a) Donations, etc.:										
(1) Dumber of properties	200	215	221	247	203	236	254	217	227	295
(2) Acquisition cost	$37	$41	$38	$96	$143	$191	$122	$171	$221	$405
(b) Disposal action by holding agency:										
(1) Number of properties	257	384	497	522	468	440	491	464	466	346
(2) Acquisition cost	$58	$69	$54	$58	$48	$86	$72	$55	$56	$42
5. Properties on hand at end of year:										
(a) Excess property:										
(1) Number of properties	152	168	181	152	156	159	191	153	154	171
(2) Acquisition cost	$76	$94	$215	$331	$366	$408	$442	$328	$313	$236
(b) Surplus property:										
(1) Number of properties	480	416	346	251	249	256	261	295	386	513
(2) Acquisition cost	$292	$338	$585	$877	$820	$765	$879	$822	$855	$1,541
(c) Total excess and surplus:										
(1) Number of properties	632	584	527	403	405	415	452	448	540	684
(2) Acquisition cost	$368	$432	$800	$1,208	$1,186	$1,173	$1,321	$1,150	$1,168	$1,777

Personal property:										
(a) Utilization and donation-acquisition cost:										
1. Subject to GSA screening	$563.7	$989.0	$1,258.0	$1,500.0	$1,680.7	$1,473.8	$1,828.4	$3,681.2	$3,456.4	$3,027.5
2. Utilization transfers	$83.2	$138.0	$141.0	$218.0	$310.1	$362.7	$475.1	$623.0	$676.6	$617.1
3. Donations	$212.8	$289.0	$361.0	$413.0	$387.7	$350.7	$343.8	$392.5	$407.8	$429.2
(b) Sales:										
1. Usable property:										
(a) Acquisition cost			$19.2	$17.1	$24.4	$39.8	$39.5	$65.8	$69.8	$71.7
(b) Proceeds			$2.8	$2.7	$3.6	$5.8	$7.5	$9.3	$10.2	$11.3
(c) Percent return			14.6	16.0	14.9	14.6	18.9	14.1	14.6	15.8
2. Scrap—proceeds					$0.5	$0.6	$0.7	$0.8	$1.1	$1.7
3. Total proceeds					$4.1	$6.4	$8.2	$10.1	$11.3	$13.0
(c) Rehabilitation-acquisition cost		$2.9	$5.5	$7.5	$13.3	$21.0	$22.9	$53.4	$73.6	$89.6
Operating expenses (obligations):										
OE, UDS:										
Real property	$2.3	$2.3	$2.5	$3.7	$3.3	$3.4	$3.8	$3.6	$2.8	$2.5
Personal property	1.1	1.6	1.8	2.1	2.7	3.4	3.9	4.3	4.7	4.9
Service direction						.4	.5	.5	.6	.6
Administrative operations					.6	.8	.9	.8	.9	.9
Total OE, UDS	3.4	3.9	4.3	5.8	6.6	8.0	9.1	9.2	9.0	8.9
Expenses, disposal of surplus real and related personal property	.4	.7	1.0	1.9	1.2	1.2	1.0	.8	.8	1.0
Total UDS	3.8	4.6	5.3	7.7	7.8	9.2	10.1	10.0	9.8	9.9
Number of UDS employees, end of period:										
Appropriation:										
Central office	71	71	82	87	96	122	128	122	120	113
Field	225	278	281	330	401	471	499	496	512	500
Subtotal	296	349	363	417	497	593	627	618	632	613
General supply fund					28	28	35	30	32	31
Total	296	349	363	417	525	621	662	648	664	644

Analysis of staff employment

	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966
Office of Administration:										
Staff direction							34	39	48	35
Program and policy planning								9	7	8
Procurement regulations		6	9	12	14	13	16	8	8	6
Presidential commission liaison								2	4	5
Financial services	1,024	1,019	1,003	918	892	935	945	940	929	941
Supervision	31	33	34	31	31	44	33	43	42	40
Budget	99	99	101	102	98	101	104	100	99	109
Credit and finance	43	48	47	49	51	53	49	49	51	38
Accounting	851	839	821	736	712	737	759	748	737	754
Manpower and management	431	449	454	418	445	429	490	473	499	529
Supervision	17	21	22	16	17	20	34	13	17	4
Management evaluation	16	32	32	20	24	20	29	26	28	27
Administrative services	201	203	203	186	188	169	180	189	206	232
Personnel	197	193	197	196	216	220	247	245	248	266
Investigative services	153	164	161	158	162	163	152	154	157	155
Audit	93	97	93	91	92	93	83	83	86	79
Compliance and security	60	67	68	67	70	70	69	71	71	76
Other (nonrecurring)	28	28	32	43	45	40	49	34	59	48
Accounting automation project									15	26
GSA Institute (interagency)							10	34	44	22
Systems and procedures (regions)	28	28	32	43	45	40	39			
Office of General Counsel	117	125	126	131	125	134	138	135	130	124
Staff employment by fund:										
Administrative operations fund	1,753	1,791	1,785	1,680	1,683	1,714	1,824	1,794	1,841	1,851
Data processing working fund	149	171	177	275	315	456	489	495	580	660
Working capital fund (duplicating plant)	127	140	145	166	185	251	316	379	406	446
Salaries and expenses, Office of Administrator	100	101	104	103	112	131	133	131	128	135
Total employment:										
Presidential commissions, small agencies						265	236	1,291	1,463	2,152
Total GSA:										
Regular programs	27,410	27,891	27,946	28,213	29,944	31,519	32,650	34,897	36,092	37,244
Youth opportunity campaign									432	923
Relation, administrative support to total:										
Direct administrative support	1,725	1,763	1,753	1,637	1,638	1,674	1,775	1,760	1,782	1,803
Total program employment	27,410	27,891	27,946	28,213	29,944	31,784	32,886	36,188	37,555	39,396
Ratio	6.29	6.32	6.27	5.80	5.47	5.27	5.40	4.86	4.75	4.58

NOTE.—The arrangement of functional classifications is in accord with current organization (December 1966), and the data has been adjusted for changes in funding policy during the 10-year period. Employment data comprises both permanent and other positions.

Savings and economies to the Government as a result of GSA operations, fiscal years 1965 and 1966

[In millions of dollars]

Selected statistics	1966	1965
1. Savings through improvement of operating procedures and techniques and increased productivity in supply, transportation, and communications operations:		
a. Savings from large volume buying of supplies and materials for distribution through the GSA supply system and FSS schedule purchasing by using agencies	363.1	307.0
b. Reduction in freight costs of GSA and other Government agencies through consolidation of shipments, negotiation of rates with carriers, etc	31.9	31.0
c. Reduction in public utilities and communications costs through operation of the Federal Telecommunications System, consolidation of switchboards, execution of areawide contracts, negotiation and representation before regulatory bodies, etc	12.4	24.0
2. Savings and economies from more effective utilization of Government resources and improvement of consolidated services:		
a. Reduction in costs by evacuation of high cost Government and commercial storage facilities, through greater use of lower cost Government facilities, and by avoidance of costs through extension of the rotation cycle	.1	.4
b. Avoiding rental of office space by increased emphasis on moving dead or inactive records to GSA records centers to release substantial quantities of office space for reuse, and filing equipment, steel shelves and transfer cases put back into active use, thus avoiding new procurement of similar items. Fiscal year 1966 also includes savings of $10,900,000 from provision by GSA of records management assistance to agencies (data for prior year not available)	15.7	5.0
c. Increased emphasis on better space utilization, the conversion of warehouse and other special use space to office space, and the conversion of excess military and post office installations to office space, have avoided the leasing of space to house the Federal establishment; also economies from the conversion of manual operations by use of mechanical devices for elevators, boilers, protection and cleaning, etc.:		
(1) Conversion of special use and excess space to office space	---	8.1
(2) Conversion of manual operations by use of mechanical devices	.4	1.1
d. The expansion of the motor pool program (activated in 1954) as compared with prepool operations by agencies continues to pay dividends to the Government-annual savings	.2	16.0
e. The transfer of excess personal and real property among Federal agencies and the rehabilitation of personal property affords maximum possible use of available Government-owned property and thus minimizes expenditures for new property. Efforts of GSA's Property Management and Disposal Service have contributed to the continued growth of these programs and also resulted in an increased return on sales:		
(1) Property put to further Federal use (acquisition cost)	952.0	918.6
(2) Proceeds from sales of:		
(*a*) Personal property	13.0	11.3
(*b*) Real property	125.0	46.3
(3) Rehabilitation of personal property and distribution of such property through the GSA supply system (acquisition cost)	90.0	73.6
f. Automatic data processing sharing exchanges	26.0	---
3. Through constant attention to improving our organization, making maximum use of automatic data processing techniques, expansion of common services for use by other agencies, and improvement of our operating procedures, we have made savings which may be termed "administrative improvements"	1.6	.6
Total	1,631.4	1,443.0